

# The Star-Ledger

## **Bitcoin ATMs ripe for fraud without more oversight, N.J. watchdog says**

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NJ Advance Media for NJ.com and The Star-Ledger

Published Feb. 17, 2020

Machines that let New Jerseyans buy Bitcoin and other digital currency are easy targets for fraud because of a lack of oversight, the state's top corruption watchdog said Wednesday.

New Jersey has almost no control over so-called "Bitcoin ATMs," which look like regular ATMs and are often placed in stores and coffee shops, and federal regulations are not always enforced, according to a new State Commission of Investigation report that looked at 30 businesses managing 300 cryptocurrency kiosks.

The independent watchdog recommended requiring government IDs to conduct transactions and said a license should be mandated to operate a kiosk.

"By permitting even a portion of transactions to occur anonymously, ATM operators leave the machines vulnerable to abuse," the report said, adding that "it is clear that operators in New Jersey are not consistently or committedly complying with reporting mandates."

Bitcoin is not tied to governments or banks. Many popular companies allow Bitcoin as currency, either directly or indirectly, including Starbucks and Overstock.com. More than \$70 million was deposited into hundreds of cryptocurrency ATMs statewide from 2015 through 2020, according to the report. Bitcoin has also been used in money laundering schemes and other financial crimes, the report noted.

A single Bitcoin was worth more than \$50,000 Tuesday, its highest share ever.

Anonymity is part of the currency's draw, and not needing a bank helps people without accounts, like some service industry workers, according to the report. Only a quarter of businesses investigated required valid identification to make a purchase.

But looser regulations also invites corruption, the report said.

In recent years multiple people were duped into spending hundreds of thousands of dollars at ATMs that ended up in the hands of scammers, the commission said.

One ATM owner had been convicted of federal fraud charges, according to the report. Others professed ignorance of reporting requirements that did exist.

While New York requires a license, New Jersey only asks owners to register with the treasury department — but nearly a third of businesses the commission investigated failed to register, according to the report.

The commission endorsed a bill before the state Legislature (A2831) that would require licenses, and it recommended amending the proposal to mandate owners keep records for several years to aid in future investigations.

Requiring identification wouldn't hurt business, the commission argued. The report cited the Chicago-based company Digital Mint, saying the decision to require identification for all transactions did not harm the group's long-term finances.

*The Associated Press contributed to this report.*