POLICY BRIEF

Rhode Island H 7955 / S 2648

Expanding Virtual Currency Kiosk Definitions: Closing a Loophole or Casting Too Wide a Net?

OVERVIEW

H 7955, introduced February 27, 2026 by Representatives Casimiro, Donovan, Spears, Potter, Alzate, and Shallcross Smith, and its Senate companion S 2648, amend § 19-14.3-1.1 of the Rhode Island General Laws — the definitions section of the Currency Transmissions chapter enacted last session as S 0016 Sub A (codified as P.L. 2025, ch. 113, effective June 23, 2025). The bill makes two targeted changes: it expands the definitions of "virtual-currency kiosk operator" and "virtual currency kiosk transaction" to capture business models that use digital products or applications directing customers to remit payment in person — including through a clerk or other intermediary — rather than through a traditional physical kiosk machine.

The bill's intent is understandable. After Chapter 19-14.3 established a comprehensive regulatory framework for Bitcoin ATM operators, some businesses could structure transactions through app-to-counter or voucher-at-register models to avoid falling under the statute. H 7955 / S 2648 seeks to close that gap. However, the bill's drafting raises significant concerns about overbreadth, undefined terms, and the downstream consequences of pulling an indeterminate number of new entities into a compliance framework that RIBPI has already identified as disproportionately burdensome for small operators.

ISSUE 1 · THE EXPANDED "OPERATOR" DEFINITION IS DANGEROUSLY OVERBROAD

The bill adds the following language to the definition of "virtual-currency kiosk operator" at § 19-14.3-1.1(26): *"This definition applies whether or not the operator owns the kiosks used in transactions, or if they provide custodial or non-custodial services. For the purpose of this definition, the term also includes any person or business entity that facilitates or enables the purchase of virtual currency through a digital product or application that directs a customer to remit payment in person, including through a clerk or other intermediary, for the purpose of completing the transaction."*

The phrase "facilitates or enables" is among the broadest operative language available in statutory drafting. Without limiting definitions, this could capture:

- **Software and app developers** — a company that builds a mobile application allowing users to purchase Bitcoin vouchers redeemable at retail locations would be classified as an "operator" subject to the full Chapter 19-14.3 compliance stack, even if it never takes custody of funds or virtual currency.
- **Retail chains and convenience stores** — a gas station or corner store whose point-of-sale system processes payments for a third-party Bitcoin purchase service could be deemed an entity that "enables" the purchase through a "clerk or other intermediary." The bill does not

distinguish between the technology provider and the retail location.

- **Non-custodial service providers** — the bill explicitly states it applies "whether or not… they provide custodial or non-custodial services." This is a significant departure from standard financial regulation, which typically calibrates obligations based on whether an entity holds customer funds. A non-custodial service that merely connects a buyer to a decentralized exchange has a fundamentally different risk profile than a custodial kiosk operator.
- **Payment processors and intermediaries** — any payment network that processes the fiat leg of a transaction where the customer pays in person could arguably "facilitate" the purchase of virtual currency.

> *"The bill attempts to be technology-neutral but achieves it by being so broad that virtually any participant in the value chain could be swept in as an 'operator.'"*

ISSUE 2 · EVERY NEWLY CAPTURED ENTITY INHERITS THE FULL CHAPTER 19-14.3 COMPLIANCE BURDEN

H 7955 / S 2648 only amends definitions — it does not create new, tailored obligations for the business models it captures. Every entity newly classified as a "virtual-currency kiosk operator" under the expanded definition automatically inherits the kiosk-operator compliance framework:

blockchain analytics software and a written anti-fraud policy (§ 19-14.3-3.11); a full-time compliance officer (§ 19-14.3-3.11(2)); full refund obligations for new customers fraudulently induced within their first 30 days (§ 19-14.3-3.11(3)) and fee refunds for existing customers (§ 19-14.3-3.11(4)); extensive point-of-sale and receipt disclosures (§ 19-14.3-3.10); live customer service staffed Monday–Friday, 8:00 AM–10:00 PM EST (§ 19-14.3-3.13); money-transmitter licensure, individual kiosk registration, and quarterly reporting with DBR (§ 19-14.3-3.9); and daily transaction limits of $2,000 for new customers and $5,000 for existing customers (§ 19-14.3-3.12).

As RIBPI detailed in its prior policy brief on the underlying enacting legislation (S 0016 Sub A), modeled operator estimates placed fixed annual compliance costs in the low-to-mid six figures before a single transaction is processed — driven primarily by the full-time compliance officer, blockchain analytics tooling, and extended-hours live customer service requirements. That burden was already disproportionate for small physical kiosk operators. Extending it to app developers, retail partners, and non-custodial service providers — many of which may process only a handful of Rhode Island transactions — compounds the problem significantly. A convenience store chain that partners with a Bitcoin voucher service would face the same compliance obligations as Bitcoin Depot, which operates thousands of machines nationally.

ISSUE 3 · CRITICAL TERMS ARE UNDEFINED

The bill introduces several new operative phrases without defining them, creating significant ambiguity:

- **"Digital product or application"** — is this limited to purpose-built Bitcoin purchase apps, or does it extend to general-purpose payment apps, banking apps, or e-commerce platforms that integrate virtual currency purchase functionality? The term is not defined anywhere in the bill or in the existing Chapter 19-14.3.
- **"Clerk or other intermediary"** — this is the bill's most novel phrase and its most problematic. Does a cashier at a convenience store who accepts cash for a Bitcoin voucher become an "intermediary"? If so, does that make the convenience store an "operator"? Does the cashier themselves have obligations? The bill provides no guidance.
- **"Facilitates or enables"** — these are expansive verbs with no statutory limiting principle. In federal anti-money laundering law, similar terms have been the subject of decades of litigation precisely because of their breadth. The bill offers no safe harbors, carve-outs, or materiality thresholds.
- **"Remit payment in person"** — does this cover only cash transactions, or also debit card swipes at a retail terminal? The distinction matters because the original kiosk framework was designed around cash-intensive transactions with specific fraud risk profiles.

ISSUE 4 · NO IMPLEMENTATION PERIOD OR TRANSITIONAL PROVISIONS

Section 2 of the bill states: *"This act shall take effect upon passage."* For a bill that potentially reclassifies an indeterminate number of businesses as regulated kiosk operators overnight, providing zero implementation runway is unreasonable. Businesses that have been operating lawfully would have no time to hire compliance officers, contract with blockchain analytics providers, establish customer service infrastructure, register with DBR, or restructure their operations. This stands in contrast to the underlying enacting legislation, which included staged implementation timelines for several of its provisions (for example, the physical-receipt requirement at § 19-14.3-3.10(3) took effect November 1, 2025).

ISSUE 5 · THE CUSTODIAL / NON-CUSTODIAL DISTINCTION MATTERS

By explicitly stating the definition applies regardless of "custodial or non-custodial services," the bill collapses a distinction that is fundamental to financial regulation. Custodial services — where an operator holds customer funds — carry inherent risks of loss, theft, and misappropriation. Non-custodial services — where the user retains control of their keys and the service merely facilitates a peer-to-peer or decentralized exchange — present a categorically different risk profile.

Every major federal financial regulatory framework — FinCEN guidance, SEC and CFTC enforcement actions, and the federal stablecoin statute signed into law in 2025 (the GENIUS Act) — distinguishes between custodial and non-custodial activities. Rhode Island would be an outlier in treating them identically for purposes of kiosk-level compliance obligations. Moreover, this approach could inadvertently discourage the adoption of non-custodial models, which are generally considered safer for consumers because they eliminate counterparty risk.

WHAT THE BILL GETS RIGHT

The bill's underlying premise is sound. The app-to-counter and voucher-at-register models it targets are real, and some operators have structured their businesses specifically to fall outside

Chapter 19-14.3 while conducting functionally identical transactions. Consumers using these services face the same fraud risks as those using physical kiosks, and regulatory parity is a legitimate goal. RIBPI does not oppose closing this loophole — it opposes doing so with language broad enough to sweep in entities that bear no resemblance to the bad actors the bill intends to capture.

RIBPI'S RECOMMENDATION: STUDY FIRST, LEGISLATE SECOND

RIBPI is deliberately not offering a redline of S.2648. A redline would imply that the drafting problems identified above can be fixed at the margins, and that the underlying Chapter 19-14.3 framework this bill would expand is sound. Neither is accurate. Chapter 19-14.3 has documented structural flaws — passive disclosure walls in place of active intervention, a one-size-fits-all compliance burden with no risk tiering, statutory caps fixed below the Bank Secrecy Act's $10,000 Currency Transaction Report threshold, and no criminal enforcement tools targeting actual scammers. S.2648 inherits all of those defects and extends them to an indeterminate number of new entities. Tightening definitions at the margin does not fix the framework.

The right sequence is to pass the Blockchain Study Commission (H 7956 / S 2198) first. That commission would convene industry experts, consumer advocates, law enforcement, and the Department of Business Regulation to examine exactly the questions S.2648 tries to answer in two paragraphs: what is a kiosk, what is an operator, what is a "digital product or application," what is a "clerk or other intermediary," how custodial and non-custodial services should be differentiated, what compliance tiers make sense for different risk profiles, and whether the existing statutory caps and disclosure regime are actually working. Wyoming studied first and then legislated — and its laws became the national model other states now copy. Rhode Island has been legislating first. The drafting problems in S.2648, and the structural flaws already visible in Chapter 19-14.3, are the predictable result of that sequence.

RIBPI respectfully urges the committee to hold S.2648 and pass the Blockchain Study Commission first. Once the Commission has built a record, the General Assembly will be positioned to revisit the kiosk framework comprehensively — not patch it piecemeal. The categories of issue the Commission should examine include, but are not limited to: narrowing definitional language; differentiating custodial and non-custodial services; calibrating compliance obligations to risk; indexing statutory caps; creating implementation runways; and defining safe harbors for incidental participants. These are the questions an expert record should answer, not the legislative calendar.

This brief is intended for informational and policy discussion purposes. It does not constitute legal advice.