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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Consumer Protection & Commerce
Thursday, February 5, 2026
2:00 p.m.
Via Videoconference
Conference Room 329**

**On the following measure:
H.B. 1560, RELATING TO CONSUMER PROTECTION**

Chair Matayoshi and Members of the Committee:

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

The purpose of this bill is to curb fraud occurring through digital financial asset kiosks, or bitcoin kiosks, by implementing a one-wallet-per-user policy and requiring refunds for certain first-time kiosk users who report fraud. Specifically, the bill would prohibit digital financial asset kiosk owners from allowing the sharing of a digital financial asset wallet address and would require kiosk owners to allow consumers to cancel and receive a full refund if it's the consumer's first transaction using a digital financial asset wallet and the consumer reports the fraud either to the kiosk owner or law enforcement within sixty days.

Fraudulent activity involving bitcoin kiosks has resulted in significant financial losses to consumers. At present, Hawai'i has over two hundred bitcoin kiosks, located in publicly accessible places like supermarkets, liquor stores, and gas stations. Credible reports nationwide and in Hawaii demonstrate scammers use digital financial asset kiosks to defraud consumers. The scammer creates a sense of urgency or builds trust with the victim and then, often over the phone, directs the victim to deposit large amounts of cash into a bitcoin kiosk, which goes directly to the scammer's digital wallet.

Attorney

Generals in Iowa and Washington D.C. have sued kiosk operators and announced that scam transactions account for more than 93% of transactions. Iowa Attorney General Bird sued two cryptocurrency kiosk operators, Bitcoin Depot and CoinFlip. AG Bird announced that the investigation had, to that point, found that more than 98% of funds sent through Bitcoin Depot ATMs and more than 94% of funds sent through CoinFlip ATMs were scam transactions, and Iowans had lost at least \$20 million in transactions through the two operators. Washington D.C. Attorney General Schwalb sued cryptocurrency kiosk operator Athena. AG Schwalb announced that according to the company's own data, obtained during the course of investigation, 93% of all Athena BTM deposits were the direct result of scams, nearly half of all deposits were flagged to Athena as the product of fraud, and the median amount lost per scam transaction was \$8,000, with one victim losing a total of \$98,000.

The wallet-pinning protection proposed in this bill could help to reduce the financial exploitation of consumers through kiosks. This bill addresses the practice, apparently prevalent among operators, of allowing multiple individuals to transfer digital financial assets to the same digital wallet. For obvious reasons, pinning a user to a single digital asset.

The refund provision in this bill would create a critical new remedy and may encourage operators to innovate and implement new more effective fraud deterrents. At present, many kiosk operators do not provide refunds, and when they do, they refund only the transaction fees, which comprise approximately 20%-30% of the original transaction amount. Victims therefore have little to no recourse after the transaction

occurs. Requiring full refunds, as this bill proposes, is a crucial first step and could spur innovation by legitimate kiosk operators.

Notwithstanding the positive steps this bill proposes, we respectfully suggest that an outright ban on digital financial asset kiosk activity provides more meaningful consumer protection. With scam transactions representing more than 93% of all transactions at certain operators' kiosks, legitimate commercial activity at the kiosks is minimal. Moreover, access to digital financial assets is available through other channels, and will not be compromised if kiosks are banned.

We respectfully suggest that, should this bill be voted out of committee, OCP may require additional resources for the enforcement of the bill's proposed wallet restrictions, refund requirements, and reporting obligations. We appreciate the proposed increase of enforcement and we are open to discussing additional resources.

Thank you for the opportunity to testify on this bill.



**TESTIMONY SUBMITTED TO THE HAWAII HOUSE COMMITTEE ON CONSUMER
PROTECTION & COMMERCE**

Clara Wulfsen, Associate Director of Government Affairs

February 5, 2026

Chairs Matayoshi and honorable members of the House Consumer Protection and Commerce Committee, thank you for the opportunity to provide testimony today regarding several bills related to the regulation of cryptocurrency kiosks.

CoinFlip supports strong, commonsense consumer protections in this space. While we oppose certain provisions in the proposed legislation, we support regulatory measures that meaningfully enhance consumer safety, including licensure, mandatory consumer disclosures, compliance program requirements, and appropriate technology standards.

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. CoinFlip looks forward to continuing to work with the State of Hawaii and this Committee to strengthen protections for consumers while preserving access to lawful, regulated financial services.

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 5,000 locations across the United States and in nine 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. We applied for a money transmitter license in 2025, but were told by the department none was required. 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 39 money transmitter licenses with additional applications currently pending. CoinFlip has moved to obtain these licenses, even in states where there is no current licensing requirement, like Hawaii.

It is vital that smart, pro-consumer regulations are enacted to provide needed guardrails to the industry. However, it is important to remember that of all cryptocurrency scams that happened in the U.S. in 2024 (latest year data available), 3% happened at a kiosk, and 97% at another product. Additionally, the vast majority of the financial fraud still occurs at traditional financial institutions, gift cards, and payment apps like Venmo and PayPal.

Our third-party blockchain analytics firm monitors our transaction data, blocks blacklisted wallets, and is what law enforcement uses to track the flow of funds. CoinFlip's data shows less than 1% of our transactions are related to illicit activity, in-line with other traditional financial institutions.

HB 1560

CoinFlip supports HB 1560. We have already implemented internal controls to ensure that two people cannot use the same wallet. This is called "wallet pinning", and that ensures that a wallet is tied to one person. Our terms of service require that you affirmatively acknowledge you are using a wallet you control. We have even blacklisted customers when we found out spouses were sharing a wallet.

HB 1642

CoinFlip respectfully opposes HB 1642, which would ban cryptocurrency kiosks in Hawaii. Cryptocurrency kiosks provide a safe and regulated way for residents to access digital assets using cash, which remains how many people, including unbanked and underbanked consumers, manage their finances day to day. For many communities, kiosks serve an important role in expanding financial access and consumer choice.

Even with the growth of online banking and mobile payments, not every consumer is comfortable or able to use online exchanges. With the prevalence of online data hacking, many consumers do not want to link their bank accounts to an online exchange. Many people prefer a physical, in-person option, similar to why people still visit bank branches, use money orders, or rely on other cash-based financial services. Kiosks function as a bridge between the cash economy and the digital economy.

Kiosks can also provide meaningful consumer protections. For individuals who find online exchanges confusing or intimidating, kiosks offer a step-by-step, guided transaction flow with multiple, prominent scam warnings before a transaction is completed. Many kiosk operators, like us, also offer 24/7 live customer service with staff who are trained twice a year in anti-money laundering and scam identification. It is often impossible to contact anyone at online exchanges.

Rather than eliminating this option for Hawaii consumers, CoinFlip supports robust licensure and targeted regulatory safeguards that protect consumers, enhance transparency, and remove bad actors from the market without restricting access for law-abiding residents who rely on cash and prefer an in-person option.

HB 1647

CoinFlip respectfully opposes HB 1647, which would impose liability on host locations that provide space for cryptocurrency kiosks. Host businesses are not agents of the kiosk operator, and store employees are not trained or equipped to monitor compliance with complex financial regulations or identify fraudulent activity.

The bill also appears vague as to what specific actions a host must take to prevent fraud and what standard would satisfy the law. In practice, this would force third parties to potentially even retain staff to assume legal risk they should not be expected to manage.

As a result, HB 1647 would discourage businesses from hosting kiosks altogether, creating a de facto ban. CoinFlip supports targeted, enforceable safeguards that hold licensed kiosk operators accountable, rather than shifting enforcement responsibility to host businesses.

HB 2003

Unfortunately, HB 2003 relies on policy recommendations that may create a false sense of consumer protection. The proposed transaction limits do not adequately account for existing federal anti-money laundering and reporting requirements. Under federal law, CoinFlip is required to file a Suspicious Activity Report (SAR) for suspicious transactions of \$2,000 or more, and a Currency Transaction Report (CTR) for transactions above \$10,000. These reports are maintained in a centralized database that supports timely and accurate law enforcement investigations.

Hawaii's proposed \$2,000/day transaction limit and \$10,000 monthly aggregate limit would encourage bad actors to split transactions across multiple operators ("stacking") in order to avoid state thresholds, undermining AML monitoring and making scams harder to detect. These limits would also reduce reporting: if transactions are forced below federal CTR thresholds, kiosk operators will not file CTRs, resulting in less information available to law enforcement.

Lastly, the refund provisions found in HB 2003 are unprecedented for money service businesses. No other financial services product is subject to statutory refund requirements for authorized transactions like those proposed here. Under Regulation E, consumers are entitled to refunds for unauthorized transfers, not transactions they authorized or participated in. (12 C.F.R. §§ 1005.2(m), 1005.11). Imposing this refund obligation solely on kiosk operators implies that no other participant in the scam ecosystem, such as phone carriers, social media platforms, email providers, or financial institutions, shares responsibility for the transaction, despite their role in enabling the fraud.

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, transaction limits and refund provisions as currently proposed in HB 2003 are a de facto ban on operating in

Hawaii and do not take into consideration federal regulatory and 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 clearly alerted at the point of transaction. The best defense for companies is to have the right tools in place to help identify and prevent fraud- and to provide law enforcement with the information needed to hold bad actors accountable.

**TESTIMONY BEFORE THE
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE**

Rep. Scot Z. Matayoshi, Chair

Rep. Tina Nakada Grandinetti, Vice Chair

Thursday, February 5, 2026

LATE

RE: HB1560 (SUPPORT), HB1642 (OPPOSE), HB2003 (OPPOSE), HB1647 (OPPOSE)

Relating to Digital Financial Asset Transaction Kiosks

Chair Matayoshi, Vice Chair Grandinetti, and Members of the Committee:

America Digital Inc d/b/a America Bitcoin submits this testimony on the above-referenced measures. This testimony is submitted by Patrick May, Compliance Officer, and Chris McAlary, Founder and Chief Executive Officer. Mr. McAlary is a pioneer in the virtual currency kiosk industry who previously built Coin Cloud, one of the first companies to implement proactive fraud intervention measures in kiosk operations. Both will be available via teleconference to answer questions.

America Bitcoin operates ten virtual currency kiosks across Hawaii and has been serving Hawaii residents since August 2024. Since launching, we have served Hawaii residents, processed transactions, and maintained a low reported fraud rate. Our operations support local host businesses and local technicians. We share this Committee's deep concern about protecting consumers—particularly kūpuna (our respected elders)—from fraud, and we believe responsible operators and thoughtful regulation can work together to achieve meaningful consumer protection while preserving access to digital financial services.

OUR APPROACH TO CONSUMER PROTECTION

Unlike some operators in our industry, America Bitcoin was founded with scam prevention as a core operating principle. We have voluntarily implemented aggressive anti-fraud measures that go beyond what is currently required:

- **Hold & Release Policy:** Any customer whose transaction volume exceeds \$3,000 within their first 48 hours has their transaction automatically frozen. Our staff then makes live, outbound contact with the customer to provide extensive scam warnings, confirm wallet ownership, explain transaction irreversibility, and offer both immediate refunds and a cooling-off period.
- **Single-Wallet Policy:** We already prohibit multiple customers from transacting with the same wallet address—a key indicator of fraud that HB1560 seeks to address.
- **Blockchain Analytics:** We use blockchain tracing software to identify and block transactions to wallets associated with known fraudulent activity.
- **Comprehensive Disclosures:** We provide the warnings and disclosures that are standard requirements in other states that have enacted consumer protection legislation.

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We share this information not to seek praise, but to demonstrate that effective fraud prevention is achievable through responsible operator practices combined with reasonable regulation.

Summary of our positions

HB1560 (Support, with targeted amendments): The bill targets real scam indicators and can be workable if clarified to avoid unintended impacts on legitimate use.

HB1642 (Oppose): A cash-in ban would eliminate the primary lawful use case of kiosks and push activity to less protected alternatives.

HB2003 (Oppose as written; support with amendments): Many provisions are reasonable, but permanent caps and overbroad technical mandates should be made risk-based and focused on new users.

HB1647 (Oppose): Penalizing host businesses for fraud they cannot control will functionally create a back-door ban and harm local small businesses.

HB1560 — SUPPORT

We support HB1560's approach to consumer protection. The bill addresses two critical fraud indicators:

First, the prohibition on multiple customers transacting with the same wallet address directly targets a core scam mechanic. When scammers direct victims to send virtual currency to a wallet the scammer controls, that wallet typically receives funds from multiple victims. Legitimate customers use their own wallets. We already enforce this policy and can affirm it is operationally feasible.

Second, the refund requirement for first-time customers who report fraud provides a meaningful remedy for the most vulnerable users. We respectfully request the Committee consider reducing the reporting window from 60 days to 14-30 days. Our experience shows that scam victims who will report typically do so within the first few weeks, and a shorter window provides clarity for both consumers and operators while still protecting victims. A defined 14-30 day window benefits both consumers and operators: it creates urgency for victims to report promptly while their recollection is fresh and evidence is available, enables faster refund processing, and provides the certainty needed for operators to maintain adequate reserves for refunds rather than indefinite contingent liabilities that could threaten business viability.

HB1642 — OPPOSE

We respectfully oppose HB1642, which would impose a blanket ban on virtual currency kiosks that accept U.S. currency.

We understand and share the frustration that has led to this proposal. The industry has too often failed to self-regulate, and irresponsible operators have harmed consumers. However, a complete ban would:

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- Eliminate legitimate access to digital financial services for Hawaii residents who prefer or require cash-based transactions, including those without traditional banking relationships;
- Remove economic opportunities for local businesses that host kiosks and local technicians who service them;
- Penalize responsible operators who have invested in consumer protection alongside those who have not; and
- Potentially drive consumers to less regulated alternatives, including peer-to-peer transactions with no consumer protections whatsoever.

Hawaii's diverse population includes many residents who regularly send money to families in the Philippines, Pacific Islands, and other countries. Virtual currency kiosks can offer a faster, more direct remittance option—and provide access to savings tools outside legacy banking infrastructure that may not reach all parts of the world."

Prohibition does not eliminate demand—it redirects it. Hawaii residents seeking virtual currency access would turn to peer-to-peer platforms, social media marketplaces, or offshore exchanges with no consumer protections, no fraud monitoring, and no accountability to Hawaii regulators. The very consumers this bill seeks to protect would face greater risk, not less.

We believe the goals of HB1642 can be better achieved through the targeted regulatory measures in HB1560 and appropriately modified versions of HB2003, which address fraud directly without eliminating legitimate consumer access.

HB2003 — OPPOSE AS WRITTEN, SUPPORT WITH AMENDMENTS

HB2003 contains many provisions we support and already implement: blockchain analytics requirements, comprehensive disclosures and warnings, receipt requirements, customer service availability, and law enforcement cooperation. These are reasonable, effective measures.

Our concern is with the transaction limits as structured. The bill imposes a \$2,000 daily limit and \$10,000 rolling 30-day limit on *all* customers indefinitely.

Our data and industry experience show that the first 24-48 hours represent the period of greatest vulnerability for scam victims. Scammers rely on duress, urgency and pressure; they rarely maintain contact with victims over weeks. An established customer who has used our services multiple times without incident presents a fundamentally different risk profile than a first-time user being coached through a transaction by phone.

We would support a tiered approach:

- A \$2,000 daily limit for new customers during their first 3-7 days; then
- Higher or no limits for established customers who have demonstrated legitimate use.

This approach protects the most vulnerable users during the highest-risk period while respecting the autonomy of established customers. A permanent \$10,000 monthly cap is the equivalent of

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telling someone they may only use a traditional ATM for limited withdrawals indefinitely—regardless of their history or needs.

HB1647 — OPPOSE

We respectfully oppose HB1647, which would impose a \$500 fine on host businesses—convenience stores, small retailers, and other local establishments—each time a fraud occurs at a kiosk on their premises.

We appreciate the intent behind this bill, but believe it would place responsibility on parties without the tools to fulfill it. Host businesses provide space and electrical power; they do not operate the kiosks, have access to transaction data, or possess the technical capability to identify or prevent fraud. We specifically offer hosts a "*set it and forget it*" arrangement—they should not be expected to monitor or supervise complex financial transactions they have no training or tools to evaluate.

The practical effect of HB1647 would be:

- Host businesses would terminate existing agreements and refuse new ones, effectively achieving the same result as a ban while shifting the blame;
- Small local businesses would lose a source of passive income; and
- Liability would fall on parties who have no ability to prevent the harm.

If accountability is the goal, it should rest with operators—who control the technology, set the policies, and have the capability to implement fraud prevention measures. The refund requirements in HB1560 and HB2003 accomplish this more appropriately.

CONCLUSION

We recognize that the virtual currency kiosk industry in some cases has not recently served consumers well. We entered this market specifically because we believed it could be done responsibly, and we welcome regulation that holds all operators to high standards. In particular, we support requiring all kiosk operators to obtain a money transmitter license, which would establish baseline compliance standards and regulatory oversight for the industry.

We urge the Committee to:

- **Pass HB1560** (with consideration of a 14-30 day refund window);
- **Reject HB1642** in favor of targeted regulation;
- **Amend HB2003** to apply transaction limits to new customers during a defined introductory period rather than permanently to all customers; and
- **Reject HB1647** and place accountability where it belongs—with operators.

America Bitcoin welcomes the opportunity to work directly with this Committee and the Division of Financial Institutions to develop regulations that protect consumers while preserving responsible access.

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Respectfully submitted,

Patrick May

Compliance Officer

America Digital Inc d/b/a America Bitcoin

Chris McAlary

Founder and Chief Executive Officer

America Digital Inc d/b/a America Bitcoin

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HB-1560

Submitted on: 2/4/2026 11:41:53 PM

Testimony for CPC on 2/5/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
louise meyers	Hilt Ventures LLC	Support	Written Testimony Only

Comments:

Dear Chair Matayoshi and Committee Members:

Regarding HB 1560 Relating to Consumer Protection

Hilt Ventures, LLC supports targeted regulation as set forth in H.B. 1560, which contains the following two targeted measures: a) the prohibition on two customers using the same digital wallet address; and b) refunds for first time customers on their first transaction where the customer submits proof of being scammed.

Hilt, like other legitimate kiosk operators, support targeted measures to protect consumers.

Thank you for the opportunity to share the reasons why we support this bill.



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The Thirty-Third Legislature
House Committee on Consumer Protection & Commerce
February 5, 2026
Conference Room 329, 2:00 p.m.

LATE

TO: The Honorable Scot Matayoshi, Chair
FROM: Keali'i S. López, State Director
RE: H.B. 1560 Relating to Consumer Protection

Aloha Chair Matayoshi 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 for the issues that matter most to older adults and their families. On behalf of our 135,000 members, thank you for the opportunity to share our testimony on H.B. 1560.

AARP Hawai'i has concerns about H.B. 1560 which prohibits digital financial asset transaction kiosks from allowing any two customers from conducting transactions with the same digital financial asset wallet address and requires operators to provide full refunds under certain circumstances.

Protecting Hawai'i residents, especially kūpuna from financial fraud, scams, and exploitation is a priority for AARP. We appreciate the Legislature's commitment to addressing the increasing misuse of cryptocurrency kiosks, which are becoming the preferred method of scammers to collect money in consumer fraud schemes.

The proposed restriction on multiple individuals using the same digital wallet may offer deterrence but will ultimately not prevent fraud. Criminals can quickly generate new wallets and move funds through multiple addresses, so the practical impact is limited. It will make it more difficult, but not impossible to steal money using cryptocurrency kiosks. Digital fraud is often carried out anonymously, across jurisdictions, and through rapidly evolving technologies, many of which do not rely on shared wallet access.

AARP supports the more comprehensive consumer protections in H.B. 2003. These include transaction limits, refunds, more visible fraud warnings and transaction information, paper receipts with relevant transactional information for law enforcement investigations, live customer support and dedicated lines of communication for law enforcement. AARP remains committed to working collaboratively with lawmakers and stakeholders on effective policies that protect consumers.

HB-1560

Submitted on: 2/3/2026 5:57:54 PM

Testimony for CPC on 2/5/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Raelene Tenno	Individual	Support	Written Testimony Only

Comments:

STRONGLY SUPPORT