

MEMORANDUM

DATE: January 22, 2025
TO: House Industry, Business and Labor Committee
FROM: Lise Kruse, Commissioner
SUBJECT: Testimony in Support of House Bill No. 1447

Chairman Warrey and members of the House Industry, Business and Labor Committee, thank you for the opportunity to testify in support of House Bill No. 1447.

Our department oversees banks, credit unions, trust companies, and other nonbank financial corporations such as money transmitters and lenders. The department is in support of this Bill since it clarifies an area where we already have jurisdiction. We are asking that an amendment to the Bill be adopted, moving it into NDCC 13-09.1, where the oversight of virtual currency money transmitters is outlined. The department had already planned on expanding and clarifying that section, related to crypto ATMs, and therefore we were pleased to work with AARP on this topic.

We would request an amendment to move this Bill to 13-09.1. That is where our jurisdiction for virtual currency is already established and would therefore include any enforcement authority that is already established in current law. The changes would include adding the definitions under 13-09.1-44 and the remaining sections would then start at 13-09.1-50.

There has been an increase in fraud in recent years, and banks have alerted me to the increase in financial elder abuse, and now specifically, how grandma is duped into putting cash into a crypto ATM, often with help from the fraudsters, and the money is gone. Crypto ATMs have become the new avenue for fraudsters, instead of gift cards which was the fraudsters' currency of choice, this is faster since the cash loaded into a crypto ATM is instantaneously in the fraudster's crypto wallet. Due to the potential for fraud, I believe it is appropriate to enforce some type of limit, better consumer alerts at the machines, and clarify what the ATM owners are required to do to help prevent fraudulent transactions.

Per the FBI Internet Crime Complaint Center, total crypto fraud losses jumped 45% in 2023 to \$5.6 billion. The center reported over 69,000 complaints, with 17,000 complaints from people over the age of 60, with losses of \$1.6 billion. North Dakota complaints totaled 103 with \$6.5 million in losses, which is over \$60,000 per person on average. In the FBI report,

Crypto ATMs accounted for more than 5,000 complaints with losses of \$189 million. Over half the complaints were from individuals over the age of 60 and resulted in \$124 million of the losses. These numbers are likely low, since many victims, especially in our elderly population, are hesitant to report it due to embarrassment. A reason why the fraud victims with crypto ATMs are predominantly elderly is likely due to the fact that younger individuals active in the crypto marketplace uses exchanges on their phone and would not need a physical location.

Mr. Chairman, thank you for the opportunity to provide this testimony. I would be happy to answer any questions the Committee may have.