

Rhode Island Coalition for Elder Justice

Working together for a Safe and Just Elder Community



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March 24, 2025

RI General Assembly
House Innovation Internet and Technology Committee
82 Smith Street
Providence, RI 02903

Re: Support of House Bill 5121, RELATING TO FINANCIAL INSTITUTIONS -- CURRENCY TRANSMISSIONS

Dear House Innovation Internet and Technology Committee,

The Rhode Island Coalition for Elder Justice is writing to express strong support for House Bill 5121, which seeks to establish essential regulatory measures for the growing number of cryptocurrency ATMs in Rhode Island. As it stands, these ATMs are largely unregulated, standing in stark contrast to traditional ATMs, which are linked to banking networks governed by both state and federal regulators. This gap in oversight has allowed for a rise in criminal activity, particularly fraud schemes involving these machines.

Cryptocurrency ATMs are standalone devices with minimal regulation. While their operators are registered as Money Services Businesses (MSBs) with the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN), this registration does not require financial reporting or meaningful oversight. This lack of regulation has made these machines a target for fraudsters. To highlight the issue, the FinCEN MSB registrant search page carries a warning that states: ***"Fraudsters are using the Financial Crimes Enforcement Network's (FinCEN's) money services business (MSB) registration process to defraud the public. You should not trust a company only because it is listed on this Web page."***

Criminals have increasingly exploited this regulatory gap, using crypto ATMs in schemes such as gift card fraud. In these scenarios, victims are coerced into buying cryptocurrency with their own funds and transferring it to criminals via these machines. The lack of transaction receipts makes it impossible for victims to recover their money, and the anonymity of crypto transactions further complicates efforts to trace the funds. In 2023, Rhode Islanders lost hundreds of thousands of dollars to fraud involving crypto ATMs.

House Bill 5121 aims to address this critical issue by imposing reasonable safeguards. Specifically, the bill would require operators of cryptocurrency ATMs to register with the State of Rhode Island and comply with key protections, including:

- Clearly displaying fees and exchange rates
- Implementing daily transaction caps for individuals
- Providing full disclosures prior to each transaction
- Issuing receipts with all relevant transaction information
- Refunding victims of fraudulent transactions

These measures would go a long way in protecting Rhode Islanders from fraud while also providing law enforcement with vital information to pursue criminals. By making these machines less appealing to wrongdoers, H.B. 5121 would help create a safer environment for all users, including vulnerable older adults.

For these reasons, I respectfully urge you to approve H.B. 5121 and take a step toward protecting consumers and improving the integrity of the financial landscape in Rhode Island.

Sincerely,

Robin Ashley Covington, The Rhode Island Coalition for Elder Justice

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