

ARTICLE X. - VIRTUAL CURRENCY KIOSKS

Sec. 12-210. - Purpose.

- (a) Virtual currency kiosks, or cryptocurrency kiosks, are a significant instrument in financial fraud and scams. The Federal Bureau of Investigation ("FBI") reported in 2023, there were nearly 70,000 complaints and \$5.6 billion in losses due to virtual currency kiosk aided fraud and scams, accounting for almost 50 percent of total losses relating to financial fraud. The elderly are overwhelmingly impacted by financial fraud and scams perpetrated with virtual currency kiosks, with losses reported for those over age 50 totaling \$2.5 billion in 2023. The FBI reports that criminals give their victims detailed instructions, including how to withdraw cash from their bank, how to locate a virtual currency kiosk, and how to deposit and send these funds to the criminal using a virtual currency kiosk (FBI 2023 Cryptocurrency Fraud Report).
- (b) Criminals manipulate, intimidate, or threaten victims into using virtual currency kiosks to send funds. In many virtual currency kiosk scams, criminals falsely represent themselves as government officials or law enforcement officers to instill a sense of urgency and isolation in their victims. Because the scams often require the victim to deposit large sums of cash, virtual currency kiosks cause significant risk to public safety due to individuals carrying substantial amounts of cash to virtual currency kiosks.

Criminals prefer using virtual currency kiosks for their transactions because of the anonymity, the avoidance of third-party financial intermediaries validating the transaction and the fact that the transactions are irrevocable. Criminal actors connected to the internet from anywhere in the world can exploit victims to facilitate large-scale, nearly instantaneous cross-border transactions without traditional financial intermediaries that employ anti-money laundering programs.

- (c) In just the past few years, the Stillwater Police Department has experienced a drastic increase in these scams and are particularly concerned about the high dollar amounts of these losses. Currently, about 40 percent of Stillwater's population is over the age of 50. Since 2023, the police department has responded to over 30 virtual currency-related scam reports from Stillwater residents with over \$156,000.00 of reported losses. In one report alone, a victim had deposited over \$5,800.00 into a virtual currency kiosk before the police department responded and stopped the victim from continuing to deposit additional funds.
- (d) The Stillwater Police Department has limited resources to investigate, pursue and prosecute these types of criminal activities. In addition, these virtual transactions allow transfers of funds overseas, thereby impeding the ability of any U.S. law enforcement agency to recover such funds.

Attempting to allocate the Stillwater Police Department's resources toward the pursuit and recovery efforts reduces the police department's ability to adequately respond to the existing public safety needs of the residents of the City.

- (e) Minn. Stat. § 53B.69 uses a defined term of virtual currency, which is commonly referred to as a cryptocurrency. The term is interchangeable, but for purposes of this section, the terminology for this and other defined terms found in Minn. Stat. § 53B.69 shall be used.
- (f) The Stillwater City Council has determined that an ordinance prohibiting virtual currency kiosks within the City is necessary and appropriate to prevent crime, protect personal property, and promote the health, safety, and welfare of its citizens and a prohibition far outweighs any benefit they provide to the public.

(Ord. No. 1233, § 1, 4-15-2025)

Sec. 12-211. - Authority.

Pursuant to Minn. Stat. § 412.221 subd. 32, the City has the authority to provide for the prevention of crime, the protection of property and the promotion of the general welfare by ordinances consistent with state and federal law.

(Ord. No. 1233, § 1, 4-15-2025)

Sec. 12-212. - Definitions.

The following words, terms, and phrases, when used in this section, shall have the meaning ascribed to them in this subsection, except where the definitions in Minn. Stat. § 53B.69 clearly indicates a different meaning:

- (a) *Virtual currency* means a digital representation of value that:
 - (1) Is used as a medium of exchange, unit of account, or store of value; and
 - (2) Is not money, whether or not denominated in money, and thus does not have legal tender status.

Virtual currency does not include transactions where a merchant grants, as part of a rewards program, value that cannot be exchanged with the merchant for money, bank credit, or virtual currency. It also does not include digital representation of value issued by or on behalf of a publisher used solely within an online game.
- (b) *Virtual currency kiosk (cryptocurrency kiosk)* means an electronic terminal acting as a mechanical agent of the virtual currency kiosk operator enabling the exchange of virtual currency for money, bank credit, or other virtual currency.
- (c)

Virtual currency kiosk host means the owner or occupant of real property that leases, allows, authorizes or permits space for the location of a virtual currency kiosk, whether such authorization or permission is through written or verbal agreement, and whether or not there is any compensation therefor.

- (d) *Virtual currency kiosk operator* means a person or business that operates a virtual currency kiosk within the City of Stillwater.
- (e) *Virtual currency kiosk transaction* means a transaction conducted or performed, in whole or in part, by electronic means via virtual currency kiosks.
- (f) *Virtual currency transfer* means to assume control of virtual currency from, or on behalf of, a person and to:
 - (1) Credit the virtual currency to the account of another person or business;
 - (2) Move the virtual currency from one account of a person to another account of the same person; or
 - (3) Relinquish control of virtual currency to another person.

(Ord. No. 1233, § 1, 4-15-2025)

Sec. 12-213. - Virtual currency kiosks prohibited.

It shall be unlawful for anyone to host, allow, operate, permit, locate or place a virtual currency kiosk within the City.

(Ord. No. 1233, § 1, 4-15-2025)

Sec. 12-214. - Exceptions.

This section does not apply to any virtual currency transfers that are conducted without the use of a virtual currency kiosk and does not intend to interfere with other types and methods of virtual currency transfers.

(Ord. No. 1233, § 1, 4-15-2025)

Sec. 12-215. - Penalty.

Violations of this section may result in an administrative citation pursuant to Chapter 2, Article VI, Division 2, or criminal prosecution pursuant to Section 2-204 issued to the virtual currency kiosk operator or virtual currency kiosk host or both. In addition, any virtual currency kiosk host in violation of this section who has a license from the City where the virtual currency kiosk is located, may have its existing license suspended or revoked for posing a threat to the welfare and safety of the public.

(Ord. No. 1233, § 1, 4-15-2025)