



**STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I**  
**OFFICE OF THE DIRECTOR**  
**DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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**Testimony of the Department of Commerce and Consumer Affairs**

**Office of Consumer Protection**

**Before the**  
**House Committee on Judiciary & Hawaiian Affairs**  
**Tuesday, February 25, 2025**  
**2:00 p.m.**  
**Conference Room 325 & Videoconference**  
**State Capitol**  
**415 South Beretania Street**

**On the following measure:**  
**H.B. 1277, H.D. 1 RELATING TO DIGITAL FINANCIAL ASSET**

Chair Tarnas and Members of the Committee:

My name is Emma Olsen, and I am an Enforcement Attorney for the Department of Commerce and Consumer Affairs' (Department) Office of Consumer Protection (OCP). The Department offers comments on this bill.

The purpose of this bill is to protect consumers from potential cryptocurrency scams by imposing a daily maximum of \$1,000 on transactions through a digital financial asset transaction kiosk. While OCP supports the intent of this bill, which is aimed at protecting consumers, OCP has several concerns and requests amendments. Additionally, OCP would appreciate more time to study whether the civil enforcement mechanisms proposed in this bill would deter consumer fraud.

First, OCP is concerned about enforcement of the measure. The bill appears to be modeled after a section of California's digital financial asset law which prohibits an operator from accepting or dispensing more than one thousand dollars a day from or to a customer via digital financial asset transaction kiosk. Cal. Fin. Code sec. 3902 (daily transaction limit); see also Cal. Fin. Code secs. 3102, 3901 (definitions). However, unlike Hawai'i, California has a comprehensive licensure system for cryptocurrency businesses, along with resources dedicated to enforcement. Unlike this bill, which proposes civil enforcement under state consumer protection laws, California adopted a system of administrative law enforcement through an agency responsible to establish a licensing and regulatory framework for digital financial asset business activity. The objective of the program is achieved through regulation, supervision, and examination of licensees. [2025-26 California Governor's Budget, BCH-69](#).

Under California's law, digital financial asset businesses must be licensed by the Department of Financial Protection & Innovation by July 1, 2026. The California Department of Financial Protection and Innovation has 26 full-time positions in the digital financial asset regulation program. The California Governor's 2025-2026 Budget requests nearly \$12 million for the program and the addition of 15 new positions, for a total of 41 positions. [2025-26 California Governor's Budget, BCH-67](#) (listing positions and expenditures for digital financial asset program). In contrast, Hawai'i, does not have licensing requirements for cryptocurrency business nor any government agency regulating cryptocurrency.

Second, the bill attempts to address criminal fraud perpetrated by third parties by leveraging the threat of civil action and civil penalties against bit coin operators to deter criminal fraud. Since the scams the bill seeks to deter are criminal, any protective measures for consumers in this bill must be combined with criminal enforcement measures to fight criminal fraud. The source of the recorded complaints of bit coin ATM facilitated fraud cited by other testifiers are FBI reports and not OCP consumer complaints.

This bill also does not impose other consumer protection requirements that would protect consumers that are typically found in other industry-specific trade regulations.

Unlike the California law, this bill does not limit transaction charges for consumers or require operators to make clear and conspicuous disclosures to consumers about the amount of fees for a transaction or, if an operator does not provide a method to reverse or refund a transaction, a warning that all transactions are final and cannot be undone. Cal. Fin. Code sec. 3904 (transaction fee limits); 3905 (disclosure requirements).

Further, the Department's Securities Enforcement Branch (SEB) recommends an amendment to the definition of "digital financial asset" at page 2, lines 9-13. This amendment would clarify the exemption of securities registered or exempt from registration under Hawaii law:

- (3) A security registered with or exempt from registration with the United States Securities and Exchange Commission or a security ~~[qualified with or exempt from qualifications with the department of commerce and consumer affairs]~~ registered or exempt from registration under chapter 485A.

Thank you for the opportunity to testify on this bill.



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**The State Legislature  
House Committee on Judiciary and Hawaiian Affairs  
Tuesday, February 25, 2025  
Conference Room 325, 2:00 p.m.**

TO: The Honorable David Tarnas, Chair  
FROM: Keali'i S. López, State Director  
RE: Support for H.B. 1277, HD1 Relating to Digital Financial Asset

Aloha Chair Tarnas, Vice Chair Poepoe and Members of the Committee:

I am Keali'i Lopez, State Director for AARP Hawai'i. AARP is a nonprofit, nonpartisan, social impact organization dedicated to empowering people fifty and older to choose how they live as they age. We advocate at the state and federal level for the issues that matter most to older adults and their families. On behalf of our nearly 135,000 members statewide, thank you for the opportunity to share our testimony.

**AARP strongly supports H.B. 1277, HD1 which imposes a daily maximum of \$1,000 on transactions through a digital financial asset transaction kiosk.** This bill is an important step in protecting consumers, particularly older adults, from the risks associated with large cryptocurrency transactions.

Fraudulent activity involving cryptocurrency kiosks is on the rise. Cryptocurrency ATMs, also known as "crypto kiosks" or "virtual currency kiosks," can be found in supermarkets, convenience stores, gas stations, bars, and restaurants. Hawai'i has 88 crypto kiosks across the state:

Oahu	50	Hawai'i Island	12
Maui	15	Kauai	11.

Crypto ATMs look like bank ATMs and allow people to conduct legitimate cryptocurrency transactions, such as sending money to digital wallets. However, because crypto ATMs are largely unregulated at the state level compared to traditional financial institutions and money service businesses, they lack sufficient consumer fraud protections. As a result, criminals are using crypto ATMs to steal hundreds of millions of dollars from Americans each year through fraudulent purchase schemes. Kūpuna, 60 and older are especially vulnerable to such scams with the [FTC 2023 report](#) indicating much higher losses (\$205,000 average) in cryptocurrency scams for this age group compared to other age groups combined (\$59,880). Note this is for cryptocurrency losses, which involves all forms of scams, including those with crypto kiosks. Hawai'i victim loss

from crimes with cryptocurrency was \$27,793,080. Though these losses are not exclusive to crypto kiosks, an article from the [FTC Consumer Sentinel Network](#) specific to crypto kiosks or BTMs (bitcoin ATMs) indicated people 60 and older were more than three times as likely as younger adults to report loss using a BTM. In fact, more than two of every three dollars reported lost to fraud using these machines was lost by an older adult. As of June 2024, \$66 million was reported in BTM fraud loss for the first half of 2024 compared to \$33 million for all of 2021. This same article makes clear that fraud losses at BTMs are skyrocketing, increasing nearly tenfold from 2020 to 2023.

Cryptocurrency transactions are often irreversible, making them a prime target for fraud and scams. By capping crypto kiosks transactions Hawai'i can reduce the financial impact on individuals who may fall victim to such schemes. Older adults are particularly vulnerable to financial exploitation. Limiting transaction amounts can help safeguard their financial security.

Implementing a transaction cap provides a clear regulatory framework that can help authorities monitor and address suspicious activities more effectively. AARP encourages consumers to approach cryptocurrency investments with caution and due diligence. This bill supports the broader goal of fostering a safe and secure financial environment for all residents of Hawai'i.

Thank you for the opportunity to testify in strong support of H.B. 1277 HD1.

**HB-1277-HD-1**

Submitted on: 2/23/2025 1:34:05 PM

Testimony for JHA on 2/25/2025 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Merle Minami-Shima	AARP Hawaii	Support	Written Testimony Only

Comments:

Chair David Tarnas and Members of the Committee:

My name is Merle Minami-Shima and I am in STRONG SUPPORT of HB 1277 relating to Digital Financial Asset.

It is crucial that we implement safeguards to minimize the risks of fraudulent transactions particularly for our senior citizens who are most negatively impacted by these unscrupulous activities.

Additionally, we need to enact measures to educate consumers on how to avoid being exploited for scammed.

Mahalo for your consideration in this matter.

Merle Minami-Shima, Wailuku, Maui



Testimony to the House Committee on Judiciary and Hawaiian Affairs  
Tuesday, February 25, 2025  
2:00 p. m.  
State Capitol Conference Room 325 and via videoconference

Re: HB 1277 HD 1 Relating to Digital Financial Asset

Dear Chair Tarnas, Vice Chair Poepoe, and Honorable Members of the House Committee on Judiciary and Hawaiian Affairs:

I am Gary Simon, a member of the board of the Hawai'i Family Caregiver Coalition, whose mission is to improve the quality of life of those who give and receive care by increasing community awareness of caregiver issues through continuing advocacy, education, and training. I am offering testimony on behalf of the Hawai'i Family Caregiver Coalition.

The Hawai'i Family Caregiver Coalition strongly supports HB 1277 HD 1, which imposes a daily maximum of \$1,000 on transactions through a digital financial asset transaction kiosk.

Digital financial asset transaction kiosks, known as crypto kiosks, are prime vehicles for scams that often target older adults. Criminals rely on crypto kiosks as a fast, easy and often untraceable way to get access to victims' cash. A criminal will instruct their victim to withdraw cash from their own bank and deposit it into a crypto kiosk to buy virtual currency. The virtual currency then is sent to the scammer's digital wallet, usually irreversibly. The point of transfer is the best place to deter potential victims from becoming actual victims. Daily transaction limits will help protect older adults from these scams.<sup>1</sup>

We urge you to support HB 1277 HD 1, and we urge you to recommend its passage.

Mahalo for seriously considering the bill.

Very sincerely,

A handwritten signature in black ink that reads "Gary Simon".

Gary Simon



Email [garysimon@hawaii.rr.com](mailto:garysimon@hawaii.rr.com)

1. AARP. "AARP Fights Back Against Scammers Who Use Crypto ATMs to Steal Millions." Published June 10, 2024. Updated February 05, 2025. <https://www.aarp.org/politics-society/advocacy/info-2024/states-crack-down-crypto-atm.html>. Accessed February 23, 2025.



Testimony to the House Committee on Judiciary  
February 25, 2025  
Conference Room 325

Testimony in Support of HB 1277 HD1, Relating to Digital Financial Assets

To: The Honorable David Tarnas, Chair  
The Honorable Mahina Poepoe, Vice-Chair  
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 45 Hawaii credit unions, representing over 877,000 credit union members across the state.

HCUL offers the following testimony in support of HB 1277 HD1, Relating to Digital Financial Assets. This bill would impose a daily minimum of \$1000 on transactions through a digital financial asset kiosk.

Credit unions prioritize the financial well-being and security of our members. As member-owned financial cooperatives, we are committed to ensuring consumer protection in financial transactions for our members. HB1277 aligns with these values by providing safeguards that protect from potential financial harm while maintaining access to emerging financial technologies.

Implementing a transaction cap aligns with best practices in financial regulation. Many other financial services, including cash withdrawals from traditional ATMs, are subject to daily limits to prevent large-scale fraud and ensure compliance with anti-money laundering regulations. By extending similar safeguards to digital asset transactions, Hawaii can maintain a balanced approach to financial innovation and consumer protection.

Thank you for the opportunity to provide comments on this issue.



**TESTIMONY SUBMITTED TO THE HAWAII  
HOUSE JUDICIARY AND HAWAIIAN AFFAIRS COMMITTEE  
Kevin Lolli, Assistant General Counsel and Consumer Protection Officer  
February 25, 2025**

Chair Tarnas, Vice-Chair Poepoe, and honorable members of the House Judiciary and Hawaiian Affairs Committee, thank you for the opportunity to provide testimony today regarding HB 1277.

CoinFlip opposes HB 1277 relating to the proposed regulation of virtual currency kiosks in its current form. However, CoinFlip does support regulatory measures that would further consumer protection including but not limited to licensure, mandatory disclosures, compliance program requirements, and technology requirements. We appreciate the opportunity to offer additional consumer protection-focused recommendations that we know to be highly effective in preventing fraudulent transactions at virtual currency kiosks and look forward to continuing to work with the State of Hawaii to protect consumers.

**Company Background**

CoinFlip is a Chicago-based, global digital currency platform, focused on providing consumers a simple and secure way to buy and sell virtual currency. Founded in 2015, CoinFlip is one of the world's largest operators of virtual currency kiosks, with more than 6,000 locations across the United States and in ten countries around the world, employing more than 200 people.

CoinFlip's kiosks make buying and selling major cryptocurrencies accessible and secure for consumers who wish to purchase their virtual currency using cash. CoinFlip has operated in the State of Hawaii since 2020. Additionally, CoinFlip is a money service business ("MSB") registered with the Financial Crimes Enforcement Network. As an MSB, CoinFlip is subject to the Bank Secrecy Act ("BSA"), the United States PATRIOT Act, and their implementing rules and regulations.

CoinFlip embraces licensing regimes as an effective means to create baseline requirements for operations, as well as effective oversight. CoinFlip holds approximately 26 money transmitter licenses with numerous additional applications currently pending. CoinFlip has moved to obtain these licenses even in states where there is no current licensing requirement, including Hawaii.

**Advancing Consumer Protection**

As a company, one of CoinFlip's key business priorities is consumer protection. We won't succeed unless our customers believe we provide them with a safe and secure platform from which to transact virtual currency. CoinFlip's compliance and consumer protection efforts are currently overseen by its Chief Legal Officer, General Counsel, BSA Officer, and Consumer Protection

Officer. To effectively manage the risks associated with its operations, CoinFlip implements both traditional consumer protection efforts such as clear disclosures and warnings, as well as state-of-the-art technology to detect and fight fraudulent transactions.

When transacting with a CoinFlip kiosk, customers are warned numerous times regarding scam-related activity prior to initiating every transaction. The customer must attest that they were not sent to the kiosk by a third-party to make a payment; that they are transacting with a digital wallet they own and control; and that they understand all transactions are final and irreversible. This screen is customizable and is updated regularly with warnings about common scams to alert customers and help fight fraud. We also provide clear disclosures on fees and provide customers with a receipt of their transaction via email or text.

Additionally, CoinFlip has 24/7 live customer service and lists its number both on the physical kiosk as well as its transaction screens. Customers are instructed to call CoinFlip in the event a third-party sent them to transact at the kiosk. CoinFlip customer service representatives receive training at least twice annually on AML/BSA requirements and how to be the first line of defense in compliance efforts. As a result of these efforts, CoinFlip's customer support team halted more than 300 potential scams in a four-month period by speaking with the customer who phoned our support team after reading the customer warnings at our kiosk.

CoinFlip also implements state-of-the-art blockchain analytics and compliance tools to block fraudulent transactions and investigate suspicious activity. CoinFlip has automatically blocked more than 1,000 transactions using blockchain analytics in a year's period. In addition to blocking transactions, CoinFlip permanently blacklists digital wallet addresses to prevent those high-risk digital wallets from ever being used at a CoinFlip kiosk again.

### **HB 1277**

Unfortunately, HB 1277 relies on a policy recommendation that creates a false sense of consumer protection. The proposed transaction limit in the bill does not adequately consider federal reporting requirements. Under federal law, CoinFlip is required to file a Suspicious Activity Report ("SAR") for any suspected suspicious transactions above \$2,000, comply with the "Travel Rule" for transactions above \$3,000, and a Currency Transaction Report ("CTR") for transactions above \$10,000. This information is placed in a repository for law enforcement to quickly and accurately conduct investigations.

Hawaii's proposed \$1,000 transaction limit encourages stacking transactions across multiple kiosk operators, and limits companies' Anti-Money Laundering efforts. Further, the limit will result in less information available to law enforcement.

We know that new users are the most vulnerable to fraud, while those who have used our machines for years know what to watch out for. Should there be transaction limits, we would suggest that they apply to new users within the first 72 hours of becoming a customer.

## **Proposed Consumer Protection Policies**

CoinFlip believes smart regulation is good for business. We believe that a regulatory framework is necessary to protect consumers and encourage innovation in the industry; however, the transaction limit currently proposed in HB 1277 does not take into consideration federal reporting requirements. Instead, we developed the following best practices that would further enhance consumer protections and support their inclusion in any legislation:

- **Require licensure with the state.** CoinFlip believes a money transmitter license should be required for all virtual currency kiosk operators, allowing for state oversight and periodic audits to determine the adequacy of compliance, finance, and cybersecurity programs.
- **Require robust compliance programs.** Kiosk operators should be required to directly employ a qualified, in-house, Chief Compliance Officer and compliance team, that does not have a large ownership interest in the company. At CoinFlip, we take compliance seriously: our Chief Compliance Officer is a former federal prosecutor, and our general counsel is a former Illinois Assistant Attorney General.
- **Require clear, highly visible warnings and fee disclosures.** We agree with the proposed legislation regarding the requirement of clear disclosures regarding all fees and terms of service. We also believe highly visible fraud warnings should be required to be displayed and acknowledged by the customer prior to the initiation and completion of any transaction.
- **Require blockchain analytics.** The use of blockchain analytics technology should be required to fight fraud by automatically blocking customer transactions to high-risk digital wallets.
- **Require live customer service.** Customer service is the first line of defense for consumer protection. We believe every virtual currency kiosk operator should be required to provide trained, live customer service at minimum during business hours.

CoinFlip shares your goals of consumer protection. Although blockchain technology and virtual currency kiosks are new, the fraud we see reported is all too familiar. Whether it's phone, email, text or an online pop-up, scammers repackage the same old tactics and utilize whatever methods they have at hand – Venmo, PayPal, Zelle, Gift Cards, MoneyGram or virtual currency kiosks – to dupe people out of their money.

The best defense for consumers is to be well-informed and well-alerted at the point of transaction. The best defense for companies is to have the right tools in place to help identify and fight fraud and help law enforcement catch the bad actors.

## **Conclusion**

In conclusion, we believe that a regulatory framework is necessary to protect consumers and encourage innovation and we look forward to working with the Hawaii House to improve HB 1277 to achieve the right balance to protect Hawaii consumers and ensure continued access for lawful virtual currency transactions.

Thank you for your time and consideration.

Sincerely,

/s/ Kevin P. Lolli

Kevin Lolli

*Assistant General Counsel*



# holomua

COLLABORATIVE

## OUR MISSION

To support and advance public policies that make Hawai'i affordable for all working families.

## OUR VISION

Collaborative, sustainable, and evidence-based public policies that create a diverse and sustainable Hawai'i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai'i can thrive.

## BOARD MEMBERS

Jason Fujimoto  
Meli James, *Board Chair*  
Micah Kāne  
Brandon Kurisu  
Brad Nicolai  
Mike Pietsch  
Sunshine Topping

## ADVISORY COMMITTEE

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Page 1 of 1

**Committee:** House Committee on Judiciary and Hawaiian Affairs  
**Bill Number:** HB1277 HD1, Relating to Digital Financial Asset  
**Hearing Date and Time:** February 25, 2025 at 2:00pm (Room 325)  
**Re:** Testimony of Holomua Collaborative in support

Aloha Chair Tarnas, Vice Chair Poepoe, and Members of the Committee:

We write in support of HB1277 HD1, Relating to Digital Financial Asset. This bill would impose a daily maximum of \$1,000 on transactions made through a digital financial asset transaction kiosk.

Our organization is devoted to finding ways to keep all local working families in Hawai'i by making sure they can afford to stay. This measure is crucial in protecting our community from the escalating financial scams that significantly impact individuals' finances and, consequently, their ability to live in the state.

Financial scams, especially those involving digital assets like cryptocurrency, have been on the rise both in Hawai'i and nationwide. In 2023 alone, Hawai'i recorded 276 complaints related to cryptocurrency fraud, resulting in total losses of \$31,800,598.<sup>1</sup> Kūpuna aged 60 and above were disproportionately affected, losing an average of \$205,000 per victim—significantly more than the combined average loss of \$59,880 for all other age groups.<sup>2</sup> These staggering losses not only cause severe financial hardship for individuals but also contribute to broader economic instability, driving up the cost of living as victims struggle to recover.

One of the key factors enabling these scams is the irreversible and anonymous nature of cryptocurrency transactions, making it difficult for victims to reclaim lost funds. To mitigate these risks, this proposed legislation—modeled after a similar law recently enacted in California—would limit daily cryptocurrency transactions to \$1,000.<sup>3</sup> By capping daily transactions, this measure aims to prevent significant financial losses, particularly for vulnerable groups like older adults who are frequently targeted by fraudsters.

We appreciate the opportunity to testify in support of HB 1277 HD1.

Sincerely,

Josh Wisch  
President & Executive Director

<sup>1</sup> 2023, IC3 Cryptocurrency State Report, Hawaii. [ic3.gov/annualreports/reports](https://ic3.gov/annualreports/reports)

<sup>2</sup> *Id.*

<sup>3</sup> Cal. Fin. Code § 3901.



**SanHi**

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 24, 2025

TO: Representative David Tarnas  
Chair, Committee on Judiciary & Hawaiian Affairs

Representative Mahina Poepoe  
Vice Chair, Committee on Judiciary & Hawaiian Affairs

FROM: Tiffany Yajima

RE: **H.B. 1277, HD1 – Relating to Digital Financial Asset**

**Hearing Date: Tuesday, February 25, 2025 at 2:00 p.m.**  
**Conference Room: 325**

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Dear Chair Tarnas, Vice Chair Poepoe, and Members of the Committee on Judiciary & Hawaiian Affairs:

We submit this testimony on behalf of the Hawaii Bankers Association (HBA). HBA represents seven Hawai'i banks and one bank from the continent with branches in Hawai'i.

HBA submits this testimony in **support** of the intent of H.B. 1277 and the reduction of the daily transaction limit to \$1,000 to prevent large sums of money from being withdrawn or deposited in a single day via cryptocurrency kiosks.

The digital asset market includes a range of instruments – from speculative and highly price volatile cryptocurrencies (e.g., bitcoin and ether), to so-called stablecoins that are backed by a collection of assets (e.g., USDC and Tether), to digital representations of customer bank deposits on a blockchain. Each category of digital asset has unique risk characteristics depending on its issuer and use case.

As of December 2024, the total value of cryptocurrencies, including stablecoins, stands at around \$3.7 trillion, besting its previous peak of \$3 trillion in November 2021 and recovering from a recent low of about \$1 trillion in the first half of 2022.

In 2022, the drop in cryptocurrency valuations coupled with risky, highly leveraged, and largely unregulated business models resulted in some digital asset companies becoming insolvent, wiping out some customers and leaving others frozen out of accounts they thought were protected.

Given there is no comprehensive regulatory framework that establishes guidelines for risk management and consumer protection in the digital asset market, HBA supports the intent of the bill because of the significant risks of fraud against consumers.

Scams and fraud have reached epidemic proportions. The Federal Trade Commission reports that fraud losses in the U.S. topped \$23.7 billion last year, though some estimate that number could be as high as \$158 billion. While these kiosks enable people to make legitimate financial transactions every day, these kiosks are also increasingly being used in scams targeting older adults. In these scams, victims are convinced to use the kiosks to transfer cryptocurrencies to a wallet address controlled by the scammer. HBA support this measure to impose a more modest daily transaction limit to prevent large sums of money from being withdrawn or deposited in a single day.

Thank you for the opportunity to submit this testimony.

February 25, 2025

House Committee on Judiciary and Hawaiian Affairs  
State Capitol  
415 South Beretania Street  
Honolulu, HI 96813

### **TESTIMONY IN SUPPORT OF HB1277**

Chair David A. Tarnas, Vice Chair Mahina Poepoe, and Committee Members:

I write to express my strong support of HB1277 and ask the Committee to pass it.

HB1277 concerns cryptocurrency kiosks, also known as cryptocurrency ATMs, which the Bill calls “digital financial asset transaction kiosks.”<sup>1</sup> These kiosks enable people to purchase cryptocurrency, like Bitcoin and others, using cash. Cash is fed into the machine to complete the purchase of cryptocurrency. The user of the kiosk can then send the cryptocurrency to themselves or others.

This Bill would create a daily transaction limit for users of cryptocurrency kiosks in Hawai'i. Why is this important? Because cryptocurrency kiosks are frequently used by scammers to take money from victims.

The story of the scam can take many forms—you owe the IRS; you need to pay off a bench warrant; your bank account is compromised, and you have to protect your money by changing it to crypto; etc.—but the end goal for the scammer is the same: get the victim to a kiosk with cash, and tell them how to send it. This video shows what that looks like as it's happening: <https://youtu.be/lfHuSkQnBLk>

Scams involving cryptocurrency have been increasing year after year. The 2023 Cryptocurrency Fraud Report from the FBI's Internet Crime Complaint Center (“IC3”), the most recent available,<sup>2</sup> shows large, steady increases in both the number of complaints involving cryptocurrency and in the dollar losses in complaints involving cryptocurrency beginning in 2020.<sup>3</sup>

In 2023, the report notes that Hawai'i had 276 such complaints and a total reported loss of \$31,800,598.<sup>4</sup> That equates to about a \$115,219-loss *per complaint*, money that is very, very rarely recovered for the victim.

Besides a general under-resourcing of law enforcement to combat cyber and financial crimes, cryptocurrency-involved crimes pose additional challenges to investigate.

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<sup>1</sup> The Bill is modeled on California law. Cal. Fin. Code § 3902 (daily transaction limit); §§ 3102, 3901 (definitions).

<sup>2</sup> IC3 reports are available here: <https://www.ic3.gov/AnnualReport/Reports>

<sup>3</sup> FBI, Cryptocurrency Fraud Report 2023, at 5.

<sup>4</sup> FBI, Cryptocurrency Fraud Report 2023, at 8-9.

Transactions involving cryptocurrency can move quickly and are very difficult to trace, leaving the final destination of funds unknown. Even if the destination can be determined, scammers are frequently overseas, in countries where US-based law enforcement has little influence.<sup>5</sup>

The speed at which transactions can occur and the challenges to tracing where funds end up are why assertions from kiosk companies that reports to the US Treasury Department's Financial Crimes Enforcement Network ("FinCEN") provide some measure of consumer protection are unconvincing. Kiosk companies may indeed file Suspicious Activity Reports or Currency Transaction Reports with FinCEN, thus logging those transactions with a law enforcement body. If, however, a victim's money, once put into a cryptocurrency kiosk and used to buy cryptocurrency, swiftly disappears down a path of untraceable transactions or goes to a country or region where law enforcement cannot follow, wouldn't it be better to limit how much could be sent in the first place? That is what this Bill would do.

If, instead of putting \$20,000, \$30,000, \$50,000 into a cryptocurrency kiosk during one visit, victims could only put in \$1,000 or \$2,000 total per day, that hard limit would severely restrict how lucrative Hawai'i victims would be for scammers.

Kiosks are of course not the only way for scammers to get victims to buy and then send cryptocurrency. Cryptocurrency can be bought online, but that method comes with more required customer information and a source of money like a victim's bank account or credit card, which may have protections. Victims can be made to place an order for cryptocurrency and then wire money to complete the purchase, but that method comes with a bank teller who may talk the victim out of it or raise the alarm.

In 2023, citizens of Hawai'i lost over \$31 million in cryptocurrency-involved incidents, and that is only the amount reported to IC3. The shame and embarrassment that victims frequently feel because they're afraid that others will react with "How did you fall for that?" silences people. The true losses are undoubtedly much higher.

I therefore urge the Committee to pass HB1277 and to ask their colleagues to do the same.

Thank you for the opportunity to be heard on this important Bill.

Thomas J. Michener, Esq.

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<sup>5</sup> For example, a large scam compound called KK Park is located in Myanmar. See Lewis Sanders IV et al. How Chinese Mafia Are Running a Scam Factory in Myanmar, DW (Jan. 30, 2024), <https://www.dw.com/en/how-chinese-mafia-are-running-a-scam-factory-in-myanmar/a-68113480>; Koh Ewe, How a Viral Post Saved a Chinese Actor From Myanmar's Scam Centres, BBC (Jan. 9, 2024), <https://www.bbc.com/news/articles/cd60611407no>; see also LastWeekTonight, *Pig Butchering Scams: Last Week Tonight with John Oliver (HBO)*, YouTube (Feb. 22, 2025), <https://www.youtube.com/watch?v=pLPpl2ISKtg>.

**HB-1277-HD-1**

Submitted on: 2/22/2025 5:59:09 PM

Testimony for JHA on 2/25/2025 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Dan Gardner	Individual	Support	Written Testimony Only

Comments:

Chair Tarnas and Members of the Judiciary and Hawaiian Affairs Committee. I and my wife Deborah are both supporters of HB1277 HD1 relating to Digital Financial Asset transaction loss. As amended it would now impose a daily maximum amount of \$1,000 on transactions through a digital financial asset transaction kiosk. We have been victims of fraud attempts in the past and know how important this issue has become for seniors with little knowledge of crypto currency usage. Our State-wide crypto currency ATMs are repeatedly used by criminals to commit fraud. Our Kupuna are frequently targeted for fraud schemes. Limiting the amount of crypto currency available from ATMs to \$1,000 per day will help reduce the number of these scams and related losses. We ask for your strong support to pass this legislation.

**HB-1277-HD-1**

Submitted on: 2/23/2025 11:38:28 AM

Testimony for JHA on 2/25/2025 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Katherine Buckovetz	Individual	Support	Written Testimony Only

Comments:

Crypto and its ATMs are a new world of digital currency for Hawaii attracting fraud and abuse harming many innocent users. We are just learning about the world of crypto and its ATMs and digital wallets and how to protect ourselves. We need help and some protection as users. Education and appropriate regulation would assist consumers in learning how to safeguard their crypto. A daily max of \$1000 per day at a kiosk is a small, but mighty, place to start. Please help consumers access this new world of crypto in a safer manner while reducing their losses. Support this House Bill 1277 HD1.j With aloha, Katherine Buckovetz, Kailua Kona Big Island resident.

Aloha Rep. David Tamas and Members of the Committee,

I am writing to support bill HB 1277 to limit the daily amount of cryptocurrency to \$1000 that can be withdrawn on a daily basis. As a Sr. citizen living on the Big Island, I have not had any experience with crypto currency but have been the victim of fraud. Being an administrator and having to manage large budgets I felt totally embarrassed to have fallen for such a scheme. When I reached out to the police department, the best they could do was have me submit a report. I have several relatives and friends in my age group who have also been victims of fraud, one to the tune of \$60,000.

Although this bill will not deter the culprits it will at least cause individuals to pause and think about their actions and give them time to reach out and ask questions about these schemes. According to the FTC Consumer Sentinel Network, data at Bitcoin ATMS show that fraud losses are tenfold from 2020 to 2023, topping \$65 million in just the first half of 2024. My age group of over 65 has lost an average of \$205,000 as compared to other age groups experiencing Bitcoin fraud. I ask for your help to pass this bill.

Mahalo nui loa,

Ann H Paulino

Hilo, Hawaii

**HOUSE COMMITTEE ON JUDICIARY & HAWAIIAN AFFAIRS**

Rep. David A. Tarnas, Chair  
Rep. Mahina Poepoe, Vice Chair

**HEARING**

**Wednesday February 12, 2025, 2:00pm**

**RE: HB 1277, HD1 RELATING TO DIGITAL FINANCIAL ASSET.**

**Aloha Chair Tarnas, Vice Chair Poepoe, and Members of the Committee:**

**My name is Linda Dorset, and I am in STRONG SUPPORT of HB 1277 HD1. The bill lowers the daily maximum to \$1,000 on transactions through a digital financial asset transaction kiosk.**

**According to the FTC 2023 report, Hawaii victims lost \$27,793,080 from crimes associated with cryptocurrency. And even more disturbing, according to the same FTC report, Kūpuna, 60 and older, lost on average of \$205,000, more than all the other age groups combined, which lost an average of \$59,880. In case you think too bad for the individuals educate themselves about these scams, there is a story on national news about how even a bank president fell for the scam.**

**Please support HB1277 SD1. Hawaii's people deserve this help.**

**Mahalo for the opportunity to testify!**

**Linda Dorset  
Wailuku, Maui**