The Honorable Members of the Senate Commerce Committee
State House
Providence, Rhode Island 02903

RE: S.2648 - An Act Relating to Financial Institutions — Currency Transmissions

April 14, 2026

My name is Dan Hersey, and I am the founder of the Rhode Island Bitcoin Policy Initiative — a nonpartisan research and education organization committed to shaping smart, forward-looking Bitcoin and digital asset policy at the state level. RIBPI has published policy research on topics including Bitcoin tax treatment, kiosk regulation, private key protections, and blockchain economic development, and has provided testimony to both chambers of the General Assembly.

I want to be clear at the outset: we share this bill's goal. Consumer protection around virtual currency kiosks is important. The FBI reported that crypto kiosk scams caused more than $333 million in losses in 2025 based on over 12,000 complaints — up from approximately $246.7 million and 10,956 complaints in 2024. Losses have more than doubled in two years. These are real victims, and RIBPI supported the intent of the virtual currency kiosk provisions enacted last session — now codified at R.I. Gen. Laws § 19-14.3 et seq. (P.L. 2025, ch. 113) — in bringing oversight to this space. We have nonetheless documented significant structural flaws in that enacted statute, including its reliance on passive disclosure walls, a one-size-fits-all compliance burden that crushes small operators, no criminal enforcement tools targeting actual scammers, and statutory transaction limits that cannot be calibrated to evolving risk without returning to the legislature. Those concerns are detailed at ribpi.com. RIBPI does not oppose regulation — our concern is that regulation be done well. S.2648 would expand a framework that already has problems, and as currently drafted, it would compound them.

In fact, RIBPI's research suggests that the vulnerable populations this bill is designed to protect would be better served by an active intervention model than by the passive disclosure walls

currently required under § 19-14.3-3.10 and the fraud prevention provisions of § 19-14.3-3.11. The FTC reported that gift card fraud losses exceeded $217 million in 2023 despite years of identical on-screen warnings at retail registers. A wall of text does not stop a person who has been coached by a live scammer. Interactive fraud screening — brief questions at the point of transaction that identify red flags, combined with a mandatory delay when those flags are triggered — is the difference between a warning sign and an actual intervention. That approach would do more to protect seniors and other vulnerable Rhode Islanders than expanding the current framework's definitions ever could.

The core issue is the phrase "facilitates or enables." Section 1 of the bill amends the definitions in R.I. Gen. Laws § 19-14.3-1.1 — specifically subsections (26) "Virtual-currency kiosk operator" and (27) "Virtual currency kiosk transaction" — to capture any person or business entity that "facilitates or enables the purchase of virtual currency through a digital product or application that directs a customer to remit payment in person, including through a clerk or other intermediary." The bill does not define "facilitates," "enables," "digital product," "application," or "intermediary." That combination of undefined terms could sweep in software developers who never touch customer funds, mobile wallets with fiat on-ramps that route users to cash-accepting partner locations, convenience stores that accept cash on behalf of a licensed exchange, and retail voucher services that have nothing to do with traditional kiosks. When critical terms are undefined, enforcement becomes unpredictable, and businesses cannot determine whether they are in or out of compliance.

No other state has used language this broad. RIBPI has surveyed the regulatory approaches of the more than twenty states that have adopted virtual currency kiosk laws, as well as the ALEC model policy — the Virtual Currency Kiosk Consumer Access and Protection Act. None of them use open-ended "facilitates or enables" language. The emerging national consensus is narrow definitions targeting entities that actually own, operate, or control kiosk transactions, combined with tiered obligations and phased implementation. Nebraska's Controllable Electronic Record Fraud Prevention Act, signed in 2025, defines operators specifically. South Dakota's SB 98, signed just last month, requires Division of Banking registration with clear

definitions. Maryland's finalized COMAR rules use the existing NMLS licensing infrastructure. California's Digital Financial Assets Law carefully scopes kiosk operator obligations. The ALEC model policy explicitly calls for "clear, consistent, and narrowly tailored regulation" — the opposite of what S.2648 proposes.

Every entity captured by this expanded definition inherits the full compliance burden of Chapter 19-14.3. Our analysis estimates that burden at approximately $200,000 per year per operator. Chapter 19-14.3 requires operators to maintain the six mandated compliance programs specified in § 19-14.3-3.7 — a combined information-security and operational-security program, business continuity, disaster recovery, anti-fraud, anti-money-laundering, and Bank Secrecy Act / USA Patriot Act compliance — each supervised by a responsible individual with adequate authority and experience. It requires the full-time compliance officer and blockchain analytics subscriptions specified in § 19-14.3-3.11, the comprehensive customer disclosures and physical receipts specified in § 19-14.3-3.10, the live customer service specified in § 19-14.3-3.13, and the licensing, registration, and quarterly reporting specified in § 19-14.3-3.9. It is worth noting the refund provision specifically: § 19-14.3-3.11 requires a full transaction refund to new customers, within their first thirty days, who were fraudulently induced. During the original hearings, kiosk operators testified that a full refund for authorized transactions creates a double loss — the virtual currency already purchased and sent per the customer's instructions, plus the cash deposited — and can incentivize fraudsters to target operators themselves. No comparable money service business in the country faces this standard for authorized transactions; even federal Regulation E limits refund requirements to unauthorized transactions. For a large Bitcoin ATM operator running hundreds of kiosks, the overall compliance cost is manageable. For a small app developer or a convenience store offering a voucher-at-register service, it is prohibitive. The bill makes no distinction between custodial operators who hold customer funds and non-custodial services that simply provide a software interface. Those are fundamentally different risk profiles, and they warrant different regulatory treatment.

Other states have recognized this. Nebraska sets tiered daily transaction limits — $2,000 for new customers and up to $10,500 for established, verified customers — calibrating the burden to risk, and leaving the upper tier adjustable. Rhode Island's framework at § 19-14.3-3.12 is also tiered, but the ceilings are substantially lower — $2,000 for new customers and $5,000 for existing customers — and those caps are fixed in statute. Section 19-14.3-3.12(c) applies the limits to each customer across every kiosk in the state, which means that under the Bank Secrecy Act, the $10,000 Currency Transaction Report threshold cannot be reached at any Rhode Island kiosk in a single day. Industry operators testified during the original hearings that low caps create incentives for lawful users to split activity across days and for bad actors to shift to channels outside the state's reach — online exchanges, peer-to-peer trades, out-of-state kiosks — while Suspicious Activity Report filings become harder to triangulate when the same actor's activity is distributed across unrelated sources. Because these limits are set in statute rather than by regulation, DBR cannot calibrate them as fraud patterns evolve without returning to the legislature. Nebraska's adjustable, risk-tiered approach better preserves both consumer protection and the federal reporting architecture.

Maryland's registration model costs $2,000 per operator plus $200 per kiosk through NMLS, a fraction of the compliance cost Rhode Island's framework imposes. When regulation becomes so burdensome that compliance is impossible for legitimate small operators, the policy outcome converges with a de facto ban. During the original hearings, kiosk operators testified that California's fee caps and transaction limits caused an exodus of legitimate, licensed operators — and that the operators who remained were typically unlicensed, with no compliance programs, no blockchain analytics, and no consumer protections whatsoever. The policy outcome was the opposite of its intent: fewer protections for consumers, not more. Indiana has since gone further, becoming the first state to enact an outright ban on crypto kiosks when it signed HB 1116 last month. Rhode Island should learn from both examples.

The bill provides zero implementation runway. It takes effect upon passage — no 90-day, no 180-day grace period. For a bill that would potentially reclassify an indeterminate number of businesses as regulated kiosk operators overnight, this is unreasonable. Compare this to what

other states have done: California phased its Digital Financial Assets Law requirements over two and a half years — location reporting in January 2024, fee caps and disclosures in January 2025, and full licensing by July 2026. South Dakota's SB 98, signed in March 2026, gives operators until July 2026 to comply. Nebraska's LB 609, signed in March 2025, provided a six-month runway before its September 2025 effective date. Even Rhode Island's own H 5121 Sub A included staged implementation timelines. S.2648 as drafted would make lawful businesses immediately noncompliant on the day the governor signs it.

I want to raise a broader concern about sequencing. Rhode Island has now enacted a comprehensive kiosk regulatory framework at R.I. Gen. Laws § 19-14.3 and is considering expanding it further through this bill. Yet the Blockchain Study Commission bill, which would give this body the technical foundation to write this kind of legislation well, has not crossed the finish line. S.0373 passed the Senate unanimously last session and never received a House vote. Its successor, H.7956 and S.2198, is still in committee.

This matters because bills like S.2648 ask this body to make complex technical distinctions — custodial versus non-custodial, what "facilitates or enables" means in a digital asset context, how to scope definitions that don't accidentally capture software developers and convenience stores. Those are hard questions. A study commission, modeled on the one Wyoming used before it became the national leader in digital asset law, would give legislators the technical briefings and expert input to get those definitions right. Wyoming studied first, then legislated — and their laws are now the model that the American Legislative Exchange Council and other states follow. Rhode Island has been legislating first. The result is predictable: Chapter 19-14.3 has structural flaws that RIBPI has documented in detail, and S.2648 would compound them.

RIBPI's primary recommendation is that this bill not advance in its current form. We are deliberately not offering line-edits to S.2648. Providing a redline would imply that the drafting problems identified above can be fixed at the margins and that the underlying Chapter 19-14.3 framework this bill would expand is sound. Based on our research, neither is true. Chapter 19-14.3 has documented structural flaws — passive disclosure walls in place of active intervention,

a one-size-fits-all compliance burden with no risk tiering, statutory caps fixed below the Bank Secrecy Act's Currency Transaction Report threshold, and no criminal enforcement tools targeting actual scammers. S.2648 inherits all of those defects and extends them to an indeterminate number of new entities. Tightening the definitions in S.2648 does not fix the framework; it only makes a flawed framework slightly less overbroad.

The right sequence is study first, legislate second. The Blockchain Study Commission bill (S.2198, now before the Senate Committee on Artificial Intelligence and Emerging Technology; companion H.7956) would convene industry experts, consumer advocates, law enforcement, and the Department of Business Regulation to examine exactly the questions this bill tries to answer in two paragraphs: what is a kiosk, what is an operator, what is a "digital product or application," what is a "clerk or other intermediary," how should custodial and non-custodial services be treated, what compliance tiers make sense for different risk profiles, and whether the existing statutory caps and disclosure regime are actually working. Wyoming studied first and then legislated — and its laws became the national model that other states now copy. Rhode Island has been legislating first. The drafting problems in S.2648, and the structural flaws already visible in Chapter 19-14.3, are the predictable result of that sequence.

RIBPI recognizes that S.2198 is not within this committee's jurisdiction. We are therefore not asking Senate Commerce to pass the Study Commission — that is properly a matter for our colleagues on the Artificial Intelligence and Emerging Technology Committee. What we are asking Senate Commerce to do is the one thing this committee alone can do: hold S.2648. Decline to advance kiosk expansion legislation until the Study Commission has been enacted by the General Assembly and has had time to complete its work. That is a fully jurisdictional ask. It respects the General Assembly's committee structure, it preserves this committee's consumer protection prerogatives, and it allows the eventual kiosk framework to be built on an expert record. Once the Commission has reported, the General Assembly will be positioned to revisit the kiosk framework comprehensively — not patch it piecemeal. RIBPI would welcome the opportunity to brief this committee on our research into Chapter 19-14.3 and on comparative state approaches at any point in that process. The full analysis is available at ribpi.com.

Rhode Island is building a digital asset regulatory framework in real time. The bills before the General Assembly this session — the Blockchain Study Commission, the Private Key Protection Act, the Bitcoin Tax De Minimis Exemption — are adding structure, study, and property protections. That framework should be coherent, and it should be built on an expert record. S.2648 is an opportunity to pause, study, and get the definitions right — rather than extend a framework whose structural problems have not yet been addressed.

I also use this as an invitation for anyone on the committee to reach out to me for more information on this or any of the digital asset/bitcoin/blockchain bills in front of the General Assembly.

Sincerely,

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cc: Honorable Members of the Senate Commerce Committee
Senators Gu, Britto, Bell, Tikoian, and Kallman