

Consumer Protections for Virtual Currency and Virtual Currency Kiosks

10:00 a.m. in Hearing Room #1 of the North Office Building
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*John O'Connell - Advisor to Pennsylvania Blockchain Coalition
Principal Advisor at 3 Points Advisory Inc*

• Thank you and why I am here

Chairmen, members of both committees, thank you for the opportunity to be useful today. I am here as a neutral voice to help explain blockchain technology, so the policy conversation can happen on a clear foundation.

My goal for the next five minutes is simple. When I sit down, every member in this room should feel comfortable saying out loud what this payments infrastructure blockchain actually is.

• What the technology actually is, public payments infrastructure

I am going to refer to blockchain, the underlying database used by virtual currency kiosks, as *public payments infrastructure*. That is the phrase Peter Van Valkenburgh of Coin Center used when he testified before the United States Senate Banking Committee, and I think it is the most honest description available.

Public payments infrastructure is a shared ledger that any person, any business, and any software can read from and write to, without asking a private company for permission.

Think of it as a public spreadsheet for making and tracking payments. The spreadsheet is owned by no one and used by everyone. That is the entire technology in one sentence.

• The Carnegie Library Analogy

Pennsylvania already understands what *public information infrastructure* looks like when it is done well. Andrew Carnegie funded more than 2,500 free public libraries between 1883 and 1929, and voters still pay a dedicated library tax today to keep that public access to information open to every resident. The libraries are free to the people. The books on the shelves came from publishers, authors, and donors. The staff came from the city.

Industry built and donated the buildings. The community fills them with books, the public uses them for free access to information, and the government regulates how they are used.

Public payments infrastructure (Blockchain) works the same way. The infrastructure is donated, open and neutral. The companies operating on top of it, including the kiosk operators this committee is examining, are the staff, the shelves, and the front desk. They are the part the public actually touches, and they are the part this legislation is rightly focused on.

- **Why fraud happens at the kiosk, not in the infrastructure**

When a grandmother in Erie is told by a scammer to withdraw cash and feed it into a machine, the harm is real. But the harm is not coming from the blockchain or “spreadsheet” technology. It is coming from outside influence on the user at the access point to the public payments infrastructure. This is the same reason gift card scams remain a federal enforcement priority. Gift cards are a legitimate financial instrument used by millions of honest people every week.

They are also the single most common tool used in elder fraud, and Congress and the states responded by regulating the point of sale, the disclosures, the refund rules, and the fraud reporting obligations. Nobody proposed banning gift cards.

That is the right instinct, and it is the instinct I see our PA regulatory bodies using to regulate a new technology like blockchain and virtual currency kiosks allowing the public access to public payments infrastructure.

- **What to keep in mind as you evaluate:**

Three things are worth holding onto as you work through the details:

First, disclosures only help if a frightened person actually reads them in the moment, so plain language and placement matter more than length.

Second, refund and cooling off windows are the single most effective tool against scam driven transactions in every adjacent industry, from gift cards to wire transfers, and the real world data bears that out.

Third, the compliance burden you place on operators is the compliance burden small Pennsylvania businesses will carry, so calibration matters.

None of this is an argument for or against the bill. It is the list of levers you have in front of you.

- **Closing and offer**

Pennsylvania has a real chance to write a rule that protects vulnerable residents without pushing legitimate financial tools underground like blockchain that provide a transformative public service like payments infrastructure. I am happy to take questions on any of the technology, and I am available to both committees and your staff for follow up after today. Thank you.