



March 10th, 2025

Mr. Chairman and members of the Senate Industry and Business 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 give this testimony to you in **support of HB 1447** on behalf of myself, First Western Bank, and the North Dakota Banker's Association.

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, love, or greed, 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, and 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 and operated 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. Specifically, HB 1447's requirement of receipted disclosures, operator fraud prevention requirements, physical receipts, and daily transaction limits are critical to its efficacy.

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 similar HB 1447. The following is a contrast between 2 of my cases in these states to highlight pitfalls in the current total absence of our legislation and pitfalls of the enacted Minnesota legislation we should be wary of:
 - 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 which is never recovered. The \$15K was a relatively considerable sum and intended to be used as a down payment on a house.
 - b. *Minnesota Resident* – elderly, retired widow. She is called by an FBI agent impersonator. The female is indoctrinated to believe her money is being stolen; she must withdraw all of her \$25K in savings in cash and take it to a Bitcoin ATM for safekeeping. The female is coached to lie to her bank and family about her withdrawal reason and is kept in fearful compliance by being ordered to have her phone listening in her pocket when inside the bank. The widow obtains her cash and goes to a nearby Crypto Kiosk at a gas station. The Widow registers as a new customer and is allowed by MN Law to deposit a \$2K maximum daily limit. Her scammer then instructs her to register 2 more times as 2 different people. Depositing \$2K a piece for a now total of \$6K. The widow returns home and the next day is sent back to the kiosk to register as a 3rd person and deposit another \$2K. The widow is enroute to deposit another \$2K as a 4th person when I contact and stop her. Had I not contacted her, in another 24 hours MN Law's daily \$2K limit would have expired for her, and she would have deposited everything that remained of her \$25K. MN law also compels crypto kiosk operators to refund victims of fraud in these scenarios, but because the widow only had a physical receipt for her first transaction, the kiosk operator refused to reimburse her for anything beyond the original \$2K. Because the widow had no ability to access the other virtual receipts in other people's names, she was told she had no evidence she'd done what she was claiming and would not be refunded.