

Stillwater Virtual Currency Kiosk Ban Ordinance

Stillwater Mayor Ted Kozlowski
Stillwater Police Chief Brian Mueller

What are Virtual Currency Kiosks

Virtual Currency Kiosk

- Also referred to as “Crypto Currency ATM”
- Allows users to buy or sell cryptocurrency for cash, or transfer cryptocurrency to another person.
- All transactions have a high percentage-based fee (20-30%)



Kiosk Operation

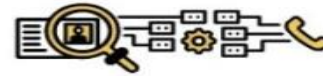
How a Crypto ATM Works



A crypto ATM resembles any other cash machine, but it works very differently.



- 1** Users put in cash and convert it to cryptocurrency for high fees, often over 9 percent.



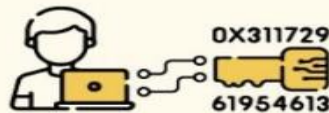
- 2** Some licensed operators require identification, but others ask only for a phone number.



- 3** From the ATM, the cryptocurrency is sent to an existing digital wallet or to a new digital wallet created on the spot.



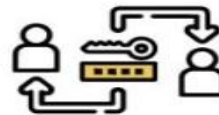
- 4** Identification is generally not required from the recipient, depending on transaction amount, location, and operator.



- 5** Crypto ATMs usually recommend users manage the public and private keys to their wallets, unique codes that locate and authorize transactions.



- 6** This is unlike centralized crypto exchanges, which hold users' private keys and act as custodians of their funds.



- 7** Scammers can take control of funds inside wallets created at ATMs by persuading victims to share the keys with them.

Why Scammers Love Kiosks for Fraud

- Scammers manipulate, threaten, and intimidate victims with schemes to insert cash into the Kiosks
- Kiosks quickly move the victims' cash into tough-to-trace accounts owned by the scammers
- In 2023, \$5.6 Billion in reported in U.S. losses, \$2.5 Billion for people over 50 (FBI 2023 Report)



Who Regulates Virtual Currency Kiosks?

Federal Regulation

- 31 CFR Subt. B, Ch. X, Pt. 1022
- Fed. Registration requirement for Operators
- Operators must register with U.S. Treasury Dept. Financial Crimes Enforcement Network as a “money service business” and meet certain requirements
- Kiosks themselves are NOT regulated Federally

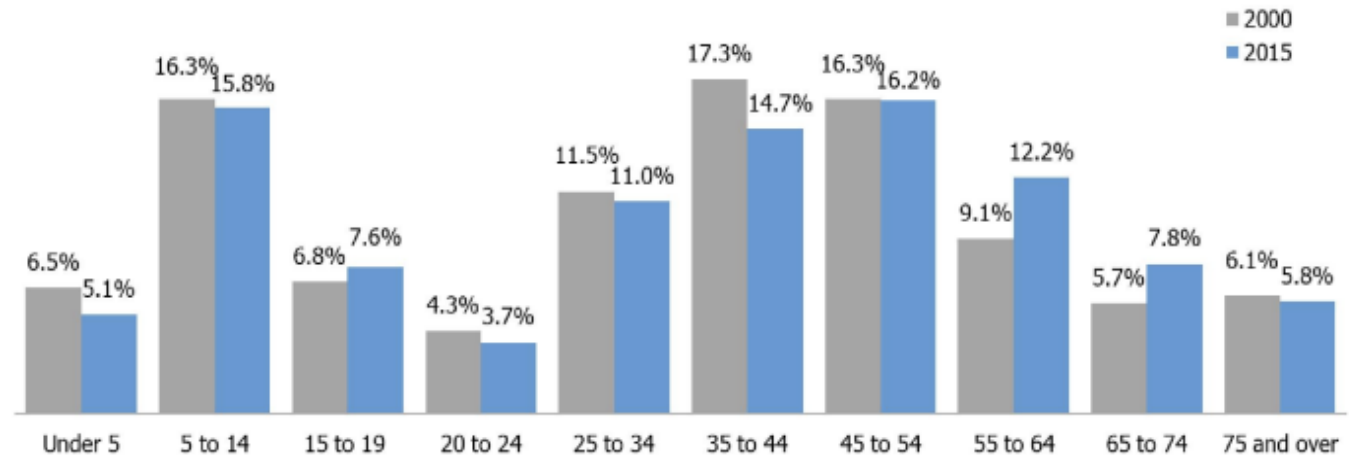
State Regulation

- Minn. Stat. §53B.69-75
- State Licensing requirement for Operators
- Operators must obtain a state license and disclose details such as fees, liability for mistaken transfers, basis for recovery and whether a user can stop payment
- *If* a Kiosk is used, more disclaimers are required
- Kiosks themselves are NOT regulated by the State

Stillwater Community Concerns

- 40% of Stillwater's population is 50 and over
- Stillwater PD has responded to over 30 scam reports since 2023 with over \$156,000 in reported losses
- Forest Lake reported losses of \$300,000 since 2023
- Woodbury reported losses of \$6.6 million since 2021
- Most scams involve transactions at Kiosks

Table 1.5: Age Distribution (Total Population by Percent)



PLAN OF STILLWATER

Stillwater Ord. 2025-125 Kiosk Prohibition

Adopted April 15, 2025

Provisions

- Prohibits Kiosks in the City (under general City Code, not Zoning Ordinance)
- Does not ban Virtual Currency Operators, only the physical Kiosks
- Hosts have 60 days to remove the Kiosks
- Authority: Police Powers as a Threat to Public Health, Safety, Welfare

Penalties

- Administrative Citation (\$100 fine)
- Any Licensed Business (i.e., off-sale liquor) risks Suspension or Revocation of its City License for violating other provisions of the City Code
- Criminal Charges, if necessary

Why did Stillwater ban the Kiosks?

- Kiosks are the tools preferred by scammers, targeting the elderly
- Kiosks are not regulated by Fed. or State Laws. The *Operators* are regulated, but not the Kiosks, which is only one method to conduct transactions
- Legitimate cryptocurrency businesses have other tools to transact business (apps, computers)
- Some cities are choosing a lesser (but included) form of regulation, beginning with a registration process and if too many crimes are reported, the registration would be revoked
- Stillwater chose to jump to the finish line