

# SENATE BILL REPORT

## SB 5280

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As Reported by Senate Committee On:  
Business, Financial Services & Trade, January 29, 2025

**Title:** An act relating to protecting consumers of virtual currency kiosks.

**Brief Description:** Protecting consumers of virtual currency kiosks.

**Sponsors:** Senators Kauffman, Christian, Nobles, Stanford and Valdez; by request of Department of Financial Institutions.

**Brief History:**

**Committee Activity:** Business, Financial Services & Trade: 1/23/25, 1/29/25 [DP, w/oRec].

**Brief Summary of Bill**

- Provides reporting and recordkeeping requirements for money transmitter licensees operating virtual currency kiosks.
- Limits virtual currency kiosk daily transaction amounts per consumer to \$1,000 per day.
- Limits virtual currency kiosk transaction fees to the greater of \$5 or 5 percent of the United States dollar equivalent of virtual currency involved in the transaction.
- Requires certain information be disclosed before a transaction through a virtual currency kiosk and on the receipt.

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### SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

**Majority Report:** Do pass.

Signed by Senators Kauffman, Chair; Cortes, Vice Chair; Hasegawa, Lovick and Stanford.

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*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.*

**Minority Report:** That it be referred without recommendation.

Signed by Senators Dozier, Ranking Member; Fortunato, McCune and Wilson, J..

**Staff:** John Kim (786-7453)

**Background:** The Department of Financial Institutions (DFI) administers the state Uniform Money Services Act (Act), which regulates money transmitters and currency exchange businesses. In 2017, the definition of money transmission under the Act was amended to include the receiving of virtual currency and the transmission of the same. Virtual currency means a digital representation of value used as a medium of exchange, a unit of account, or a store of value, but does not have legal tender status as recognized by the United States government. A person that engages in the business of receiving and transmitting virtual currency by any means must be licensed with DFI as a money transmitter.

Money transmitter licensees must submit certain reports of condition to the Nationwide Multistate Licensing System (NMLS), a multistate system of record for nondepository financial services licensing.

Virtual currency licensees must disclose to consumers:

- 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; and
- a notice describing the licensee's liability for unauthorized, mistaken, or accidental transfers and, describing the user's responsibility for providing notice of such mistake to the licensee and of general error-resolution rights applicable to any transaction.

**Summary of Bill:** A virtual currency kiosk is defined as an electronic terminal that facilitates the exchange of virtual currency for money or other virtual currency. It does not include consumer mobile cellular phones and other similar devices.

Reporting and Recordkeeping Requirements. A licensee operating a virtual currency kiosk must report all of its branch locations and authorized delegates to the NMLS at least 30 days before commencing business at the branch or authorized delegate location to provide money services in the state. Accurate records must be maintained in NMLS as prescribed by rule.

Daily Transaction Limit. A licensee operating a virtual currency kiosk may not accept, dispense, or transmit more than \$1,000 per day from or to a consumer through a virtual

currency kiosk.

Transaction Fee Limit. The aggregate fees and charges, directly or indirectly, charged to a customer related to a single transaction or series of transaction involving virtual currency effected through a virtual currency kiosk may not exceed the greater of \$5 or 5 percent of the United States dollar equivalent of virtual currency involved in the transaction or transactions. This amount includes any difference between the price charged to a customer to buy, sell, exchange, swap, or convert virtual currency and the prevailing market value of such virtual currency at the time of transaction.

Disclosure Requirements. In addition to disclosures required under current law, before a consumer initiates a transaction on a virtual currency kiosk, the kiosk must clearly, conspicuously, and separately disclose:

- the name, unique identifier, address, and telephone number of the licensee;
- the days, times, and means by which a consumer can contact the licensee for customer assistance;
- a statement alerting consumers on fraud; and
- a statement that fraudulent transactions may result in the loss of the consumer's money or virtual currency with no recourse.

Upon completion of any transaction through a virtual currency kiosk, the licensee must provide a receipt showing the:

- name of the customer;
- type, date, time, and precise amount of the transaction;
- amount of any fee or other charge;
- exchange rate;
- full unique transaction hash or identification number;
- public virtual currency address of the customer;
- amount of any difference between the price paid by the customer for any virtual currency and the prevailing market price of such virtual currency, if applicable; and
- name, unique identifier, and contact information of the licensee.

The amount or value of the virtual currency must include the equivalent United States' dollar value.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: The bill tackles the challenges around virtual

currency kiosks, including no limits on amounts deposited or fees charged and notices about the fees and terms. The bill provides stronger reporting and recordkeeping requirements, ensuring compliance to build trust. It strikes a balance between protecting consumers and fostering innovation. DFI was approached by the Spokane Police Department about fraud losses through virtual currency kiosks. There are instances where people were defrauded in imposter scams or pig-butchered out of tens of thousands of dollars of their retirement funds or life savings. The transaction limits the reporting requirements and ensures the operations align more closely with the standards applied to the banking industry. Virtual currency kiosks are dangerous especially to older adults who do not fully understand crypto and the number one way to protect consumers is to cap fees and deposit amounts.

CON: The \$1,000 transaction limit encourages stacking transactions across multiple kiosks and operators to skirt reporting requirements and limits companies' anti-money laundering efforts. The bill's fee limits would be a de facto ban on virtual currency kiosks in the state, would be by far the lowest in the country, and do not take into account the unique costs of virtual currency operators. Smart regulation includes requiring licensure, robust compliance programs, visible warnings and fee disclosures, blockchain analytics, and live customer service.

**Persons Testifying:** PRO: Senator Claudia Kauffman, Prime Sponsor; Timothy Schwering, Spokane Police Department; Cathleen MacCaul, AARP Washington State; Glen Simecek, Washington Bankers Association; Drew Bouton, Washington State Department of Financial Institutions.

CON: Kevin Lolli, CoinFlip; Ethan McClelland, Bitcoin Depot.

**Persons Signed In To Testify But Not Testifying:** No one.