## 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

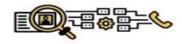
#### **How a Crypto ATM Works**



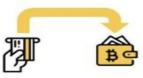
A crypto ATM resembles any other cash machine, but it works very differently.



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



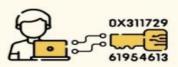
Some licensed operators require identification, but others ask only for a phone number.



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



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



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

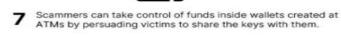


THE BIRTHPLACE OF MINNESOTA

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







## 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

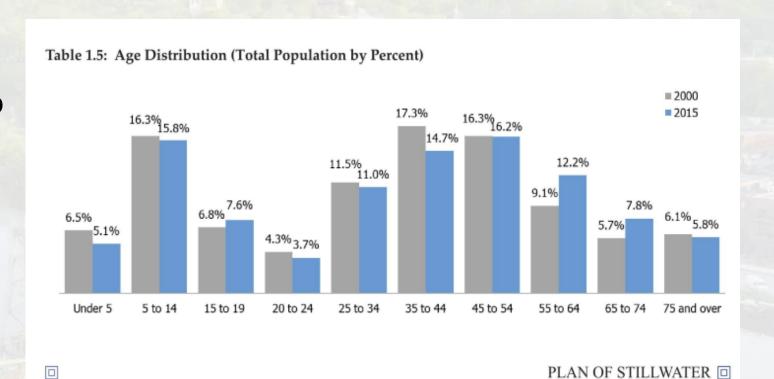
- 31 CFR Subt. B, Ch. X, Pt. 1022
- Fed. Registration requirement for Operators
- Operators must register with U.S. Treasury Dept. Financial Crimes Enforcement Network as a "money service business" and meet certain requirements
- Kiosks themselves are <u>NOT</u> regulated Federally

#### 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 <u>NOT</u> 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





# 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

