



## CONSUMER PROTECTION LEGISLATION

### 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 5,500 locations across the United States and in seven 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 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.

### 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. As such, we developed the following best practices that would further enhance consumer protections in Minnesota law and support their inclusion in any legislation:

- **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.** Legislation should include 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.
- **ID Verification.** Require operators to follow federal law for money service businesses and take photo identification for transactions over \$1,000 in a day. We use a third-party company to verify customer IDs are legitimate and match who is at the kiosk.
- **Daily Transaction Limits.** New customers are defined as those using machines in the first three days with a daily limit of \$2,500. After the new customer period, existing customers have a limit of \$10,500.
  - These limits track with Illinois, Maryland, Colorado, Nebraska, Oklahoma, Arizona. Missouri has no limits. Similar limits are currently proposed in Alabama, Florida, Georgia, Ohio, and New Hampshire.
- **Fee Cap.** Place a fee cap of 18% on kiosk transactions.
  - States that have instituted a fee cap have been between 15-18%.
- **First Transaction Hold.** Hold the first transaction of a new customer for 48 hours, during which time a customer can call and cancel the transaction with no questions asked.
- **Customer Refunds.** Require operators to refund fees of all transaction fees related to fraud.
- **Dedicated law enforcement contact.** Require operators to have a dedicated phone, email, and staff person assigned to receive law enforcement contacts.
- **Wallet Pinning.** Operators must link one wallet to one customer so that if it is attempted to be used by another customer, the transaction can be blocked.

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.

We look forward to working with you to achieve the right balance to protect consumers and ensure continued access for lawful virtual currency transactions.