CITY OF SAINT PAUL
OFFICE OF THE CITY COUNCIL

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To: City of Saint Paul City Councilmembers **Date:** May 14, 2025

Subject: Cryptocurrency Kiosks and Local Government Actions

EXECUTIVE SUMAMRY

- Cryptocurrency Kiosks look like an ATM and are found in convenience stores, pharmacies, tobacco shops, liquor stores and grocery stores. Instead of dispensing cash, their purpose is to allow customers to sell and purchase cryptocurrency.
- In 2023, the FBI reports that there were approximately 69,468 total complaints in the U.S. with a cryptocurrency nexus for a total loss of $5.6 billion dollars, an increase of 45% since 2022.
- The decentralized nature of cryptocurrency, the speed of these irreversible transactions and the ability to move money all over the world makes cryptocurrency attractive for criminals in general.
- Local governments across Minnesota are taking steps to regulate or prohibit the operation of cryptocurrency Kiosks within city limits, citing a lack of public safety resources to effectively monitor the Kiosks or address the financial crimes associated with them.
- Cities have a responsibility to safeguard the health, safety, and welfare of their residents—particularly vulnerable populations such as the elderly.
- Given these concerns, the need to protect citizens outweighs any potential benefits these Kiosks may offer, thereby justifying regulatory action at the local level.

BACKGROUND

Cryptocurrency Kiosks or Virtual Currency Kiosks ("Kiosks"), as referred to in Minnesota state law, look like an ATM, and are found in convenience stores, pharmacies, tobacco shops, liquor stores and grocery stores, but instead of dispensing cash, their purpose is to allow customers to sell and purchase cryptocurrency.

> A Kiosk is defined in Minnesota law as "an electronic terminal acting as a mechanical agent of the virtual currency Kiosk operator to enable the virtual currency Kiosk operator to facilitate the exchange of virtual currency for money, bank credit, or other virtual currency, including but not limited to (1) connecting directly to a separate virtual currency exchanger that performs the actual virtual currency transmission, or (2) drawing upon the virtual currency in the possession of the electronic terminal's operator." (Minn. Stat. §53B.69 subd. 10.)

Example of a cryptocurrency Kiosk

City Hall Suite 310B Saint Paul, Minnesota 55102-1615 651-266-8620
Email: ward2@ci.stpaul.mn.us www.stpaul.gov/ward2

AA-ADA-EEO Employer

The Kiosks accept cash from consumers and then do the following with it:

- Credit it to the account of another person
- Move it from one account to another account for the same person 3
- Relinquish control of the currency to another person

There are multiple brands of Kiosks that sell different types of cryptocurrency. Most Kiosks do not allow a consumer to withdraw cash (sell cryptocurrency), instead only allowing a consumer to insert cash to purchase cryptocurrency. While some legitimate transactions may take place through these Kiosks, the machines have quickly become a preferred payment method for scammers.

CRYPTOCURRENCY KIOSKS & CRIMINAL ACTIVITY

In 2023, the FBI reports that there were approximately 69,468 total complaints in the U.S. with a cryptocurrency nexus for a total loss of $5.6 billion dollars, an increase of 45% since 2022.

The decentralized nature of cryptocurrency, the speed of these irreversible transactions and the ability to move money all over the world makes cryptocurrency attractive for criminals in general. When you add the ability to access a victim's cash via the Kiosk and the ability to target victims who do not have an online presence, there is significant opportunity for criminal activity.

Criminals manipulate, intimidate, and threaten their victims into using the Kiosks to send cash, including schemes such as:

- the victim has committed a crime and needs to pay money to avoid jail,
- that the victim is due a payment or owes a payment on PayPal,
- investment schemes, and
- the scammer falsely represents themselves as government officials or law enforcement officers and requests personal or financial information for an alleged refund.

Criminals often start with a phone call and are highly skilled at creating a sense of urgency, panic, and isolation in their victims. The criminals will remain on the phone with the victim throughout the transaction(s) to ensure that the victims lie to bank employees, local law enforcement, and other bystanders if necessary. In some scams, criminals falsely represent themselves as government officials or law enforcement officers.

Once cash is deposited into a suspect's virtual wallet, it is very difficult, if not impossible to recover and these cases are very difficult and time consuming to investigate.

It is important to note that customers who wish to purchase cryptocurrency are not prevented from doing so using a computer or an app, where the fees are often a flat rate of $.10 to $1.00 per transaction and cash is not required.

The Kiosk operator often marks up the cryptocurrency by 20-30%. Frequently the hosting business (often a convenience store) also receives a cut of the markup. In cases of criminal activity, suspects are often willing to pay these steep fees in exchange for greater anonymity and a lower risk of being caught—especially since the fees are effectively covered by the stolen funds. The combination of high transaction volumes linked to scams and the excessive fees charged suggests that both the Kiosk operators and host businesses are profiting at the expense of the victims.

CRYPTOCURRENCY KIOSKS & CRIMINAL ACTIVITY IN SAINT PAUL

The following information was provided by the Saint Paul Police Department in May of 2025.

- In 2024 there were four cryptocurrency Kiosk scams with a total of approximately $16,900 reporting to have been lost; overall there were 15 scams involving crypto.
    - The majority of these scams involved individuals being contacted on social media by fake investors.
    - No money was reported as recovered from these scams.
- In 2025 there have been two cryptocurrency Kiosk scams with a total of approximately $11,621 reporting to have been lost; overall there have been eight scams involving crypto this year.
    - The majority of these scams continue to be from individuals being contacted by fake investors.
    - So far, $1,200 has been reported as recovered and returned to the victim of a scam.

All but one of the cryptocurrency Kiosk scams involved an individual being contacted by someone claiming to be law enforcement and instructing the victim to pay a bail amount to prevent their arrest and directing them to a cryptocurrency Kiosk. Only one of these scams claimed to be SPPD.

See Appendix A for additional information.

CURRENT REGULATIONS

Federal: Kiosk operators are regulated federally by the U.S. Treasury Department Financial Crimes Enforcement Network ("FinCEN"). Kiosk operators must register with FinCEN as a "money service business" and meet the recordkeeping requirements from the Bank Secrecy Act and anti-money laundering statutes, but the Kiosks themselves are not regulated by this Act.

State: In Minnesota, there are licensing requirements for virtual currency operators. A virtual Kiosk operator ("Kiosk Operator") is defined in Minnesota statue as "a licensee that operates a virtual currency Kiosk within Minnesota." Minn. Stat. §53B.69 subd. 11. The license requirements, exemptions, and penalties are set forth in Minn. Stat. §53B generally. The applicable license for a Kiosk operator is a money transmitter license. The license requires operators to disclose certain details to the consumer such as:

- all fees,
- whether the transaction is covered by insurance,
- the revocability of the transaction,
- liability for mistaken, unauthorized or accidental transfers,
- the basis for any recovery from the licensee,
- whether the person has the right to stop payment or revoke the transaction,
- and at the conclusion, certain information is required in the confirmation of the transaction.

Licensees are required to maintain records of all transactions for 5 years.

In 2024, the Minnesota legislature passed new requirements which apply to any license under Chapter 53B who operates virtual currency Kiosks. The new law added:

- A disclaimer that explains that this is not a bank transaction and that it is not subject to any federal oversight or protections,
- Daily transaction limits ($2,000),
- Refunds (for new customers only, and if within 72 hours of the transaction), and

- The following statement which must be acknowledged by the customer:
  "Warning: Losses due to fraudulent or accidental transactions are not recoverable and transactions in virtual currency are irreversible. Virtual currency transactions may be used by scammers impersonating loved ones, threatening jail time, and insisting you withdraw money from your bank account to purchase virtual currency."

Unfortunately, criminals have also already found their way around Minnesota's new laws intended to protect new customers with refund protection and daily transaction limits.

Scammers will send the victim to a QR code to the scammer's wallet, so even if the victim has never been to a Kiosk before, they are not considered a new customer because they are using the scammer's account.

Likewise, to get around the daily limit, victims will be told to use different Kiosks to complete a large transaction, often traveling many miles from home and crossing into Wisconsin, to avoid the daily-transaction limit.

CRYPTOCURRENCY KIOSKS & LOCAL ACTION

Local governments across Minnesota are taking steps to regulate or prohibit the operation of cryptocurrency Kiosks within city limits, citing a lack of public safety resources to effectively monitor the Kiosks or address the financial crimes associated with them.

Cities have a responsibility to safeguard the health, safety, and welfare of their residents—particularly vulnerable populations such as the elderly. Given these concerns, the need to protect citizens outweighs any potential benefits these Kiosks may offer, thereby justifying regulatory action at the local level.

Two municipalities taking action against these Kiosks in Minnesota include:

Stillwater

The Stillwater Police Department approached the City Attorney's Office to discuss what options the City has to regulate these Kiosks to protect the community after seeing a significant rise in the number of reports of scams from cryptocurrency Kiosks.

Stillwater originally proposed creating an ordinance to help regulate the presence and operation of cryptocurrency Kiosks within the city by requiring the owner to register their contact information and registration number. These requirements would be coupled with a city-provided informational warning placard that would be required to be posted on or very near the Kiosk.

However, the city ran into the issue of knowing where the Kiosks are – they are aware of at least four – but have no idea who owns and operates them.

Given these challenges, Stillwater shifted to asking for the machines to be banned from operating in the city all together to avoid wasting the public safety resources it would take to monitor or regulate the Kiosks or the crimes that result.

The Stillwater City Council adopted an ordinance banning cryptocurrency Kiosks on April 15, 2025. The ordinance went into effect April 18, 2025.

Now Stillwater is working to notify any businesses that have cryptocurrency Kiosks about the new ordinance. Any business that currently have a Kiosk will have up to 60 days to remove the machine. Failure to remove will result in an administrative citation or other enforcement action as needed.

Forest Lake

Within the past few years, the Forest Lake Police Department has received a significant number of reports of scams and fraud arising from multiple cryptocurrency Kiosks located through the city. The policy department approached the city council with the city attorney to find out what options the city may have to regulate the Kiosks to better protect the community.

Rather than banning cryptocurrency Kiosks, Forest Lake officials are moving forward with a plan that would require that all Kiosks located within the city be registered. The city has strong authority to register businesses and uses with the City. Examples of this are tobacco, alcohol, cannabis, massage therapists, tattoo parlors, and other businesses that have obvious public health or safety concerns. The City of Forest Lake sees these Kiosks as no different and having clear public safety concerns because of the amount of fraud running through the machines, the vulnerable population groups targeted, and the inability to recover the stolen funds.

Forest Lake's ordinance will require the property owner ("Hosting Business") where cryptocurrency Kiosks are located to register each machine with the city. A Kiosk can only be registered if they confirm to the following:

- Complete an application providing the name, business address and valid registered agent of the Kiosk Operator;
- Pay a $2,000 registration fee to cover the City's actual costs related to registration and enforcement of the ordinance;
- Provide a copy of a valid state license'
- Copy of the lease/rental agreement between the Hosting businesses and the Kiosk Operator;
- Any information required by the State for the State license;
- Written confirmation from the Forest Lake Police Department that the Kiosk Operator has had no more than two instances of substantiated fraud, as determined by the FLPD involving any Kiosk owned or operated by that Kiosk Operator within the City in the past six months;
- Post a sign as provided by the City on the Kiosk warning of the danger of fraud and scams;
- Have a dedicated, close-circuit camera for the Kiosk, positioned as required by Forest Lake Police Department and shall provide video footage to FLPD within 48 hours of request;
- Pass compliance checks by Forest Lake Police Department.

In addition, if a Hosting Business has had a previous registration denied, suspended or revoked, the owner of the business may not apply for a new registration for two years.

Because of the nature of the cryptocurrency industry in general, Forest Lake believes enforcing registration against the property owner is the preferred method because they own the property where the Kiosk is physically located. The goal of the ordinance is to balance the protection of the community without instituting a ban on the Kiosks.

The Forest Lake City Council passed their ordinance on April 15, 2025and the ordinance took effect on April 17, 2025.

APPENDIX A

2024 DATA SET FOR CRYPTOCURRENCY SCAMS IN THE CITY OF SAINT PAUL

SCAM TYPE	CN	CALLDATE	PRIMARYRMSOFFENSE	DETAILS
ATM Scams	24018834	1/6/2024 13:33	FRAUD-SWINDLING	Wash Co pay not to get arrested- Cub Foods in Roseville
	24810097	2/1/2024 18:19	FRAUD-UNAUTHORIZED USE OF CREDIT CARD	SPPD pay to not get arrested- Cub Foods in New Brighton MN
	24811071	2/29/2024 13:41	FRAUD-ALL OTHER	Ramsey Co pay to not get arrested- Coinstar ATM no known location
	24815194	9/25/2024 14:51	FRAUD-ALL OTHER	Ramsey Co pay to not get arrested- Coinstar ATM no known location
Fake Investor Scams	24811522	3/25/2024 13:09	FRAUD-ALL OTHER	Fake Investor; Facebook
	24811910	4/15/2024 15:42	FRAUD-SWINDLING	Fake Investor; Facebook
	24813000	6/7/2024 15:51	FRAUD-SWINDLING	Fake Investor; unknown source
	24813255	6/23/2024 20:24	FRAUD-SWINDLING	Fake Investor; Facebook
	24814568	8/26/2024 21:26	FRAUD-ALL OTHER	Fake Investor; Plenty of Fish
	24816359	11/20/2024 11:05	FRAUD	Fake Investor; unknown source
Hackers	24812358	5/8/2024 12:12	FRAUD-IDENTITY FRAUD	Phone hacker
	24175154	9/17/2024 10:39	FRAUD-ALL OTHER	Computer hacker
	24816476	12/1/2024 0:18	FRAUD	Computer hacker
Fake Jobs	24813511	7/2/2024 14:47	FRAUD-SWINDLING	AirBnb Fake Job
	24813799	7/17/2024 8:59	FRAUD-UNAUTHORIZED USE OF CREDIT CARD	Fake Job

2025 DATA SET FOR CRYPTOCURRENCY SCAMS IN THE CITY OF SAINT PAUL TO DATE

SCAM TYPE	CN	CALLDATE	PRIMARYRMSOFFENSE	DETAILS
ATM Scam	25810998	2/26/2025 22:44	FRAUD-IDENTITY FRAUD	Police pay to not get arrested- no specific crypto machine
	25049765	3/27/2025 8:58	FRAUD	Bill Collector; St. Peter's Market ATM
Fake Investor	25002205	1/4/2025 19:03	FRAUD-SWINDLING	Fake Investor; dating site
	25013307	1/25/2025 10:46	FRAUD-SWINDLING	Fake Investor; Inestment Company
	25811524	3/27/2025 16:13	FRAUD-SWINDLING	Fake Investor; unknown source
	25811731	4/7/2025 21:51	FRAUD-ALL OTHER	Fake Investor; Facebook
	25811911	4/14/2025 14:36	FRAUD	Fake Investor; Facebook
Fake Repairperson	25063989	4/17/2025 14:17	EMBEZZLEMENT	Fake TV Repair Fee Roku