

CS FOR SENATE BILL NO. 249(JUD)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE JUDICIARY COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS TILTON, Cronk, Myers, Dunbar

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to virtual currency kiosks; relating to transactions involving virtual**
2 **currency; relating to unfair trade or deceptive acts or practices; and providing for an**
3 **effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** AS 06.55 is amended by adding new sections to read:

6 **Article 1A. Virtual Currency Kiosks.**

7 **Sec. 06.55.120. Virtual currency kiosk operator licensing and reporting.**

8 (a) A virtual currency kiosk operator may not engage in a virtual currency kiosk
9 transaction or hold itself out as being able to engage in virtual currency kiosk
10 transactions with or on behalf of another person unless the virtual currency kiosk
11 operator holds a money transmission license.

12 (b) A virtual currency kiosk operator may not locate a virtual currency kiosk
13 in the state unless the virtual currency kiosk operator registers with and obtains the
14 prior approval of the department.

1 **Sec. 06.55.125. Reporting.** (a) Within 45 days after the end of each calendar
2 quarter, a virtual currency kiosk operator shall submit a quarterly report to the
3 department for each location in the state at which the person operates a virtual
4 currency kiosk. The report must include the following:

- 5 (1) the legal name of the virtual currency kiosk operator;
- 6 (2) any fictitious or trade name used by the virtual currency kiosk
7 operator;
- 8 (3) the virtual currency kiosk operator's physical address;
- 9 (4) the date that operation of a virtual currency kiosk began at the
10 location;
- 11 (5) if applicable, the date the virtual currency kiosk operator ceased
12 operating a virtual currency kiosk at the location;
- 13 (6) virtual currency addresses used by the virtual currency kiosk
14 operator to service users at every location in the state; and
- 15 (7) the number of transactions declined because of suspicion of illicit
16 activity.

17 (b) On or before March 31 of each year, a virtual currency kiosk operator shall
18 submit an annual report to the department relating to the virtual currency kiosk
19 operator's business conducted in the state during the previous calendar year. The
20 report shall be on a form prescribed by the department and must include

- 21 (1) the gross revenue attributable to virtual currency transactions
22 conducted through virtual currency kiosks in the state;
- 23 (2) copies of each complaint filed by a user against the virtual currency
24 kiosk operator with the Better Business Bureau or a state or federal agency other than
25 the department and a description of the resolution, if any, of each complaint;
- 26 (3) the total number and value of virtual currency transactions the
27 virtual currency kiosk operator conducted through virtual currency kiosks in the state;
- 28 (4) the total number of refunds requested by users, including the
29 number of requests granted and the number denied by the virtual currency kiosk
30 operator;
- 31 (5) the total dollar amount of refunds the virtual currency kiosk

1 operator provided to users;

2 (6) contact details for the virtual currency kiosk operator's compliance
3 officer;

4 (7) the total number of virtual currency kiosk locations; and

5 (8) the total number and dollar amount of suspicious transaction
6 reports the virtual currency kiosk operator was required to file under 31 U.S.C. 5311 -
7 5336.

8 (c) Upon request, a virtual currency kiosk operator shall make available to the
9 department information on any transaction processed by the virtual currency kiosk or
10 any user of the virtual currency kiosk, including information related to transactions
11 that were attempted but denied.

12 (d) Data collected by the department under this section is confidential and is
13 not a public record for purposes of AS 40.25.110 - 40.25.140 but may be released in
14 composite form. The department shall prepare and make available to the public an
15 annual report summarizing the data reported to the department under this section.

16 **Sec. 06.55.130. Disclosures.** (a) A virtual currency kiosk operator shall
17 disclose in a clear, conspicuous, and easily readable manner in the chosen language of
18 the user all relevant terms and conditions generally associated with the products,
19 services, and activities of the virtual currency kiosk operator and virtual currency,
20 including transaction charges collected and exchange rates used by the virtual
21 currency kiosk operator.

22 (b) When a user engages with a virtual currency kiosk, the virtual currency
23 kiosk operator shall obtain acknowledgment of receipt of all disclosures required
24 under this section.

25 (c) The disclosures required under this section must address the following:

26 (1) a warning, written prominently and in bold type stating

27 **WARNING:** this technology can be used to defraud you. If
28 someone asked you to deposit money in this machine or is on the
29 telephone with you and claims to be a friend or family member,
30 government agent, computer software representative, bill collector, law
31 enforcement officer, or anyone you do not know personally

1 IMMEDIATELY STOP THIS TRANSACTION and contact your local
2 law enforcement and the kiosk operator. This may be a scam. NEVER
3 SEND MONEY to someone you don't know;

4 (2) a warning of the material risks associated with virtual currency,
5 including a warning that virtual currency is not issued or backed by the United States
6 government; is not legal tender in the United States; is not subject to protections by the
7 Federal Deposit Insurance Corporation, National Credit Union Administration, or
8 Securities Investor Protection Corporation; and that its value relative to the United
9 States dollar may fluctuate significantly;

10 (3) the name, address, and telephone number of the owner of the kiosk
11 and the days, time, and means by which a user can contact the owner for assistance;

12 (4) the address and telephone number of the Alaska state troopers,
13 local law enforcement, and the department, along with a message that a user may
14 report fraud to any of those entities, shall be displayed on or at the location of a virtual
15 currency kiosk or on the first screen of a kiosk; and

16 (5) other disclosures that the department requires by regulation.

17 (d) The disclosures required under this section do not affect the obligation of a
18 virtual currency kiosk operator to issue a refund under AS 06.55.160 to a user who is a
19 victim of fraud.

20 (e) After the completion of each transaction, the virtual currency kiosk
21 operator shall provide users with paper and electronic receipts. In addition to the
22 information required under AS 06.55.830, the receipt must include the following
23 information:

24 (1) the virtual currency kiosk operator's name and toll-free customer
25 service telephone number;

26 (2) relevant contact information to report fraud to the Alaska state
27 troopers, local law enforcement, and the department;

28 (3) the type, value, date, and time of the transaction;

29 (4) each applicable virtual currency address and transaction hash, if
30 applicable;

31 (5) all charges incurred in the transaction;

1 (6) the exchange rate used between the virtual currency and United
2 States dollar;

3 (7) a statement of the virtual currency kiosk operator's refund policy;

4 (8) any additional information the department requires by regulation.

5 **Sec. 06.55.135. Fraud and anti-money laundering policy.** A virtual currency
6 kiosk operator shall take reasonable steps to detect and prevent fraud and money
7 laundering, including establishing and maintaining a written anti-fraud policy and
8 abiding by 31 U.S.C. 5311 - 5336 (Bank Secrecy Act). The anti-fraud and money
9 laundering policy must, at a minimum,

10 (1) identify and assess fraud-related and money laundering-related risk
11 areas;

12 (2) establish procedures and controls to protect against identified risks
13 of fraud and money laundering;

14 (3) allocate responsibility for monitoring risks of fraud and money
15 laundering; and

16 (4) require periodic evaluation and revision of the anti-fraud and
17 money laundering procedures, controls, and monitoring mechanisms.

18 **Sec. 06.55.140. Blockchain analytics.** A virtual currency kiosk operator shall
19 use blockchain analytics and tracing software to assist in the prevention of sending
20 virtual currency to a virtual currency wallet known or likely to be affiliated with
21 fraudulent activity at the time of a transaction and to detect transaction patterns
22 indicative of fraud or other illicit activities. Virtual currency kiosk operators shall
23 block transactions to virtual currency wallets associated with overseas exchanges that
24 are inaccessible to users in the United States. A virtual currency kiosk operator shall
25 make available to the department, upon request, evidence of their current use of
26 blockchain analytics.

27 **Sec. 06.55.145. Posted warnings.** A virtual currency kiosk operator shall post
28 a conspicuous written warning in plain view of the virtual currency kiosk providing
29 notice to users that criminals may direct victims of fraud or scams to send money by
30 way of virtual currency kiosks. This warning must include the virtual currency kiosk
31 operator's toll-free customer service telephone number.

1 **Sec. 06.55.150. User identification.** (a) A virtual currency kiosk operator or
2 their authorized delegate shall verify the identity of a user before accepting payment
3 from the user for a virtual currency transaction. A virtual currency kiosk operator or
4 their authorized delegate shall obtain a copy of a government-issued identification
5 card that identifies the user and shall collect additional user information, including the
6 user's name, date of birth, telephone number, address, and electronic mail address,
7 before accepting a payment from the user at a virtual currency kiosk.

8 (b) A virtual currency kiosk operator may not allow a user to engage in a
9 transaction at a virtual currency kiosk under any name, account, or identity other than
10 the user's own true name and identity.

11 (c) A virtual currency kiosk operator is strictly liable for a violation of this
12 section.

13 **Sec. 06.55.155. Training.** On an annual basis, a virtual currency kiosk
14 operator shall provide the store or location where the kiosk is located with staff
15 training materials approved by the department. The training materials must outline
16 how criminals may exploit virtual currency kiosks in illicit activity, including red flag
17 indicators that a virtual currency kiosk user may be the victim of fraud or scams as
18 well as signs of financial abuse and exploitation. The virtual currency kiosk operator
19 may not prohibit or prevent staff at the location of the virtual currency kiosk from
20 educating virtual currency kiosk users on fraud and scams.

21 **Sec. 06.55.160. Refunds.** For cases related to fraud, a virtual currency kiosk
22 operator shall issue a refund to a user in the full amount of all transactions paid by the
23 user at the time of the transaction, including transaction charges, regardless of any
24 acknowledgment the user may have made before finalizing the transactions. This
25 refund must be paid in the originating currency. A user is entitled to a full refund if the
26 user

27 (1) engaged in a transaction involving the virtual currency kiosk that
28 was affected by fraud;

29 (2) informed the virtual currency kiosk operator of the fraudulent
30 nature of the transaction or transactions at issue within 90 days after the last
31 transaction or within 90 days after the user became aware of the fraud, whichever is

1 later; and

2 (3) within 120 days after contacting the virtual currency kiosk
3 operator, submitted to the virtual currency kiosk operator a police report, report by the
4 department, or a sworn statement detailing the fraudulent nature of the transaction.

5 **Sec. 06.55.165. Communication.** For all communication between the virtual
6 currency kiosk operator and the user, the virtual currency kiosk operator shall provide
7 written notices in both English and Spanish and communicate with the user in their
8 preferred language through staff, oral interpretation services, or auxiliary aids and
9 services.

10 **Sec. 06.55.170. Transaction limit.** (a) A virtual currency kiosk operator may
11 not accept transactions totaling more than \$1,500, or the equivalent in virtual currency,
12 from a user in one calendar day.

13 (b) A virtual currency kiosk operator may not accept transactions totaling
14 more than \$10,500, or the equivalent in virtual currency, from a user in a 30-day
15 period.

16 (c) The limits in this section apply to all products offered by a virtual currency
17 kiosk operator. The use of alternative products, including online purchasing or over-
18 the-counter platforms, may not be employed to circumvent or exceed the limits in this
19 section.

20 **Sec. 06.55.172. Transaction fees.** A virtual currency kiosk operator may not
21 collect fees from a user for a transaction that total more than 10 percent of the
22 transaction value in United States dollars or the equivalent in virtual currency.

23 **Sec. 06.55.175. Customer service.** A virtual currency kiosk operator shall
24 provide live customer service during operating hours, including the hours between
25 8:00 a.m. and 10:00 p.m. Alaska time. A customer service toll-free number must be
26 displayed on the virtual currency kiosk or the virtual currency kiosk screen.

27 **Sec. 06.55.180. Law enforcement access to investigative information.** A
28 virtual currency kiosk operator shall provide a dedicated communications line for
29 government agencies to contact the virtual currency kiosk operator. The dedicated line
30 must be an electronic mail address or telephone number based in the United States. A
31 law enforcement agency or a regulatory agency, including the department, may use the

1 dedicated line to communicate with the virtual currency kiosk operator in the event of
2 a fraud report from a user. The dedicated line must be regularly monitored. Upon
3 request from a law enforcement agency or regulatory agency, a virtual currency kiosk
4 operator must provide the agency with trace findings and grant the agency assistance
5 with blockchain analytics to assist in an investigative matter related to potential fraud.

6 **Sec. 06.55.185. Penalties.** (a) A virtual currency kiosk operator that violates
7 AS 06.55.120 - 06.55.195 commits an unfair trade or deceptive act or practice in
8 violation of AS 45.50.471.

9 (b) A virtual currency kiosk operator operating in this state without a money
10 transmission license or that otherwise violates AS 06.55.120 - 06.55.195 is subject to
11 administrative action, including civil penalties, that may, notwithstanding
12 AS 06.55.605, include the seizure of any virtual currency kiosk and the forfeiture of
13 all fees received from customers in the state during the period of unlicensed activity or
14 noncompliance.

15 **Sec. 06.55.190. Municipal regulations.** Nothing in AS 06.55.120 - 06.55.195
16 may be interpreted to preempt or nullify a municipal ordinance that provides greater
17 protections, requirements, or restrictions if the municipal ordinance does not directly
18 conflict with AS 06.55.120 - 06.55.195.

19 **Sec. 06.55.195. Definitions.** In AS 06.55.120 - 06.55.195,

20 (1) "blockchain analytics" means the analysis of data from blockchains
21 or public distributed ledgers, including associated transaction information;

22 (2) "blockchain analytics and tracing software" includes a software
23 service that uses blockchain analytics to provide risk-specific information and tracing
24 of virtual currency wallet addresses;

25 (3) "charges" include

26 (A) fees or expenses paid by a user; and

27 (B) the difference between the market price of the virtual
28 currency and the price of the virtual currency charged to the user;

29 (4) "user" means a person that initiates, authorizes, or completes a
30 transaction involving virtual currency through a virtual currency kiosk for the purpose
31 of purchasing, selling, transferring, or otherwise exchanging virtual currency;

1 (5) "virtual currency" means an electronic asset that confers economic,
2 proprietary, or access rights or powers and is recorded using cryptographically secured
3 distributed ledger technology, or any similar analogue;

4 (6) "virtual currency address" means an alphanumeric identifier
5 associated with a virtual currency wallet that identifies the location to which a virtual
6 currency transaction can be sent;

7 (7) "virtual currency kiosk" means an electronic terminal that enables
8 the virtual currency kiosk operator to facilitate the exchange of virtual currency for
9 money, bank credit, or other virtual currency by connecting directly to a separate
10 virtual currency exchange, drawing upon virtual currency in the possession of the
11 electronic terminal's operator, or by another method;

12 (8) "virtual currency kiosk operator" means a person that engages in
13 virtual currency business activity by way of a virtual currency kiosk located in the
14 state or a person that owns, operates, manages, or provides custodial or noncustodial
15 services for a virtual currency kiosk located in the state through which virtual currency
16 business activity is offered;

17 (9) "virtual currency kiosk transaction" means a transaction conducted
18 or performed, in whole or in part, through a virtual currency kiosk or a transaction
19 made at a virtual currency kiosk to purchase virtual currency with United States
20 dollars or to sell virtual currency for United States dollars;

21 (10) "virtual currency wallet" means a software application or other
22 mechanism providing a means to hold the keys necessary to access and transfer virtual
23 currency.

24 * **Sec. 2.** AS 06.55.840 is amended by adding a new subsection to read:

25 (b) This section does not apply to a refund requested for a virtual currency
26 kiosk transaction under AS 06.55.120 - 06.55.195.

27 * **Sec. 3.** AS 06.55.990(15) is amended to read:

28 (15) "money transmission"

29 (A) means

30 (i) selling or issuing payment instruments or stored
31 value, or receiving money or monetary value for transmission; **or**

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(ii) operating a virtual currency kiosk;

(B) [, BUT] does not include the provision solely of delivery, online services, telecommunications services, or network access;

* **Sec. 4.** AS 06.55.990 is amended by adding a new paragraph to read:

(25) "fraud" means

(A) robbery, extortion, and coercion under AS 11.41.500 - 11.41.530;

(B) offenses against property under AS 11.46.100 - 11.46.740; or

(C) exploitation of another person or another person's resources for personal profit or advantage if no significant benefit accrues to the person who is exploited.

* **Sec. 5.** AS 45.50.471(b) is amended by adding a new paragraph to read:

(58) violating AS 06.55.120 - 06.55.195 (virtual currency kiosks).

* **Sec. 6.** This Act takes effect July 1, 2027.