



January 21<sup>st</sup>, 2025

**Mr. Chairman and members of the House Industry, Business, and Labor Committee:**

My name is Jacob Rued. I am Minot native and currently reside in rural Cass County.

For over the past decade, I have had the opportunity to serve our state in various law enforcement and private sector fraud prevention roles. I have proudly served our communities as a Cass County Deputy Sheriff, Fargo Police Officer, and Fargo Police Financial Crimes Detective. I currently work as a Fraud Investigator for the Minot-based community bank, First Western Bank. I hold certifications as a Certified Fraud Examiner by the Association of Certified Fraud Examiners and as a Certified Anti-Money Laundering and Fraud Professional by the American Bankers Association.

I write this testimony to you in fervent support of HB 1447 on behalf of myself, First Western Bank, and Independent Community Banks of North Dakota.

Unfortunately, my job must exist because of criminals who steal and defraud millions of dollars from North Dakotans using crypto kiosks, which scammers often deceptively refer to as "Federal Safety Lockers". In many cases I have investigated, our community members are indoctrinated, through fear, to withdraw their life savings in cash and deliver them to a crypto kiosk in their community or neighboring community. Once deposited, their funds are gone, unrecoverable, certainly not in a "safety locker".

Our victims, often but not exclusively seniors, are rarely versed in understanding cryptocurrency or involved in legitimate investment with it. Their engagement with a crypto kiosk marks the first, last, and likely only cryptocurrency transaction they will ever complete. Their trust in the kiosk often based on the manipulated idea because the kiosk is "real" and physically present in their community, must mean any associated business is vetted like a traditional ATM. *Why or how else would it be here?*

I believe HB 1447 strikes a reasonable balance in continuing to allow North Dakotans to engage with the plethora of legitimate, online crypto exchanges they may make deposits to via check, wire, and ACH while limiting a vulnerable population's exposure to a type of currency they are not familiar with. Furthermore, I applaud HB 1447's requirement of receipted disclosures, operator fraud prevention requirements, fraud reimbursement criteria, daily transaction limits, and a cap of fees.

In closing – I offer you 2 further points to assist in your evaluation and decisioning on this bill.

1. First Western Bank operates in both Minnesota and North Dakota. In August of 2024, Minnesota enacted legislation nearly identical to HB 1447. The following is a contrast between 2 of my cases in these states:
  - a. *North Dakota Resident* – young, newlywed couple (20s YOA). Husband is called and extorted to believe there is a warrant for his arrest. Husband withdraws \$15K from their bank account. Deposits all \$15K cash at a local crypto kiosk believing this will pay his government fines and prevent him from going to jail. Husband later realizes he was scammed. The couple is at 100% loss. The \$15K was a relatively considerable sum and intended to be used as a down payment on a house. Victim has otherwise never used crypto currency.
  - b. *Minnesota Resident* – elderly, retired couple. Husband is called and convinced someone in his bank is stealing his money. The "FBI" needs him to withdraw all his funds and deposit them in a "safety locker". Husband withdraws all \$50K from his savings and takes all \$50K to a nearby kiosk at a gas station. Husband feeds \$2K to the ATM but is stopped because of MN law limiting his deposit to \$2K. Husband realizes he's been scammed. Returns \$48K to the bank with only a \$2K loss. Victim has otherwise never used crypto currency.
2. First Western Bank is a \$2Bn asset institution, with over 350 employees, operating in 3 states. Consider this context in the following example:
  - a. An elderly victim is deceived to believe they are investing in a lucrative international business. Investments in these stocks/securities are made via crypto currency, partially by kiosk. The victim eventually learns the business does not exist and the \$200K+ funds he invested, and recruited other members in his community to invest, are lost. The crypto deposits are traced to a crypto wallet holding over \$2Bn worth of Bitcoin at that time's market value. At current market value, this would be approximately \$4Bn USD of Bitcoin.

I can't tell you who controls that \$4Bn, because the nature of Bitcoin doesn't make that possible, but I know whoever or whatever organization does control it, certainly is not using it for anything that will benefit our state or our way of life.