

# Bitcoin Kiosks

WHAT LAWMAKERS  
NEED TO KNOW

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**AUTHOR**

**Eric Peterson**

DIRECTOR OF POLICY



## Executive Summary

Bitcoin or cryptocurrency kiosks provide accessible entry points for consumers seeking direct access to cryptocurrency. These machines facilitate converting cash into digital assets without requiring users to have bank accounts or credit cards. Their expanding presence in retail locations such as grocery stores, gas stations, and convenience outlets significantly enhances financial inclusion, especially for individuals dependent on cash. Increased adoption of these kiosks has drawn attention from state policymakers due to rising fraud incidents, prompting the need for targeted regulatory action.

Despite their popularity and utility, Bitcoin kiosks are now the new front of fraud that previously utilized gift cards and other electronic payment methods. Criminal actors frequently employ social engineering and impersonation tactics to coerce victims into buying cryptocurrency and then sending irreversible transactions to the scammers. Victims are commonly misled into believing they are addressing urgent matters with government agencies, utilities, or financial institutions. Importantly, these fraudulent activities arise from criminal exploitation of consumer trust, not from inherent technological vulnerabilities of Bitcoin kiosks.

Historically, state oversight of Bitcoin kiosks has lacked uniformity, resulting in inconsistent consumer protections and uncertainty for operators. Recently, numerous states have introduced or enacted legislation specifically addressing kiosk fraud. The recent legislative momentum underscores the opportunity for states to establish clear and effective regulatory frameworks tailored specifically to cryptocurrency kiosk operations. Given these developments, policymakers should carefully craft measures that effectively mitigate risks without imposing excessively restrictive regulations.

To guide state legislators in developing balanced, precise regulations, the following core policy recommendations are presented:

- ◆ Require kiosk operators to obtain appropriate licenses under existing state money transmission or virtual currency frameworks.
- ◆ Mandate clearly visible fraud warnings displayed directly on all Bitcoin kiosks to educate consumers about common scams.
- ◆ Explicitly define the term “new customer” in state statute to enable the targeted implementation of daily transaction limits for initial kiosk users.
- ◆ Require kiosk operators to display customer support or local law enforcement non-emergency contact information prominently at each machine.
- ◆ Mandate clear fraud response procedures, including proactive cooperation between kiosk operators and law enforcement agencies in fraud investigations.
- ◆ Reject broadly restrictive regulatory proposals such as rigid fee caps or operational moratoriums, which indirectly function as prohibitions by making legitimate kiosk operation impractical.

By implementing targeted policies outlined here, state lawmakers can effectively address fraud concerns related to Bitcoin kiosks while ensuring these machines remain accessible to legitimate consumers. Thoughtful regulatory strategies will simultaneously protect vulnerable populations, encourage compliance among operators, and preserve consumer access to essential financial technologies.



## What Are Bitcoin Kiosks?

Bitcoin kiosks, often incorrectly described as Bitcoin ATMs, have experienced significant growth across the United States, providing essential access points for individuals entering the digital asset economy. Frequently placed in locations such as convenience stores and gas stations, these kiosks allow consumers to purchase or sell Bitcoin directly through cash transactions. By offering a tangible gateway to digital assets, Bitcoin kiosks have become an increasingly important financial service, making cryptocurrency accessible to the broader public.

This rapid expansion of Bitcoin kiosks, however, has drawn considerable attention from state policymakers and regulators concerned about their potential misuse for fraud and the general public's limited understanding of how they operate. Recent cases of fraud involving Bitcoin kiosks have prompted lawmakers to consider increased regulatory oversight to protect vulnerable individuals. Further complicating this issue is the lack of familiarity and trust regarding this emerging financial technology, resulting in varied public perceptions about its legitimacy and safety.

Despite these valid concerns, Bitcoin kiosks provide benefits, especially for communities that lack adequate access to traditional banking services. These machines serve as critical entry points to digital finance for individuals such as the underbanked, immigrant populations, and new digital asset users. By facilitating direct access to Bitcoin and other digital assets through cash transactions, Bitcoin kiosks play a vital role in enhancing financial inclusion and economic participation for underserved communities.

States across the nation have responded to the emergence of Bitcoin kiosks with a variety of policy initiatives and regulatory actions. Legislative responses differ significantly, ranging from licensing and mandatory consumer disclosures to more restrictive proposals, including outright bans or temporary prohibitions on their operation. This diversity in regulatory approaches highlights the current uncertainty and lack of agreement among state governments regarding the appropriate balance between consumer protection and technological innovation.

This policy paper provides lawmakers with foundational knowledge about Bitcoin kiosks, clarifying common misconceptions, analyzing existing state policies, and exploring the implications of various regulatory strategies. By offering an objective assessment of both the opportunities and risks associated with Bitcoin kiosks, this paper aims to guide state legislators toward targeted, effective policies that protect consumers without limiting legitimate access to this important financial technology.



# Bitcoin and Digital Assets

## Bitcoin: The First Decentralized Digital Currency (2009)

Bitcoin is the world's first decentralized digital currency, introduced in 2009 by its pseudonymous creator Satoshi Nakamoto. Unlike traditional money issued by governments, Bitcoin operates on a peer-to-peer network of computers and keeps a public ledger of all transactions called the *blockchain*. No central authority or bank controls Bitcoin; the network's decentralized design means no single entity can dictate its supply or manipulate its operation. Another defining feature is its finite supply: Bitcoin's protocol caps the total coins at **21 million**, making it a scarce asset by design. This built-in scarcity, coupled with decentralization, underpins Bitcoin's value proposition as an alternative form of money.

## Adoption and Resilience

In the fifteen years since its creation, Bitcoin has proven its resilience and delivered unprecedented growth as an asset class. From an initial value of less than one cent per Bitcoin in 2009, the price has grown dramatically, surpassing \$100,000 per Bitcoin by early 2025. While Bitcoin has experienced volatility, its substantial appreciation has attracted significant interest from institutional investors, major corporations, and governmental entities. Today, these entities widely recognize Bitcoin as a credible investment and as a potential hedge against inflation and economic instability.

This rising institutional adoption has spurred the development of an extensive Bitcoin ecosystem, including regulated cryptocurrency exchanges, professional custodial services, and structured financial products. Several states have even begun integrating Bitcoin into their public financial strategies. Both Wisconsin and Michigan's state pension fund recently invested in Bitcoin through regulated financial instruments, and New Hampshire authorized its rainy day fund to hold Bitcoin directly, reflecting growing state level adoption.

This broadening acceptance highlights Bitcoin's importance in modern financial markets, reinforcing its role as a legitimate and valuable financial asset for policymakers to consider.

## Digital Assets Beyond Bitcoin

The term "digital assets" refers broadly to blockchain based assets that can be owned, transferred, and used as value. After Bitcoin's introduction, thousands of other digital currencies and tokens have been created, each with different features or purposes. Common examples include Ethereum (ETH), the second largest cryptocurrency which supports smart contracts and decentralized applications, and Litecoin (LTC), an early cryptocurrency modeled after Bitcoin with faster transactions. Another important category is stablecoins, such as USD Coin (USDC), which are digital tokens pegged to traditional currencies like the U.S. dollar to maintain a stable value. While the technical details vary, all of these digital assets use similar blockchain technology. They exist independently of any central bank and enable new forms of transactions and financial services over the internet. Collectively, these digital assets form a rapidly evolving part of the financial system, offering new options for payments, savings, and investments beyond traditional frameworks.



## Why People Acquire Digital Assets

Individuals choose to acquire Bitcoin or other digital assets for various practical and financial reasons. Key motivations include:

- ◆ **Inflation Hedge:** Holding digital assets, especially Bitcoin, as a hedge against inflation or currency instability. Bitcoin's fixed supply has led some to call it "digital gold" for preserving value.
- ◆ **Investment Diversification:** Including cryptocurrencies in an investment portfolio to diversify beyond stocks and bonds, aiming for potential growth and uncorrelated returns.
- ◆ **Financial Access:** Accessing financial tools outside of the traditional banking system. For unbanked or underbanked individuals, digital assets offer a way to save, transact, or invest using just a mobile phone, bypassing the need for a bank account.
- ◆ **Remittances:** Sending money across borders to family or friends, using cryptocurrency to reduce fees and transfer times compared to traditional remittance services.

These use cases illustrate why a growing segment of the public finds value in digital assets alongside conventional money.

## Accessibility and the Role of Kiosks

Understanding Bitcoin and other digital assets provides the foundation for considering how people access these resources, notably through cryptocurrency kiosks. Purchasing cryptocurrency via mobile apps or online exchanges, such as Coinbase or Kraken generally requires linking a bank account or credit card, which can be difficult or impossible for individuals without traditional banking services. Cryptocurrency kiosks offer a practical alternative by allowing users to purchase Bitcoin and other digital currencies directly with cash. Transactions typically complete quickly, delivering cryptocurrency instantly into users' digital wallets.

These kiosks, often called Bitcoin ATMs, are especially beneficial for consumers who primarily use cash or are unfamiliar with digital assets. Studies indicate that kiosk users frequently include unbanked individuals, older consumers who prefer a familiar physical transaction process, and communities using cryptocurrency for convenient international remittances. By converting cash directly into cryptocurrency, kiosks effectively connect traditional money systems with global digital asset networks, offering quicker and often more affordable transfers.

Understanding these key points about digital assets and kiosks prepares policymakers to address relevant regulatory and public policy questions associated with cryptocurrency kiosks.



## How Bitcoin Kiosks Work

A Bitcoin or cryptocurrency kiosk is a self-service electronic device allowing consumers to exchange physical cash for cryptocurrency, and sometimes cryptocurrency for cash, similar to a foreign currency converter at an airport. Unlike traditional bank ATMs, Bitcoin kiosks do not connect to personal bank accounts and do not provide typical banking services. Their primary function is converting cash directly into Bitcoin or other digital currencies, sending the cryptocurrency instantly to a user's digital wallet.

Even kiosks permitting two-way transactions, enabling users to sell cryptocurrency and withdraw cash, act solely as exchange services. Bitcoin kiosks thus serve as physical access points for cryptocurrency transactions, distinct from traditional bank operated ATMs.

## Background

Bitcoin kiosks have existed for over a decade. The very first machine was installed in late 2013 at a coffee shop in Vancouver, Canada. This pioneering kiosk demonstrated early consumer interest by facilitating hundreds of transactions within its first week. The concept quickly spread: the first Bitcoin Kiosk in the United States went online in 2014 in Boston. Since then, the industry has grown exponentially. As cryptocurrency gained mainstream awareness, the number of kiosks expanded from only a handful in the 2010s to tens of thousands worldwide by the 2020s. Today there are roughly 30,000 cryptocurrency kiosks in the United States alone which represent the majority of such machines globally. These kiosks started as a niche novelty and have evolved into a widespread service available in many communities, illustrating how far the crypto sector has come in a relatively short time.

## Technology Behind Bitcoin Kiosks

Bitcoin kiosks rely on specialized hardware and software to facilitate cryptocurrency transactions. Each kiosk consists of an internet connected terminal featuring a touchscreen interface, cash acceptance capability, a QR code scanner, and secure processing hardware. These kiosks interact directly with cryptocurrency exchanges through encrypted connections to obtain live pricing, execute transactions, and securely deliver purchased cryptocurrency to consumer wallets.

During a transaction, the kiosk scans the customer's digital wallet address, typically from a smartphone generated QR code. After accepting cash, the kiosk securely communicates with the connected exchange, converting the cash inserted into cryptocurrency based on current exchange rates and applicable fees. Upon confirmation, the kiosk transfers the cryptocurrency directly to the customer's provided wallet address via blockchain networks.

Additionally, Bitcoin kiosks incorporate compliance technology, including identity verification measures to support adherence to anti-money laundering and know your customer regulations. Common verification steps include telephone number validation or scanning government issued identification documents. This technological framework ensures kiosks offer secure, compliant, and efficient cryptocurrency transactions consistent with modern financial standards.



## Typical User Experience and Transaction Process

Using a Bitcoin kiosk is designed to be a straightforward process for the average consumer. A transaction at a kiosk generally unfolds in several steps:

### 1. Initiating the Transaction:

The customer approaches the kiosk and selects the desired transaction type on the touchscreen interface, typically choosing between buying or selling cryptocurrency.

### 2. Identity Verification:

Depending on transaction size and regulatory requirements, the kiosk may prompt the customer to complete identity verification. Common verification methods include entering a phone number, receiving a verification code, or scanning government issued identification. Specific procedures vary by kiosk operator.

### 3. Wallet Address Input:

The customer provides their digital wallet address by scanning a QR code from a smartphone wallet application. If the customer lacks an existing digital wallet, some kiosks **offer the option to create a new wallet or issue a printed wallet address.**

### 4. Inserting Cash:

The customer inserts cash into the kiosk's acceptor. The machine displays the equivalent cryptocurrency amount, conversion rate, and any applicable fees. Customers may insert multiple bills until reaching the intended purchase amount.

### 5. Transaction Confirmation:

The kiosk summarizes the transaction, including the cryptocurrency amount, total cash inserted, and fees. The customer reviews and confirms these details, with the option to proceed or cancel.

### 6. Cryptocurrency Transfer:

Upon confirmation, the kiosk transfers cryptocurrency directly to the customer's digital wallet address. Transfers typically occur within seconds, though the blockchain network may require additional time to fully record the transaction. A receipt or confirmation screen displaying transaction details, including the purchased cryptocurrency amount and wallet address, is provided for customer records.

If the kiosk is bidirectional, supporting sales of crypto for cash, the process works in reverse for a sell transaction. The user would select "Sell," specify the amount of Bitcoin to trade, and send that amount from their mobile wallet to the kiosk's address. Once the transaction is detected and confirmed on the blockchain, the kiosk will dispense the corresponding amount of cash to the customer. This cash disbursement is part of the crypto exchange process, totally different from a bank withdrawal, and is available only at two-way machines. In all cases, the emphasis is on a quick, user friendly experience.



## Locations and Accessibility

Bitcoin kiosks are commonly placed in convenient, everyday locations to reach a broad user base. Machines are frequently installed at gas stations, convenience stores, grocery stores, and shopping centers where consumers regularly conduct business. With a small physical footprint comparable to traditional ATMs or vending machines, these kiosks are practical for retailers to host near entrances or adjacent to existing financial services. Many kiosks are accessible during extended hours, with some available twenty four hours daily, enabling cryptocurrency purchases outside standard banking schedules.

Placing kiosks in familiar retail settings expands financial inclusion, as consumers can easily convert cash to cryptocurrency without bank accounts or credit cards. This accessibility makes Bitcoin kiosks particularly beneficial for underbanked individuals. Their presence in common, trusted retail environments also provides a practical introduction to digital finance for the broader public.

## Major Retail Partnerships

The growth of Bitcoin kiosks has been supported by partnerships with prominent national retailers, signaling mainstream acceptance. Major pharmacy chains such as CVS and Walgreens now offer Bitcoin purchases at kiosks, allowing consumers to conveniently buy cryptocurrency during routine shopping. Additionally, large retailers like Costco have introduced Bitcoin kiosks in their stores, demonstrating cryptocurrency's integration into traditional retail.

These partnerships indicate Bitcoin kiosks' shift from niche technology to widely accepted financial services. Major retailers view kiosks as complementary to existing financial offerings, addressing consumer demand for convenient access to cryptocurrency. For state policymakers, this underscores the legitimacy of Bitcoin kiosks as part of the modern retail financial system.

## Scams and Victim Profiles

Reported losses involving scams at Bitcoin kiosks have increased in recent years, climbing from \$12 million in 2020 to over \$110 million in 2023, according to data from the Federal Trade Commission. Elderly individuals, in particular, have become frequent targets, often suffering substantial financial harm due to limited familiarity with cryptocurrency transactions and heightened susceptibility to coercive tactics. Other vulnerable populations, including non-native English speakers and recent immigrants, are similarly targeted because of linguistic barriers or limited experience with digital financial systems.

Typically, these scams rely on impersonation and urgency. Criminals often claim to represent law enforcement agencies, tax authorities, utility providers, or technical support services. Victims are convinced of an immediate threat, such as legal action, utility disconnection, or account compromise, and instructed to deposit cash into a Bitcoin kiosk. Scammers provide QR codes linked directly to their cryptocurrency wallets, instantly transferring victims' money irreversibly.

It is essential to recognize that these scams are not inherent to Bitcoin kiosk technology itself. Rather, they represent the most recent iteration of longstanding fraudulent practices that have previously involved gift cards, wire transfers, and other payment mechanisms. The core issue remains the exploitation of human vulnerabilities through social engineering tactics, rather than any technological flaw in the kiosks themselves.





## Existing Legal and Regulatory Framework for Bitcoin Kiosks

### Federal Requirements for Bitcoin Kiosk Operators

Under federal law, Bitcoin kiosk operators are classified as Money Services Businesses and must register with the Financial Crimes Enforcement Network (FinCEN), a bureau within the U.S. Treasury Department. Registration is required by the Bank Secrecy Act and related regulations, which designate cryptocurrency transactions as money transmission. This registration subjects kiosk operators to federal oversight and compliance obligations.

Upon registering, kiosk operators must establish and maintain an Anti-Money Laundering (AML) program. This program should specifically address the risks associated with cryptocurrency transactions, featuring clear written policies, internal controls, regular employee training, and periodic independent audits. A designated compliance officer must oversee this program, ensuring it meets federal standards comparable to traditional financial institutions.

Know Your Customer (KYC) procedures represent a critical element of the AML program. Operators must verify customer identities, especially for large or suspicious transactions, by collecting required identification details. Proper KYC implementation ties transactions to identifiable individuals, reducing opportunities for criminal exploitation and facilitating detection of potentially illegal activities.

Federal regulations also impose recordkeeping and reporting requirements on kiosk operators. Operators must maintain comprehensive records of customer transactions. Any cash transaction exceeding \$10,000 within a single day must be reported through a Currency Transaction Report. Additionally, operators must file Suspicious Activity Reports for transactions that appear structured to avoid reporting thresholds, lack legitimate purposes, or otherwise raise suspicion. Although required for suspicious transactions of \$2,000 or more, reporting smaller questionable transactions is also encouraged.

Failure to adhere to these federal requirements carries severe legal consequences. Noncompliance with registration, AML, or KYC obligations violates 18 U.S.C. § 1960, governing unlicensed money transmission. Violations can result in substantial fines, criminal charges, and imprisonment. Compliance with these federal rules forms the regulatory foundation for Bitcoin kiosk operations, promoting financial integrity and public safety.

A table provides further insight in Appendix A.



## State Regulation Prior to 2022

Before 2022, state level regulation of Bitcoin kiosks was inconsistent. While federal law provided uniform baseline rules, state oversight varied significantly. Some states incorporated kiosks directly into existing licensing frameworks for virtual currency businesses. For example, New York integrated Bitcoin kiosks into its BitLicense regime, established in 2015, requiring kiosk operators to obtain a specialized state license and adhere to stringent compliance, cybersecurity, and consumer protection standards. Similarly, Louisiana included Bitcoin kiosks within its Virtual Currency Business Act, mandating licensure and comprehensive regulatory oversight of these operations.

In contrast, many states provided no clear guidance regarding kiosks, leaving operators in regulatory uncertainty. States such as Pennsylvania did not classify cryptocurrency kiosks under existing money transmitter definitions, effectively allowing operations without specific state oversight, provided federal compliance was maintained. Without explicit state standards, consumer protections, such as limits on fees, mandated disclosures, and transaction caps, were inconsistent and often minimal.

This fragmented approach created difficulties for both kiosk operators and consumers. Operators faced varying and uncertain regulatory obligations across states, complicating interstate operations. Consumers experienced differing protections based solely on jurisdiction. By early 2022, the inadequacies of this uneven regulatory landscape became apparent, particularly as incidents of kiosk related fraud increased, prompting states to pursue clearer, more uniform legislative solutions.



## State Legislative Developments (2022–2025)

Between 2022 and 2025, a significant number of states introduced legislation specifically aimed at addressing rising fraud incidents and consumer protection concerns associated with Bitcoin kiosks. Prior to these legislative actions, state level oversight was inconsistent, often leaving operators unclear about their obligations and consumers vulnerable to exploitation.

The primary motivation behind this legislative wave was a substantial increase in reported scams involving cryptocurrency kiosks. Scammers frequently directed vulnerable individuals, particularly elderly consumers, to use kiosks to transfer cash into cryptocurrency, exploiting the irreversible nature of digital asset transactions. Many state attorneys general and consumer advocacy groups highlighted these scams, prompting legislators to pursue measures designed to prevent fraud, improve operator accountability, and provide clear remedies for victims.

Lawmakers also recognized that, despite federal anti-money laundering regulations, many consumer facing protections such as clear disclosures, transaction limits, and adequate fraud response measures remained insufficient at the state level. Without uniform state rules, the responsibility of consumer protection fell primarily to federal authorities, who often lacked the resources or mandate to address state level consumer fraud effectively.

In response, recent state legislation has emphasized:

- ◆ **Licensing and Oversight:** Bills introduced mandatory state level licensing or registration requirements to ensure kiosk operators operate under clear regulatory guidelines. These licenses enable state regulators to maintain oversight, verify compliance with both federal and state requirements, and ensure operators implement adequate anti fraud measures.
- ◆ **Transaction Limits and Consumer Disclosures:** States established daily transaction limits to reduce potential losses from scams and implemented clear disclosure requirements at kiosks. The goal of these measures is to make consumers explicitly aware of transaction risks and common scams, reducing the likelihood of exploitation.
- ◆ **Refund and Fraud Response Policies:** New state laws require kiosk operators to establish formal processes for responding to fraud incidents, including refund mechanisms or collaboration with law enforcement to assist victims. These measures ensure operators actively participate in mitigating fraud related harm rather than acting as passive intermediaries.
- ◆ **Enhanced Consumer and Regulatory Communication:** Legislation frequently mandates operators to provide accessible customer support and compliance contact information. This ensures consumers have immediate access to help if they suspect fraudulent activity and facilitates prompt regulatory oversight.

Importantly, these state level initiatives do not replace federal requirements but rather build upon them, addressing consumer protection gaps that were previously unaddressed. The goal of this legislative wave is to create a more transparent, accountable, and secure environment for consumers, while clearly defining operational expectations for kiosk operators.



## Policy Recommendations

While Bitcoin kiosks have been misused in fraud schemes, they remain a lawful and vital tool for financial access. These machines allow consumers, particularly the unbanked or those preferring cash, to obtain digital assets conveniently. Recognizing both the potential for misuse and the legitimate benefits is crucial. Effective policy must address the risks associated with Bitcoin kiosks, such as scam related fraud, without eliminating their legitimate use. The following recommendations propose targeted measures to enhance consumer protection and regulatory clarity while preserving the availability of this important service.

### **1. Require kiosk operators to be licensed under existing money transmitter laws or clearly defined virtual currency licensing regimes.**

States should mandate that cryptocurrency kiosk operators obtain licenses either through existing money transmission statutes or clearly established virtual currency licensing frameworks. Licensing ensures kiosk operators meet appropriate anti-money laundering, consumer protection, and financial reporting standards. It also places operators under direct oversight by state regulatory authorities, providing transparency and accountability. Utilizing existing regulatory structures offers clear guidelines for compliance without imposing unnecessary or duplicative requirements. This approach reinforces the legitimacy of Bitcoin kiosks as regulated financial services, enhancing public confidence and ensuring consumer safety.

### **2. Mandate clear and prominent fraud warnings without prescribing exact language.**

State law should require Bitcoin kiosks to clearly display prominent fraud warnings for users. Legislation should not prescribe exact wording, allowing kiosk operators to develop and regularly update messaging as needed. Required warnings should alert consumers about common fraud tactics, including impersonation schemes and coercive demands for immediate payment. Providing operators flexibility in messaging ensures that fraud warnings remain effective, relevant, and adaptable. This approach enhances consumer awareness without imposing overly restrictive regulatory requirements.

### **3. Define “new customer” in statute and apply daily transaction limits only to that category.**

Legislation should clearly define “new customer” in the context of cryptocurrency kiosks and apply any special daily transaction limits only to that category. For example, a state could define a new customer as an individual during the first 5 days after their initial kiosk transaction. During that initial period, the law would cap the amount a new user can transact per day to a modest amount. Limiting transaction sizes for first time users in this way reduces the potential loss if they are targeted by a scam early on. Meanwhile, established customers beyond the new customer period would not be subject to these introductory limits, preserving normal transaction freedom for regular users.



#### **4. Require kiosk operators to post accessible customer support information at the kiosk.**

Legislation should require kiosk operators to post a prominently displayed contact phone number for the kiosk operator on each machine, connecting users either to the operator's live customer service or at minimum to the local police non-emergency line. This ensures that if a user suspects fraud or encounters a technical problem, immediate help is available at the point of transaction, allowing timely intervention before any loss occurs. By having accessible support directly at the kiosk, customers can verify suspicious instructions, resolve issues in real time, and seek guidance as needed.

#### **5. Facilitate operator cooperation with law enforcement and require fraud response procedures.**

State policy should help facilitate proactive cooperation between kiosk operators and law enforcement and require each operator to implement clear internal protocols for detecting and responding to fraud. These protocols should include promptly investigating customer fraud complaints, preserving relevant transaction records, and notifying law enforcement agencies when criminal activity is suspected. By institutionalizing such cooperative measures, the industry can more effectively deter criminals from misusing Bitcoin kiosks.

#### **6. Oppose fee caps and other overly restrictive measures that effectively prohibit kiosks.**

State lawmakers should reject overly restrictive measures targeting Bitcoin kiosks, including rigid fee caps or policies such as moratoriums, that indirectly serve as prohibitions. Such policies, though not explicit bans, can effectively eliminate kiosk operations by making legitimate business financially or operationally infeasible. Overregulation through excessive price controls or arbitrary restrictions reduces lawful consumer access to digital asset services and may inadvertently push users toward unregulated alternatives. Policymakers should instead adopt narrowly tailored solutions focused specifically on reducing fraud risks, ensuring consumer protection, and encouraging compliance. Policies should preserve innovation and maintain consumer choice without imposing indirect prohibitions on lawful kiosk businesses.

These recommendations provide a balanced policy approach for Bitcoin kiosks, strengthening consumer protections and clarifying regulatory obligations without impeding lawful use of digital asset services. By focusing on licensing oversight, consumer warnings, targeted limits for new users, accessible support, law enforcement collaboration, and refraining from broad prohibitions, lawmakers can address misuse effectively while allowing legitimate kiosk operations to thrive.



## Conclusion

Bitcoin kiosks provide a lawful and accessible method for individuals to acquire digital assets. Their use is particularly important for those who rely on cash or lack access to traditional financial institutions. While these machines have been involved in fraudulent schemes, the underlying technology remains a legitimate financial service. State efforts to address these risks reflect an appropriate focus on consumer protection and regulatory clarity.

Policymakers should adopt targeted policies that strengthen oversight, improve transparency, and promote cooperation with law enforcement, while maintaining access to lawful kiosk operations. Bitcoin kiosks are not the source of fraudulent activity. Like other financial tools, they require appropriate safeguards to ensure safe and responsible use.

SatoshiActionFund encourages lawmakers to use this framework to develop clear, focused policies that reduce risk, protect consumers, and preserve access to digital assets for all communities.



## Appendix of Current Laws

| <b>Regulatory Aspect</b>                   | <b>Federal (BSA/FinCEN)</b>   | <b>State (2022–2025 Laws)</b>   |
|--|---|---|
| <b>Registration</b>                        | Register with FinCEN as a Money Services Business (MSB).  | Obtain a state money transmitter or virtual currency kiosk license; register each kiosk with state authorities.   |
| <b>AML Program &amp; Reporting</b>         | Implement an AML compliance program; file Suspicious Activity Reports (SARs) and Currency Transaction Reports (CTRs) as required.   | Maintain AML program. No separate state SAR filing but some states require a designated compliance officer or reporting of fraud incidents to state law enforcement.  |
| <b>KYC &amp; Customer Identification</b>   | Verify customer identity and retain records for transactions above certain thresholds e.g. ≥ \$3,000. Federal law mandates risk based customer due diligence.   | Many states now require ID collection for all kiosk users or set lower thresholds. Some state laws explicitly mandate obtaining personal information even for small transactions to ensure every user can be identified if needed.  |
| <b>Transaction Limits</b>                  | No federal daily limit on transactions. Limits are determined by the operator’s risk policies.  | Daily limits for both new and existing customers are imposed. They are often stricter for new customers than for existing ones. These caps are legally enforced to prevent large fraudulent transfers.  |
| <b>Fees Charged to Customers</b>           | No federal cap on fees or exchange spreads – pricing is market driven and subject only to truth in advertising laws.  | Fee caps apply under many new state laws e.g. maximum \$5 flat fee or 3–15% of the transaction value.   |
| <b>Consumer Warnings &amp; Disclosures</b> | Federal law does not require specific scam warnings or investment risk disclosures on MSB services. MSBs must still provide receipts for transactions and adhere to general truth in advertising and FTC rules. | Kiosk operators must post fraud warnings and disclaimers on the machine and provide detailed receipts. For example, machines must warn that cryptocurrency transactions are irreversible and that government agencies will never solicit payment via Bitcoin Kiosk. Receipts must include operator contact info, fees, and transaction details. |
| <b>Fraud Victim Protections</b>            | No provisions for transaction reversals or mandated refunds, once a crypto transaction is executed, federal law does not require the MSB to compensate the customer if it was a scam.                           | Some states require refunds for fraud victims, particularly new customers who were tricked into a transaction. These laws obligate operators to refund the amount if the fraud is reported within a set time such as 7 days.  |



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