

AARON M. FREY
ATTORNEY GENERAL



STATE OF MAINE
OFFICE OF THE ATTORNEY GENERAL
6 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0006

TEL: (207) 626-8800
TTY USERS CALL MAINE RELAY 711

REGIONAL OFFICES
84 HARLOW ST. 2ND FLOOR
BANGOR, MAINE 04401
TEL: (207) 941-3070
FAX: (207) 941-3075

125 PRESUMPCOT ST., SUITE 26
PORTLAND, MAINE 04103
TEL: (207) 822-0260
FAX: (207) 822-0259

14 ACCESS HIGHWAY, STE. 1
CARIBOU, MAINE 04736
TEL: (207) 496-3792
FAX: (207) 496-3291

Hon. Donna Bailey, Senate Chair
Hon. Kristi Mathieson, House Chair
Committee On Health Coverage, Insurance and Financial Services
100 State House Station
Augusta, ME 04333

RE: LD 1339, *An Act to Regulate Virtual Currency Kiosks*

Dear Senator Bailey, Representative Mathieson, and distinguished members of the Committee on Health Coverage, Insurance and Financial Services:

I am writing in support of LD 1339, *An Act to Regulate Virtual Currency Kiosks*. This bill proposes a commonsense approach to regulating virtual currency kiosks that prioritizes protecting Mainers from financial harm.

A virtual currency kiosk, which is often referred to as a Bitcoin ATM or BTM, is a physical machine that allows you to purchase virtual currency in person, including with cash, and to transfer that virtual currency to a digital wallet. There are likely hundreds of these machines throughout the State. Unfortunately, my office is seeing more and more scams involving the use of virtual currency kiosks. These scams are causing devastating financial losses to Mainers. We are aware of victims who have lost their entire life's savings to scams after being coached to use a virtual currency kiosk to transfer money to scammers. Unless the Legislature acts to protect Mainers, we should expect the problem to only get worse as internet-based scams continue to proliferate and the number of kiosks increases.

LD 1339 would be a step forward in protecting Mainers from the financial harms caused by the use of virtual currency kiosks. LD 1339 will require kiosk operators to be licensed as money transmitters by the Bureau of Consumer Credit Protection, to disclose to the Bureau the physical locations of their kiosks, and to retain records of each kiosk transaction for 3 years. Additionally, the bill includes important consumer protections that are targeted at preventing and mitigating financial harm. First, an operator must provide disclosures prior to every transaction that inform customers of the risks involved with the use of kiosks, including the risk of fraud and loss. Second, the bill establishes a daily transaction limit of \$1,000 per person, which applies to all kiosks owned by the operator. Third, it limits transaction charges to the greater of \$5 or three percent of the transaction amount. Fourth, it requires that the operator provide a receipt for every transaction. Finally, the bill requires operators to issue refunds if it is determined that any

transaction within 90 days of a customer's first transaction was the product of fraud or an unfair, deceptive, or abusive trade practice. This refund obligation exists notwithstanding any fault of the operator, which represents a strong incentive for operators to prioritize protecting their customers.

My office recommends a minor amendment to the bill so that it requires the operator to provide the transaction receipt immediately upon completion of the transaction, and that the customer must be given the option of a paper or electronic receipt.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Aaron M. Frey". The signature is fluid and cursive, with the first name "Aaron" being the most prominent part.

Aaron M. Frey
Attorney General