



**TESTIMONY SUBMITTED TO THE PENNSYLVANIA
SENATE COMMITTEES ON BANKING & INSURANCE AND COMMUNICATIONS &
TECHNOLOGY**

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April 8, 2026**

Chairs Pennycuik and Gebhard, and members of the Senate Banking & Insurance and Communications & Technology Committees, thank you for the opportunity to provide testimony today regarding SB 1015.

CoinFlip supports SB 1015 relating to the proposed regulation of virtual currency kiosks. We appreciate working with Senator Pennycuik in coming to an agreement on this language and encourage passage in its current form.

Company Background

CoinFlip is a Chicago-based, global digital currency platform, focused on providing consumers a simple and secure way to buy and sell virtual currency. Founded in 2015, CoinFlip is one of the world’s largest operators of virtual currency kiosks, with more than 5,000 locations across the United States and in ten countries around the world, employing more than 200 people.

CoinFlip’s kiosks make buying and selling major cryptocurrencies accessible and secure for consumers who wish to purchase their virtual currency using cash. CoinFlip has operated in the State of Pennsylvania since 2018. Additionally, CoinFlip is a money service business (“MSB”) registered with the Financial Crimes Enforcement Network. As an MSB, CoinFlip is subject to the Bank Secrecy Act (“BSA”), the United States PATRIOT Act, and their implementing rules and regulations.

CoinFlip embraces licensing regimes as an effective means to create baseline requirements for operations, as well as effective oversight. CoinFlip holds 41 money transmitter licenses with numerous additional applications currently pending. CoinFlip applied for and received a Pennsylvania Money Transmitter License in 2024.

Advancing Consumer Protection

As a company, one of CoinFlip’s key business priorities is consumer protection. We won’t succeed unless our customers believe we provide them with a safe and secure platform from which to transact virtual currency. CoinFlip’s compliance and consumer protection efforts are currently overseen by its Chief Legal Officer, General Counsel, BSA Officer, and Consumer Protection Officer. To effectively manage the risks associated with its operations, CoinFlip implements both

traditional consumer protection efforts such as clear disclosures and warnings, as well as state-of-the-art technology to detect and fight fraudulent transactions.

When transacting with a CoinFlip kiosk, customers are warned numerous times regarding scam-related activity prior to initiating every transaction. The customer must attest that they were not sent to the kiosk by a third-party to make a payment; that they are transacting with a digital wallet they own and control; and that they understand all transactions are final and irreversible. This screen is customizable and is updated regularly with warnings about common scams to alert customers and help fight fraud. We also provide clear disclosures on fees and provide customers with a receipt of their transaction via email or text.

Additionally, CoinFlip has 24/7 live customer service and lists its number both on the physical kiosk as well as its transaction screens. Customers are instructed to call CoinFlip in the event a third-party sent them to transact at the kiosk. CoinFlip customer service representatives receive training at least twice annually on AML/BSA requirements and how to be the first line of defense in compliance efforts. As a result of these efforts, CoinFlip's customer support team halted more than 300 potential scams in a four-month period by speaking with the customer who phoned our support team after reading the customer warnings at our kiosk.

CoinFlip also implements state-of-the-art blockchain analytics and compliance tools to block fraudulent transactions and investigate suspicious activity. CoinFlip has automatically blocked more than 1,000 transactions using blockchain analytics in a year's period. In addition to blocking transactions, CoinFlip permanently blacklists digital wallet addresses to prevent those high-risk digital wallets from ever being used at a CoinFlip kiosk again.

Proposed Consumer Protection Policies

CoinFlip believes smart regulation is good for business. We believe that a regulatory framework is necessary to protect consumers and encourage innovation in the industry. SB 1015 includes the following best practices that we employ that would further enhance consumer protections and support their inclusion in any legislation:

- **Require licensure with the state.** CoinFlip believes a money transmitter license should be required for all virtual currency kiosk operators, allowing for state oversight and periodic audits to determine the adequacy of compliance, finance, and cybersecurity programs.
- **Require robust compliance programs.** Kiosk operators should be required to directly employ a qualified, in-house, Chief Compliance Officer and compliance team, that does not have a large ownership interest in the company. At CoinFlip, we take compliance seriously: our Chief Compliance Officer is a former federal prosecutor, and our general counsel is a former Illinois Assistant Attorney General.
- **Require clear, highly visible warnings and fee disclosures.** We agree with the proposed legislation regarding the requirement of clear disclosures regarding all fees and terms of service. We also believe highly visible fraud warnings should be required to be displayed and acknowledged by the customer prior to the initiation and completion of any transaction.

- **Require blockchain analytics.** The use of blockchain analytics technology should be required to fight fraud by automatically blocking customer transactions to high-risk digital wallets.
- **Require live customer service.** Customer service is the first line of defense for consumer protection. We believe every virtual currency kiosk operator should be required to provide trained, live customer service at minimum during business hours.

CoinFlip shares your goals of consumer protection. Although blockchain technology and virtual currency kiosks are new, the fraud we see reported is all too familiar. Whether it's phone, email, text or an online pop-up, scammers repackage the same old tactics and utilize whatever methods they have at hand – Venmo, PayPal, Zelle, Gift Cards, MoneyGram or virtual currency kiosks – to dupe people out of their money.

The best defense for consumers is to be well-informed and well-alerted at the point of transaction. The best defense for companies is to have the right tools in place to help identify and fight fraud and help law enforcement catch the bad actors.

Thank you for your time and consideration.