

SB305 Letter of Support - OFR.pdf

Uploaded by: Amy Hennen

Position: FAV

February 6, 2025

Senate Finance Committee

Chair: Senator Pamela Beidle

Senate Bill 305 – Virtual Currency ATMs and Fraud Prevention

Position: Favorable

Dear Chair, Vice-Chair, and Members of the Committee,

The Office of Financial Regulation (OFR) is Maryland’s state consumer financial protection agency. OFR provides this testimony in favor of SB305, which seeks to address the risks and opportunities associated with virtual currency ATMs in Maryland. As the use of virtual currencies grows, so do concerns regarding their misuse, particularly to ensnare seniors and those in immigrant communities. OFR has been concerned about virtual currency ATM scams for some time and issued [an advisory](#) in February 2024 warning consumers about potential scams. Since that time, there have been numerous reports of virtual currency ATMs being used to facilitate criminal activity in Maryland. In adopting this bill, the Committee would set Maryland on the same path of providing oversight over virtual currency ATMs as Connecticut, Washington, and Texas. This testimony outlines the fraud risks that OFR sees as associated with virtual currency ATMs and how OFR believes that SB305 would mitigate these risks to protect consumers and the financial ecosystem.

Risks and Fraud Possibilities with Virtual Currency ATMs

1. Money Laundering

Virtual currency ATMs can facilitate money laundering by allowing criminals to convert illicit cash into cryptocurrency, which is harder to trace. This is often achieved through multiple small transactions designed to evade detection or by exploiting ATMs in jurisdictions with weak regulatory oversight. SB305 addresses this risk by requiring ATMs to collect the name, date of birth, and address of the person initiating the transaction through the ATM.

2. Identity Fraud

Fraudsters may use stolen identities or counterfeit documents to verify themselves at ATMs, bypassing existing security measures. Weak or non-existent Know Your Customer (KYC) protocols exacerbate this risk, allowing high-value transactions with minimal scrutiny. SB305 addresses this risk by requiring ATMs to collect the name, date of birth, and address of the person initiating the transaction through the ATM.

3. Consumer-Targeted Scams

Scammers frequently exploit virtual currency ATMs by coercing victims to deposit funds. The Federal Trade Commission reports that in 2023, consumers lost more than \$110 million to scams involving virtual currency ATMs and people over 60 are three times more likely to be defrauded this way. Common scams include:

- **Impersonation Scams:** Fraudsters posing as government agencies or law enforcement demand payments under threat.
- **Tech Support Scams:** Victims are manipulated into making payments for fictitious technical support services.
- **Romance Scams:** Vulnerable individuals are deceived into transferring funds under the guise of personal relationships.

SB305 addresses this risk by requiring the ATM to inform the consumer of the potential risks and the irreversible nature of these transactions.

4. Fake ATMs

Fraudsters may set up fake cryptocurrency ATMs designed to steal users' cash or personal information. These machines mimic legitimate ATMs but fail to transfer cryptocurrency or safeguard user data. SB305 addresses this risk by requiring legitimate ATMs to be registered with the Commissioner via NMLS. This will ensure consumers can review a list of registered ATMs.

5. Misrepresentation of Fees and Rates

Consumers are often unaware of the true costs associated with virtual currency ATM transactions. Fraudulent operators may impose hidden fees or misrepresent exchange rates to take advantage of users. SB305 addresses this risk by setting a limit on fees that can be charged and requiring that all fees be disclosed.

Conclusion

Senate Bill 305 represents an essential step toward mitigating the risks posed by virtual currency ATMs while fostering consumer trust and safety. By ensuring regulatory oversight and requiring that these companies register with OFR, Maryland can become a leader in ensuring the responsible use of virtual currencies while safeguarding its residents from fraud and abuse.

SB305 Virtual Currency.pdf

Uploaded by: Pamela Beidle

Position: FAV

PAMELA G. BEIDLE
Legislative District 32
Anne Arundel County

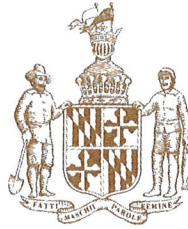
Chair, Finance Committee

Executive Nominations Committee

Joint Committee on Gaming Oversight

Joint Committee on Management
of Public Funds

Spending Affordability Committee



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 6, 2025

SB 305
Financial Institutions and Activities – Virtual Currency Kiosks
Registration and Regulation

Good afternoon, Vice Chair Hayes and Members of the Finance Committee;

Thank you for the opportunity to present SB 305, Financial Institutions and Activities - Virtual Currency Kiosks – Registration and Regulation.

We have probably all seen the kiosks SB 305 is attempting to regulate in convenience stores without even being aware what they are, maybe thinking they are regular ATM's. SB305 seeks to define what these kiosks are and who is the responsible party operating the kiosk. It gives the Commissioner of Financial Regulation the authority to investigate and enforce this Act.

SB 305 requires certain information be on file regarding the kiosk, annual renewal, registration fees and lighting and safety of the location. The bill provides a limit on the amount of daily transactions, limits the fee imposed on a transaction and requires the collection of certain information from the person using the kiosk.

Why is this needed? Currently, there is no public information available on these kiosks, no one knows who owns them, where they are located or who you can file a complaint with.

These kiosks are a favorite tool of scammers also, how many times have heard stories of your neighbors or friends losing their saving after falling for one of these schemes.

Several states, California and Connecticut have already passed legislation regarding virtual currency. I believe Maryland should join them. Thank you for your consideration and I respectfully request a favorable report.

SB305_CryptoATMs.pdf

Uploaded by: Tracy Rezvani

Position: FAV



OFFICE OF CONSUMER PROTECTION

DEPARTMENT OF COUNTY ADMINISTRATION

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February 4, 2025

Senator Pamela Beidle, Chair
Senator Antonio Hayes, Vice Chair
Senate Finance Committee
Miller Senate Office Building, 3 East
Annapolis, Maryland 21401

RE: SB305: Support-Financial Institutions and Activities - Virtual Currency Kiosks - Registration and Regulation

Chair Beidle, Vice Chair Hayes and Members of the Senate Finance Committee,

Undersigned file this comment in support of SB305. SB305 seeks to introduce requirements and standards for the operation of virtual currency kiosks within Maryland. As virtual currency kiosks have become more commonplace, they have also increasingly been used as a tool for criminal actors to exploit vulnerable citizens, particularly seniors. The Office of Consumer Protection for Howard County aim to protect our residents from scams and other financial crimes facilitated with these machines. SB305 creates critical requirements that will help ensure that virtual currency kiosks are operated responsibly, transparently, and with the safety of our communities in mind.

In recent years, virtual currency kiosks have become a hotbed of criminal opportunity. They have been used to carry out illegal activities including fraud and scams, frequently against seniors. The Federal Trade Commission (FTC) found that in the first six months of 2024, Bitcoin ATMs (just one type of virtual currency kiosk) were [used to scam victims out of \\$65 million](#). The FTC also found that consumers over the age of 60 were more than three times as likely as younger adults to report losing money to such scams. In its 2023 Elder Fraud Report, the Federal Bureau of Investigations found that [consumers over the age of 60 lost over \\$1 billion](#) to cryptocurrency-related scams. SB305 aims to further the essential task of protecting our seniors from losing their life savings to bad actors through virtual currency kiosks.

SB305 includes several critical elements that work towards protecting seniors. First, the bill requires kiosk operators to apply for registration. Second, it requires operators to report the physical address or geographical location of their kiosks. By making kiosk locations known and requiring registration with the state, law enforcement will have much-needed visibility into where the machines are located and who is operating them. This will allow law enforcement agencies to monitor the kiosks more effectively, deterring criminal conduct, and will assist with investigations after a crime has been reported.

Additionally, SB305 includes provisions to ensure that these kiosks operate in a manner that prioritizes the user's safety. The bill requires maximum withdrawal and deposit limits for a single user in one day, as well as setting maximum fee amounts chargeable by kiosk operators. This is essential; it ensures that seniors are less likely to lose massive amounts of their savings in seconds. The bill also mandates certain disclosures that warn users of virtual currency kiosk scams. This, again, is an essential provision that will protect scam victims. Such clear disclosures provide an important final safeguard that can give seniors the necessary information they need

to recognize a scam before it is too late. By requiring the installation of these safety measures, SB305 helps to ensure that these machines are not used as tools of exploitation.

SB305 is a necessary response to the growing risks posed by unregulated virtual currency kiosks. This bill works to protect our most vulnerable residents, seniors, from financial loss and ruin at the hands of predatory scammers.

Sincerely,

A handwritten signature in black ink that reads "Tracy Rezvani". The signature is written in a cursive style with a large initial 'T'.

Tracy D. Rezvani, Administrator

Cc: Honorable Dr. Calvin Ball III, Howard County Executive
Maureen Evans Arthur, Director of Government Affairs & Strategic Partnerships

Bitcoin Depot Remarks to MD Finance Committee 2.6.

Uploaded by: Ethan McClelland

Position: FWA

Chair Pamela Beidle
Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, Maryland 21401

February 6, 2025

Chair Beidle and Members of the Finance Committee, I am Chris Ryan, the Chief Legal Officer at Bitcoin Depot, the largest operator of cryptocurrency kiosks in the United States. Thank you for your time and affording me the opportunity to speak about our perspective on S 305.

Bitcoin Depot supports the vast majority of the provisions in S 305, such as requiring the following: (i) a comprehensive licensing framework, (ii) clear disclosures outlining the risks involved in purchasing Bitcoin, (iii) pre-transaction anti-fraud warnings, and (iv) building a mature compliance program, focused on know-your-consumer (“KYC”) capabilities, sanctions screening, transaction monitoring and blockchain monitoring. It is important to note that Bitcoin Depot currently implements all of the above in its business model.

Unfortunately, the effects of the other provisions in S 305 would mean that Bitcoin Depot (and other licensed operators with robust licensing and compliance programs) would be unable to operate in Maryland because of the daily transaction limits and the fee cap provision. In essence, S 305 in its current form presents itself as a ban on the Bitcoin ATM industry in Maryland.

Imposing transaction limits have unintended consequences including leading criminals to circumvent federal reporting requirements. Placing a transaction limit at an arbitrary level like \$1,000 will cause criminals to structure transactions to avoid further scrutiny of their identity and prevent operators and law enforcement from obtaining valuable information needed to combat illicit activity. Transaction limits encourage bad actors to spread transactions across multiple kiosk operators making it nearly impossible for operators and law enforcement to identify scammers and illicit activity.

Operating a cryptocurrency kiosk has unique costs, including purchasing, installing, and maintaining the kiosk equipment. There are also recurring costs, including rent to small businesses hosting a kiosk, cash management, armored vehicles, cybersecurity, fraud detection, and live customer support. States such as California, that have imposed low transaction limits and fee caps have seen an exodus or material reduction of kiosks from legitimate, duly licensed operators with strong compliance programs capable of combating illicit activity and identifying and preventing scams. The operators that remain are typically unlicensed and do not have



BITCOIN DEPOT

compliance programs capable of conducting KYC, sanctions screening, transaction monitoring and blockchain monitoring.

We respectfully request to partner with the committee to amend S 305 into legislation that not only fosters innovation, but also protects consumers and allows Bitcoin ATM businesses and the industry to thrive. Unfortunately, in its current form, we feel that S 305 falls short of that goal. In order to allow that conversation to continue, we would ask that the committee vote to not send it to the full chamber at this time.

CoinFlip - MD Testimony.pdf

Uploaded by: Larry Lipka

Position: FWA



**TESTIMONY SUBMITTED TO THE MARYLAND
SENATE FINANCE COMMITTEE**

Larry Lipka, General Counsel

February 6, 2025

Chair Beidle, Vice-Chair Hayes, and honorable members of the Senate Finance Committee, thank you for the opportunity to provide testimony today regarding SB 305.

CoinFlip would support amendments to SB 305 relating to the proposed regulation of virtual currency kiosks. CoinFlip is in favor additional regulatory measures that would further consumer protection including but not limited to licensure, mandatory disclosures, compliance program requirements, and technology requirements. We appreciate the opportunity to offer additional consumer protection-focused recommendations that we know to be highly effective in preventing fraudulent transactions at virtual currency kiosks and look forward to continuing to work with the State of Maryland to protect consumers.

Company Background

CoinFlip is a Chicago-based, global digital currency platform, focused on providing consumers a simple and secure way to buy and sell virtual currency. Founded in 2015, CoinFlip is one of the world's largest operators of virtual currency kiosks, with more than 5,000 locations across the United States and in nine countries around the world, employing more than 200 people.

CoinFlip's kiosks make buying and selling major cryptocurrencies accessible and secure for consumers who wish to purchase their virtual currency using cash. CoinFlip has operated in the State of Maryland since 2020 and applied for a money transmitter license in May 2024 which is still under review. Additionally, CoinFlip is a money service business ("MSB") registered with the Financial Crimes Enforcement Network. As an MSB, CoinFlip is subject to the Bank Secrecy Act ("BSA"), the United States PATRIOT Act, and their implementing rules and regulations.

CoinFlip embraces licensing regimes as an effective means to create baseline requirements for operations, as well as effective oversight. CoinFlip holds approximately 26 money transmitter licenses with numerous additional applications currently pending. CoinFlip has moved to obtain these licenses, even in states where there is no current licensing requirement.

SB 305

Unfortunately, SB 305 relies on policy recommendations that create a false sense of consumer protection. The proposed transaction limits in the bill do not adequately consider federal reporting requirements. Under federal law, CoinFlip is required to file a Suspicious Activity Report ("SAR") for any suspected suspicious transactions above \$2,000 and a Currency Transaction Report

(“CTR”) for transactions above \$10,000. This information is placed in a repository for law enforcement to quickly and accurately conduct investigations. Maryland’s proposed \$1,000 transaction limit encourages stacking transactions across multiple kiosk operators, and limits companies’ Anti-Money Laundering efforts. Further, the limit will result in less information available to law enforcement as kiosk operators will no longer file any SAR or CTR.

The addition of transaction fee caps does not prevent customer fraud and in combination with transaction limits, inadvertently creates incentives for less transparency and less use of expensive compliance tools which keep consumers safe. Unlike online exchanges, virtual currency kiosk operators have additional operational costs such as device hardware and maintenance, rent payments to local small business hosts, armored car service costs, customer service, and blockchain analytics. We do support fee disclosures to keep customers fully informed of the entire transaction.

Proposed Consumer Protection Policies

CoinFlip believes smart regulation is good for business. We believe that a regulatory framework is necessary to protect consumers and encourage innovation in the industry; however, transaction limits as currently proposed in SB 305 are detrimental to operating in the State of Maryland and do not take into consideration federal reporting requirements. Instead, we developed the following best practices that would further enhance consumer protections and support their inclusion in any legislation:

- **Require licensure with the state.** CoinFlip believes a money transmitter license should be required for all virtual currency kiosk operators, allowing for state oversight and periodic audits to determine the adequacy of compliance, finance, and cybersecurity programs.
- **Require robust compliance programs.** Kiosk operators should be required to directly employ a qualified, in-house, Chief Compliance Officer and compliance team, that does not have a large ownership interest in the company. At CoinFlip, we take compliance seriously: our Chief Compliance Officer is a former federal prosecutor, and our general counsel is a former Illinois Assistant Attorney General.
- **Require clear, highly visible warnings and fee disclosures.** We agree with the proposed legislation regarding the requirement of clear disclosures regarding all fees and terms of service. We also believe highly visible fraud warnings should be required to be displayed and acknowledged by the customer prior to the initiation and completion of any transaction.
- **Require blockchain analytics.** The use of blockchain analytics technology should be required to fight fraud by automatically blocking customer transactions to high-risk digital wallets.
- **Require live customer service.** Customer service is the first line of defense for consumer protection. We believe every virtual currency kiosk operator should be required to provide trained, live customer service at minimum during business hours.

CoinFlip shares your goals of consumer protection. Although blockchain technology and virtual currency kiosks are new, the fraud we see reported is all too familiar. Whether it’s phone, email, text or an online pop-up, scammers repackage the same old tactics and utilize whatever methods

they have at hand – Venmo, PayPal, Zelle, Gift Cards, MoneyGram or virtual currency kiosks – to dupe people out of their money.

The best defense for consumers is to be well-informed and well-alerted at the point of transaction. The best defense for companies is to have the right tools in place to help identify and fight fraud and help law enforcement catch the bad actors.

Conclusion

In conclusion, we believe that a regulatory framework is necessary to protect consumers and encourage innovation and we look forward to working with the Maryland Legislature to improve SB 305 to achieve the right balance to protect Maryland consumers and ensure continued access for lawful virtual currency transactions.

Thank you for your time and consideration.

Sincerely,

/s/ Larry Lipka

Larry Lipka
General Counsel

SB 305 Virtual Currency Kiosks Regulations.FAV.02.

Uploaded by: Tammy Bresnahan

Position: FWA



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SB 305 Financial Institutions and Activities – Virtual Currency Kiosks – Registration and Regulation
Senate Finance Committee
FAVORABLE
February 6, 2025

Good Afternoon, Chair Beidle and Members of the Senate Finance Committee, My name is Tammy Bresnahan, and I serve as the Senior Director of Advocacy for AARP Maryland. On behalf of our 850,000 members across the state, we appreciate the leadership of Senators Beidle and Hettleman in introducing SB 305: Financial Institutions and Activities – Virtual Currency Kiosks – Registration and Regulation. This vital legislation addresses a growing problem: the misuse of cryptocurrency kiosks in fraudulent schemes targeting consumers.

While these kiosks serve legitimate purposes, they have become a popular tool for criminals who exploit their anonymity and lack of regulatory safeguards to steal money from unsuspecting victims. SB 305 represents a crucial step toward protecting Marylanders—especially older adults—from this rising threat.

A National Effort to Address Fraudulent Crypto Activity

In 2024, both Minnesota and Vermont enacted AARP-supported legislation to regulate cryptocurrency kiosks and protect consumers. We are also advocating for similar protections in Rhode Island and other states. AARP is encouraged by the consumer protections outlined in SB 305 and is committed to supporting its implementation here in Maryland.

The Problem: Unregulated Crypto Kiosks and Fraud

Cryptocurrency kiosks (often referred to as crypto or bitcoin ATMs) are commonly found in places like grocery stores, gas stations, and convenience stores. These machines allow users to exchange cash for digital currency, but unlike traditional bank ATMs, they are not connected to regulated financial institutions, leaving them with far fewer fraud protections.

This regulatory gap has made crypto kiosks a prime target for scammers. Fraudsters often pose as trusted entities (such as government officials or tech companies) to manipulate victims into depositing money into these kiosks, converting their cash into digital currency, and sending it to wallets controlled by the criminals.



In 2023, over **5,500 complaints** involving cryptocurrency kiosks were reported to the FBI, with total losses exceeding **\$189 million**. Alarming, **more than 65% of these losses** were reported by adults aged sixty and older.

Here in Maryland, there are hundreds of cryptocurrency ATMs operated by companies like Coinme and Bitcoin Depot. Without proper oversight, consumers remain vulnerable to frauds and financial losses.

How SB 305 Protects Consumers

SB 305 proposes a comprehensive regulatory framework to address the risks associated with cryptocurrency kiosks, including:

1. **Registration Requirements:** Kiosk operators must register with the state, ensuring oversight and accountability.
2. **Clarification of Money Transmitter Status:** While operators are not classified as money transmitters, they will still be subject to similar regulatory requirements under future guidelines.
3. **Location Reporting:** Operators must report the locations of all kiosks to the state.
4. **Fee Caps:** The bill sets limits on transaction fees to prevent consumer exploitation, though some operators may resist this provision.
5. **Know Your Customer (KYC) Requirements:** All transactions will require KYC checks starting at \$0 to improve fraud prevention.
6. **Fee Disclosures:** Operators must clearly disclose transaction fees to increase consumer transparency.
7. **Daily Transaction Limits:** Set limits of \$1,000 per day for users.

AARP's Recommended Enhancements

To further strengthen SB 305, AARP suggests the following amendments:

1. **Exchange Rate Disclosure:** Require kiosks to display real-time exchange rates for full transparency.
2. **Fraud Refunds:** Require operators to refund transaction fees in cases of fraud and provide full refunds for victims scammed during their first transaction.
3. **Compliance Programs:** Ensure operators maintain compliance programs aligned with best practices and industry standards.
4. **Customer Support Hotline:** Require operators to offer dedicated customer service hotlines for users needing assistance.
5. **Law Enforcement Hotline:** Establish a dedicated hotline to support law enforcement investigations related to fraudulent activity.
6. **Receipts:** Require receipts for transaction including the type, value, date, and time of the transaction, along with the transaction hash that will help law enforcement conduct investigations into frauds

A Real-Life Example: Crypto Scam in Maryland

To illustrate how these frauds work, consider the following case:

- A Maryland resident was contacted by a scammer posing as a Microsoft representative, claiming their bank account had been compromised.
- The scammer instructed the victim to withdraw \$4,500 in cash and deposit it into a local cryptocurrency kiosk.
- The cash was converted into digital currency and transferred to a wallet controlled by the scammer.
- Within hours, the funds had been laundered through multiple wallets and used for international payments, including transfers to a Russian-affiliated betting company and an offshore crypto exchange.

Key Consumer Protections Proposed by SB 305

SB 305 with offered amendments takes several important steps to combat frauds like the one described above, including:

- **Mandatory Licensing:** Require all kiosk operators to be licensed in Maryland.
- **Daily Transaction Limits:** Set reasonable limits to deter large-scale fraud.
- **Fraud Warnings:** Post clear warnings about common frauds on all kiosks.
- **Fee and Exchange Rate Disclosures:** Display transaction fees and exchange rates before any transactions are completed.
- **Detailed Receipts:** Provide receipts with transaction details to help law enforcement track suspicious activities.
- **Fraud Refunds:** Require operators to refund transaction fees tied to fraudulent activity.

Protecting Older Marylanders and All Consumers

AARP strongly believes that SB 305 will help safeguard consumers—especially older adults who are disproportionately targeted in these frauds. By enacting common-sense regulations and oversight, Maryland can reduce financial losses and provide peace of mind to residents using cryptocurrency kiosks.

We look forward to collaborating with Maryland lawmakers, regulators, and industry leaders to ensure these protections are put in place effectively.

We respectfully request a favorable report on SB 305. Thank you for the opportunity to testify today. If you have any questions, please feel free to contact me at tbresnahan@aarp.org or 410-302-8451.