

***New Jersey***  
***State Commission of Investigation***



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**Immediate Release**

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**SCI FINDS SCAMS,  
DUBIOUS ACTIVITIES  
AT BITCOIN ATMs**

TRENTON – The State Commission of Investigation today revealed that devices used to buy or sell cryptocurrency, known as Bitcoin ATMs or kiosks, have been utilized for questionable and illicit activities, including financial schemes that have defrauded customers, in a report detailing findings of an inquiry into the operation of the machines in New Jersey.

In one brazen scheme, the Commission found machines were used to dupe multiple victims into spending a total of more than \$600,000 to purchase vehicles for sale on eBay that did not really exist. In another, a victim was given 40 minutes to drain

personal bank accounts, deposit the money into cryptocurrency machines in three New Jersey counties and send it to a secure account to prove the victim's innocence in a fake stolen identify scheme.

A Commission review of records from businesses that operated or were associated with approximately 300 cryptocurrency machines in New Jersey over the past five years, revealed that some devices enabled customers to conduct anonymous purchases, making it difficult to trace the transaction to a specific individual. More than 75 percent of the companies allowed customers to buy or sell cryptocurrency on the machines without producing anything more than a cellphone number, while only 25 percent of the companies required a valid form of identification for every transaction.

State government has no specific authority over the operation of the devices. Currently, the only oversight of cryptocurrency machines exists at the federal level under guidelines that apply to the banking industry. The SCI found that despite blatant violations, including those that require operators to register with federal authorities, monitor transactions and report suspicious activity, the laws were not enforced for the New Jersey operators examined as part of this inquiry.

“Without any state regulation of their operation, no protections exist for consumers unfamiliar with the fast-moving terrain of cryptocurrency transactions and fall victim to scams,” the report states. “Further, there are no standards to ensure operators of these businesses function in a reliable, consistent and transparent manner.”

Like the cryptocurrency industry at large, the kiosk business has exploded in recent years, going from a smattering of machines in the U.S. in 2014 to 11,665 nationwide. A Commission review found more than \$70 million was deposited into machines in New Jersey between 2015 and 2020.

The Commission urged the enactment of pending legislation, A-2891/S-3132, that would create a licensing mechanism for individuals who engage in a digital asset business activity, including cryptocurrency machines. The bill also requires consumer protection measures to ensure that customers are aware of fees and potential risks associated with use of the machines. In addition to enacting the legislation, the Commission also recommended the establishment of a mandate for all machine customers to provide a valid form of government-issued identification with a photo before any transaction can proceed, and that the record-retention period for records from the machines be extended to six years instead of the one year proposed in the legislation.

“To guide the growth of this burgeoning industry, safeguard it for customers, and protect it from the intrusion of unsavory elements, state government must establish proper and effective oversight of it,” the report states.



*The State Commission of Investigation is an independent New Jersey watchdog agency established in 1968 to investigate organized crime and corruption, waste of tax money and other abuses of the public trust. Copies of public reports are available at the Commission's offices or via its Web site at [www.state.nj.us/sci](http://www.state.nj.us/sci).*