BITCOIN DEPOT

Members of the Committee, I am Ethan McClelland, the Director of Government Relations at Bitcoin Depot, the largest operator of cryptocurrency kiosks in the world. Thank you for your time and affording me the opportunity to speak about our perspective on LD 1339 and S 553.

There are provisions in LD 1339 and S 553 that we support such as requiring kiosk companies who wish to do business in Maine to follow a rigorous licensing program, location disclosures, receipts and disclosures of risks and anti-fraud warnings.

However, feel that there are avenues the bills could explore that would better target fraud at cryptocurrency kiosks while allowing the business to continue to operate in the state of Maine. For instance, by requiring companies to employ blockchain analytics technology, there will be more sophisticated anti-fraud capabilities at all operators. By requiring clear on screen and physical warnings about typical scam typologies, it will increase consumer awareness and deter customers who may have been fraudulently induced to transact at a kiosk.

However, placing permanent or long-term transaction limits have unintended consequences including leading criminals to skirt federal reporting requirements. For example, the Financial Crimes Enforcement Network, or FinCen, requires companies to submit Suspicious Activity Reports or SARs on potential scams or questionable transactions for any transaction flagged that is above $2000. They then transmit this information to law enforcement to combat local scam activity. FinCen lacks the resources to process reports below $2000 and does not allow SAR filings below that threshold. In essence, a $1000 transaction limit would deny Maine law enforcement valuable data on how to combat scams. Furthermore, transaction limits encourage both good and bad actors to spread transactions across multiple kiosk operators, further hiding scam and illicit activity. And, legitimate customers choosing to use alternate banking methods such as kiosks should not suffer additional "taxation" in the form of "kiosk-shopping" to multiple locations to complete necessary transactions.

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. Other financial service companies or exchanges that hold funds can assess fees in multiple touchpoints during the relationship; we cannot. The current proposed fee cap of 3% would be by far the lowest in the country and we feel reflects a misunderstanding of the costs involved with operating a kiosk business. What we have seen in states with low transaction limits such as California is legitimate "good" operators such as ourselves leave the state because of a lack of profit, while "bad" operators remain, skirting the already thin enforcement resources of the Department, meaning scam activity remains.

We are proud of the company we have built and the steps we have taken to balance innovation with security and the safety of our customers. We are willing to work with the committee to continue to hone LD 1339 and S 553 into legislation we can support that fosters innovation, protects consumers and allows business to thrive. Unfortunately, in its current form, we feel that LD 1339 and S 553 fall short of that goal. In order to allow that conversation to continue, I would ask that the committee continue to work with us as willing partners to refine the bills into something that increases safety, deters fraudulent activity and allows the industry to continue to operate. We appreciate your time, and welcome any questions and the opportunity to continue the conversation.