

February 11, 2025

Dear Chair Baginski and Members of
the House Innovation, Internet and Technology Committee:

RE: House Bill 5121

I am writing to express my support for House Bill 5121, which aims to put guardrails on the usage of the dozens of cryptocurrency ATMs now located in Rhode Island. Unlike standard ATMs, which are operated by and connected to banking networks overseen by state and federal regulators, cryptocurrency ATMs are standalone devices with little regulation. The operators of these devices are currently subject to registration as Money Services Businesses (MSBs) with the U. S. Treasury's Financial Crimes Enforcement Network (FinCEN). But apparently MSB registration comes with no financial reporting requirements and little to no oversight. It should be noted, for example, that the FinCEN MSB registrant search webpage (<https://www.fincen.gov/msb-state-selector>) currently sports a boldface notice at the top stating:

“Fraudsters are using the Financial Crimes Enforcement Network’s (FinCEN’s) money services business (MSB) registration process to defraud the public. You should not trust a company only because it is listed on this Web page.”

In recent years, criminals have taken advantage of the lack of regulation of these devices to employ them in fraud schemes. Like the well-known gift card fraud schemes, once criminals entrap a victim they pressure the victim into using their own money to buy cryptocurrency at one of these machines and then use the machine to transfer the cryptocurrency into the criminal's crypto account. Because these machines do not produce receipts, there is no record of the transaction after it has been made. A victim who realizes they have been scammed after making the transfer thus has no chance of recovering their money. Criminals increasingly rely on crypto ATMs because the transaction is fast, easy and often untraceable. To show the magnitude of the problem here, in 2023 Rhode Islanders lost hundreds of thousands of dollars in fraud schemes involving the use of crypto ATMs.

H.B. 5121 would address this growing problem by providing that operators of these machines first register with the State of Rhode Island, and agree to abide by requirements to clearly display the fees and exchange rate they will charge, to implement daily caps on the amount of transactions made by any individual, to provide extensive disclosures prior to each transaction and receipts with all pertinent information relevant to each transaction, and to refund victims of fraudulent transactions. These requirements would help protect Rhode Islanders from being victimized by fraud, and also provide fraud victims with sufficient information to take to law enforcement for investigation should they suspect they have been scammed. It would give law enforcement better tools to pursue fraudsters, while making these machines less appealing to criminals.

For all of these reasons, I urge you to approve H. B. 5121.

Sincerely yours,

Holly Snyder
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