
**Consumer Protection & Business
Committee**

HB 1268

Brief Description: Concerning virtual currency transaction kiosks.

Sponsors: Representatives Hackney and Ryu.

Brief Summary of Bill

- Deems virtual currency transaction kiosks (kiosks) to be engaged in the business of money transmission under the Uniform Money Services Act.
- Requires multiple new disclosures, and removes one existing disclosure, by owners or operators of kiosks to customers before a transaction.
- Requires a receipt with specified information provided to a customer upon the completion of a transaction at a kiosk.
- Imposes operational requirements on owners or operators of kiosks, establishes minimum tangible net worth requirements, requires a detailed plan and accounting for winding down business, and imposes conditions and requirements for terminating business.

Hearing Date: 1/22/25

Staff: Peter Clodfelter (786-7127).

Background:

Uniform Money Service Act. A person may not engage in the business of money transmission, or advertise, solicit, or hold themselves out as providing money transmission, unless the person is licensed in Washington as a money transmitter by the Department of Financial Institutions (DFI),

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

is an authorized delegate of a licensed a money transmitter in Washington, or is excluded from licensure requirements by statute.

Money Transmission. "Money transmission" is defined, subject to exclusions, as receiving money or its equivalent value, which includes virtual currency, to transmit, deliver, or instruct to be delivered to another location, inside or outside the United States, by any means including but not limited to by wire or electronic transfer. The DFI issued a policy statement in January 2024, that any person operating a virtual currency automated teller machine, kiosk, or similar offering, must obtain a license under the Uniform Money Services Act (UMSA), comply with disclosure requirements, and report each kiosk location to the DFI.

Disclosures. Virtual currency licensees, as applicable, must provide to any person seeking to use the licensee's products or services the following disclosures separately from other information and in a clear and conspicuous manner:

- a schedule of all fees and charges the licensee may assess on a transaction, how the fees and charges will be calculated if not set in advance and disclosed, and the timing of the fees and charges;
- whether the product or service provided is insured or guaranteed by an agency of the United States, such as the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation, or by private insurance against theft or loss, including cybertheft or theft by other means;
- a notice that the transfer of virtual currency or digital units is irrevocable and any exception to the irrevocability of transfer;
- a notice describing the licensee's liability for unauthorized, mistaken, or accidental transfers, describing the user's responsibility for providing notice of a mistake to the licensee, and describing general error-resolution rights applicable to any transaction; and
- any additional disclosures the Director of the DFI (Director) may require in rule.

Permissible Investments. A money transmitter licensee must maintain permissible investments that have a market value computed in accordance with generally accepted accounting principles of not less than the amount of the licensee's average daily transmission liability. A licensee transmitting virtual currencies must hold like-kind virtual currencies of the same volume as that held by the licensee but which is obligated to consumers in lieu of the permissible investments otherwise required. A licensee transmitting both money and virtual currency must maintain applicable levels and types of permissible investments complying with both standards. The Director may prescribe in rule, or by order allow, other types of investments that the Director determines to have a safety substantially equivalent to other permissible investments.

Summary of Bill:

Kiosks Deemed Money Transmission. A person who owns, operates, solicits, markets, advertises, or facilitates virtual currency transaction kiosks (kiosks) in Washington is deemed to be engaged in the business of money transmission in Washington and is subject to licensure under the UMSA. A person operating a kiosk outside of a license is considered in violation and

subject to penalties.

Disclosures. Separate and in addition to existing disclosures, before entering into a virtual currency transaction, a kiosk operator must disclose all material risks generally associated with virtual currency. The disclosure must be displayed on the screen of the kiosk with the ability for a person to acknowledge the receipt of the disclosures. The disclosures must include at least the following information:

- Virtual currencies are not backed or insured by the government, and accounts and value balances are not subject to Federal Deposit Insurance Corporation, National Credit Union Administration, securities investor protection, or corporation protections.
- Some virtual currency transactions are deemed to be made when recorded on a public ledger, which may not be the date or time when the person initiates the transaction.
- The value of a virtual currency may be derived from market participants continued willingness to exchange fiat currency for virtual currency, which may result in the permanent and total loss of a particular virtual currency's value if the market for the virtual currency disappears.
- There is no assurance that a person who accepts virtual currency as a payment today will do so in the future.
- The volatility and unpredictability of the price of virtual currencies relative to fiat currency may result in a significant loss over a short period.
- Virtual currency transactions are irreversible and may be used by scammers, including those impersonating loved ones, threatening jail time, stating that your identity is stolen, and insisting you withdraw money from your bank account and purchase cryptocurrency.
- The nature of virtual currency means that any technological difficulties experienced by the kiosk operator may prevent access to or use of a person's virtual currency.
- Any bond maintained by the licensee may not cover all losses the person incurs.

Additionally, a kiosk operator must provide another separate disclosure, which must be acknowledged by the person, written prominently and in bold type, and provided separately from other disclosures, stating: **"WARNING: LOSSES DUE TO FRAUDULENT OR ACCIDENTAL TRANSACTION ARE NOT RECOVERABLE AND TRANSACTIONS IN DIGITAL FINANCIAL ASSETS ARE IRREVERSIBLE."** It is provided that the new disclosures and existing disclosures must be legibly written in English.

While adding these new disclosures, the existing disclosure is removed that requires a notice describing the licensee's liability for unauthorized, mistaken, or accidental transfers, describing the user's responsibility for providing notice of a mistake to the licensee, and describing general error-resolution rights applicable to any transaction.

Receipt Requirement. The owner or operator of a virtual currency transaction kiosk must, upon the completion of any virtual currency transaction, provide to the customer a receipt containing the following information:

- the name of, and contact information for, the owner or operator including, but not limited to, the owner or operator's business address and a customer service telephone number

- established by the owner or operator to answer questions and register complaints;
- the customer's name;
- the type, value, date, and precise time of the transaction, and each virtual currency address;
- the amount of the virtual currency expressed in United States currency;
- the full unique transaction hash or identification number;
- the public virtual currency address of the customer;
- the unique identifier;
- any fee charged including, but not limited to, any fee charged directly or indirectly by the owner, operator, or a third party; and
- the exchange rate, if applicable.

Operational Requirements for Kiosks. Each owner or operator of a kiosk must:

- gather and maintain full know-your-customer information in accordance with federal reporting requirements;
- maintain restrictions that prevent more than one customer of the owner or operator from using the same virtual currency wallet;
- be able to prevent designated virtual currency wallets from being used at any virtual currency transaction kiosk owned or operated by the owner or operator;
- use an established third party that specializes in performing blockchain analyses to preemptively perform analyses to identify and prevent high-risk or sanctioned virtual currency wallets from being used by customers;
- define, in the owner or operator's policies and procedures, a risk-based method of monitoring customers on a post-transaction basis;
- offer, during the hours of operation of the kiosks owned or operated by such owner or operator, live customer support by telephone from a telephone number prominently displayed at or on the kiosks;
- designate and employ a chief compliance officer who is qualified to coordinate and monitor a compliance program to ensure compliance with Washington and federal law, is employed on a full-time basis by the owner or operator, and does not own more than 20 percent of the kiosk or operator that employs the officer; and
- use full-time employees to fulfill the owner or operator's compliance responsibilities under federal and state laws and rules.

Minimum Tangible Net Worth. Generally, each operator of a kiosk must demonstrate and maintain tangible net worth calculated at \$10,000 for every \$1 million of total company-wide money transmission and payment instrument dollar volume over the previous 12 months. The minimum tangible net worth is generally \$10,000 and the maximum required tangible net worth is \$3 million. The minimum tangible net worth, if the company provides digital financial asset storage, is \$100,000.

Detailed Plan and Accounting Requirements. Each money transmitter licensee who owns, operates, solicits, markets, advertises, or facilitates kiosks in Washington must maintain a detailed plan and accounting as to how the licensee must engage in winding down operations. A plan and accounting must contain the following:

- a record showing the licensee's minimum net worth and reserves are sufficient to prevent losses to consumers and purchasers and to repay any outstanding obligations or accounts payable;
- procedures to ensure that, after winding down operations, the licensee does not retain any consumer funds, purchaser funds, or other client funds;
- a plan demonstrating that consumers have access to consumer funds in the licensee's custody;
- detailed instructions informing consumers how they may withdraw consumer funds upon request; and
- any other information requested by the Director regarding winding down operations.

Terminating Business Requirements. No licensee who owns, operates, solicits, markets, advertises, or facilitates kiosks in Washington may terminate the licensee's business unless the licensee:

- provides written notice to the Director of the proposed termination at least 30 days in advance;
- notifies, in writing, all consumers, purchasers, and users of the licensee of the proposed termination and the date, at least 30 days prior to the date of the proposed termination;
- provides all consumers, purchasers, and users of the licensee with detailed final accountings;
- remits all money held in the custody of the licensee on behalf of consumers, purchasers, and users to the consumers, purchasers, and users; and
- files a request to surrender the license, and the Director accepts the request.

Duties When Ceasing Business Operations. Within 15 days after the date a virtual currency licensee ceases to engage in the business of money transmission in Washington for any reason, the licensee must request surrender of the license for each location where the licensee has ceased to engage in business. The licensee must also identify, in writing, to the Director the location where records will be stored and the contact information of an individual authorized to provide access to the records. The surrender of a license does not reduce or eliminate the licensee's civil or criminal liability arising from actions undertaken by the Director to revoke or suspend a license, assess a civil penalty, order restitution, or exercise other authority.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2026.