

# memorandum

**DATE:** July 11, 2025  
**TO:** Lathrup Village Planning Commission  
**FROM:** Jill Bahm & Eric Pietsch, Giffels Webster  
**SUBJECT:** Cryptocurrency

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The following information is in response to a request from the Planning Commission's desire to learn more about cryptocurrency and its presence within communities. At a recent Planning Commission meeting, a resident commented on a report out of Waterford Township, MI that highlighted security concerns while using crypto kiosks or ATMs. There is interest in determining if municipalities are regulating cryptocurrency establishments (mainly kiosks or ATMs) and what the current findings unveil.

## As Defined

Per dictionary.com:

- **Cryptocurrency** is a digital currency in which transactions are verified and records maintained by a [decentralized](#) system using [cryptography](#), rather than by a [centralized](#) authority.
- **Cryptography** is the art of writing or solving codes.
- **Decentralize** means to be controlled by several local offices or authorities rather than one single one.

Per Oswego University of NY:

- Cryptocurrency, or crypto, is a form of digital currency that can be used for internet-based electronic payments or as a store of value. The **idea of "digital cash"** isn't new—credit cards, PayPal, Venmo, and other payment methods permitting easy, traceable electronic transactions came before.
- Cryptocurrency differs from other digital transactions primarily through its **decentralized** nature and use of blockchain technology. Unlike traditional digital transactions that are managed by banks or payment processors, cryptocurrencies operate on a peer-to-peer network secured by cryptography and recorded on a public, transparent blockchain (source: coursera).
- **Blockchain technology** is a shared, immutable (*can't be tampered with*) ledger that records transactions in a secure and transparent way. It's a **decentralized** system where data is stored in blocks that are linked together in a chain, making it difficult to alter or tamper with past records. This technology is often associated with cryptocurrencies like [Bitcoin](#), but it has potential applications in various industries beyond finance.
- **Bitcoin** is the first [decentralized cryptocurrency](#). Based on a [free-market](#) (*supply & demand*) ideology, bitcoin was invented in 2008.

## Security Concerns

The legal status of bitcoin varies substantially from one jurisdiction to another. Because of its decentralized nature and its global presence, **regulating bitcoin is difficult**. However, the use of bitcoin can be criminalized, and shutting down exchanges and the peer-to-peer economy in a given country would constitute a de facto ban (*Jacob Weindling "China May Be Gearing Up to Ban Bitcoin"*). The use of bitcoin by criminals has attracted the attention of financial regulators, legislative bodies, and law enforcement. Nobel-prize winning economist Joseph Stiglitz says that bitcoin's anonymity encourages money laundering and other crimes. This is the main justification behind bitcoin bans. As of November 2021, nine countries applied an absolute ban (Algeria, Bangladesh, China, Egypt, Iraq, Morocco, Nepal, Qatar, and Tunisia) while another 42 countries had an implicit ban.

### Waterford Township Reported Scam

[Police warn of rise in Bitcoin ATM scams in Waterford, install large signs](#) (wxyz.com)

- The Waterford Police Department started an initiative to post large warning signs next to Bitcoin ATM machines at nearly 20 local businesses around Waterford, cautioning customers before sending large sums of money to potential scammers. However, nothing has been written into an ordinance.
- The report states law enforcement was able to retrieve \$7,000 of the victim's cash, which had the transition gone through, would have amounted to \$16,000.
- Waterford police say these types of attempted scams occur at least once a week and that cases have ranged from \$500 - \$500,000 where the money is almost always lost.

### State of Michigan

- There was no finding of any instance of a codified regulation in Michigan, and there are no real statewide guidelines or regulations regarding crypto ATMs – it seemingly continues to be a gray area, policy wise.

### Other States

- Omaha, Nebraska, which recently passed an ordinance requiring all crypto ATMs to have a written warning to alert users of potential fraud or scam risks.

Sec. 3-12. – Definitions.

For the purpose of this chapter, the following words or phrases shall have the meaning respectively ascribed to them:

- (1) Crypto currency: A virtual currency that utilizes cryptography to secure transactions that are digitally recorded on a cryptographically secured, distributed ledger (blockchain).
- (2) Crypto ATM or Bitcoin ATM: A stand-alone electronic kiosk that allows users to buy and sell cryptocurrency in exchange for cash or with a debit card.
- (3) Blockchain: A decentralized digital ledger that stores information across a network of computers or nodes in blocks that are verified and validated to ensure legitimate and accurate transactions.

Sec. 3.13. – Cryptocurrency teller machine warning notice.

- (a) Any person or business operating or providing access to a functioning crypto automated teller machine (ATM) or Bitcoin teller machine (BTM) on its premises shall post a written warning in the form of a sign within readable sight of the crypto ATM or BTM providing notice to customers and users of the potential fraud or scam risks associated with utilizing the crypto ATM or BTM.

- (b) The written warning or sign referenced in this section shall be provided by the Omaha Police Department who may cooperate with other law enforcement agencies.
  - (c) It shall be unlawful for any person or business operating, or providing access to, a functioning crypto automated teller machine (ATM) or Bitcoin teller machine (BTM) not to post such a notice. Any person or business found guilty of violating the provisions of this section shall receive a \$500.00 fine.
- Spokane, Washington City Council voted in June to ban crypto ATMs throughout the entire city. The ordinance reads as follows:

ORD C36704 (SPONSOR SUBSTITUTION) 05-12-25)

#### ORDINANCE NO 36704

An ordinance titled “Virtual Currency Kiosk Prohibition for a Safer Spokane,” relating to the elimination of Virtual Currency Kiosks within the City of Spokane; and adopting a new Chapter 10.90 to Title 10 of the Spokane Municipal Code.

**WHEREAS**, the FBI reports that complaints of cryptocurrency fraud in the United States are the highest of any country in the world; and

**WHEREAS**, the Spokane Police Department has been leading outreach and regulatory efforts, reporting several scams daily which resulted in three suicides that have been associated with victims losing lifesavings; and

**WHEREAS**, virtual currency kiosks are similar in appearance to ATM's, and are typically found in convenience stores, but do not dispense cash, and instead, allow consumers to sell and purchase cryptocurrency through virtual transactions; and

**WHEREAS**, virtual currency kiosks are a significant instrument in financial fraud and scams, and the Federal Bureau of Investigation (FBI) reported in 2023 there were nearly \$5.6 billion in losses due to virtual currency kiosk aided scams in the United States, and \$141,756,936 losses in Washington alone; and **WHEREAS**, in 2023 reports of imposter scams in Washington State to the Federal Trade Commission were the highest rate per million in population than any other state reporting imposter scams; and

**WHEREAS**, cryptocurrency currently offers criminals a path to exploitation because it is decentralized and distributed, which offers a secure method for value transfers; and cryptocurrencies eliminate the need for financial intermediaries to validate and facilitate transactions, which means criminals can exploit victims through theft, fraud and money laundering and drug trafficking with limited tracking; and

**WHEREAS**, virtual currency kiosk transactions move quickly, and can occur anywhere and, because of the speed of the transaction, the majority of such transactions are irrevocable; and

**WHEREAS**, cryptocurrency transactions are recorded through ledgers called blockchains, and in some cases law enforcement are able to trace cryptocurrency transactions and “follow the money”; however, many of the “scams” or nefarious transactions transfer funds to destinations overseas, and U.S. law enforcement may encounter significant challenges in other jurisdictions; and

**WHEREAS**, the City of Spokane has limited ability under state and federal laws to regulate cryptocurrency transactions, but can regulate the placement and use of physical kiosks within the City of Spokane that are used to facilitate cryptocurrency transactions; and

**WHEREAS**, the Spokane City Council has determined that an ordinance prohibiting virtual currency kiosks within the City is necessary and appropriate to preserve public morality, health, peace and good order within city limits;

**NOW, THEREFORE**, the City of Spokane does ordain:

**Section 1.** There is enacted a new chapter 10.90 to Title 10 of the Spokane Municipal Code to read as follows:

Division VIII. Virtual Currency

Chapter 10.90	Virtual Currency Kiosks
SMC 10.90.010	Scope and Purpose
SMC 10.90.020	Authority
SMC 10.90.030	Definitions
SMC 10.90.040	Virtual Currency Kiosks Prohibited
SMC 10.90.050	Exceptions
SMC 10.90.060	Penalty

**10.90.010 Scope and Purpose**

Virtual Currency Kiosks are frequently used by criminals to manipulate, intimidate, and threaten victims into using those kiosks to send cash. Without stronger federal, state or local regulations, there is no way to stop criminals from using virtual currency kiosks to victimize members of the community. This chapter prohibits the placement and use of virtual currency kiosks within the city as necessary and appropriate to prevent dangers to public health and safety, and to preserve public morality, health, peace and good order within city limits.

**10.90.020 Authority**

Pursuant to Washington State statute, RCW 35.22.280 (35), the City of Spokane has the authority to make regulations necessary for the preservation of public morality, health, peace, and good order within its limits.

**10.90.030 Definitions**

The following words, terms, and phrases, when used in this section, shall have the meaning ascribed to them in this subsection, except where the definitions in the RCW indicate a different meaning.

A. "Virtual Currency" means a digital representation of value used as a medium of exchange, a unit of account, or a store of value, but does not have legal tender status as recognized by the United States Government.

B. "Virtual Currency Kiosk" means an electronic terminal located in an area accessible to the general public which acts as a mechanical agent of the Virtual Currency Kiosk Operator, enabling the exchange of Virtual Currency for money, bank credit, or other virtual currency.

C. "Virtual Currency Kiosk Operator" means a person or entity that:

1. knowingly permits the use or installation of a virtual currency kiosk on property owned, leased or controlled by the person or entity;
2. operates a Virtual Currency Kiosk within the city limits; or
3. owns a Virtual Currency Kiosk that is either located or operated within city limits.

#### **10.90.040 Virtual Currency Kiosks Prohibited**

It shall be unlawful for any person or entity to host, allow, operate, permit, locate or place a Virtual Currency Kiosk within the City of Spokane. All Virtual Currency Kiosks existing in the City as of the Effective Date of this Ordinance must be removed within 60 days after the Effective Date.

#### **10.90.050 Exceptions**

Nothing in this Chapter shall be construed to regulate or restrict a transfer of Virtual Currency. This Section does not apply to any Virtual Currency Transfers that are conducted without the use of a Virtual Currency Kiosk and does not intend to interfere with other types and methods of Virtual Currency Transfers.

#### **10.90.060 Penalty**

Violations of this section may result in a class 1 civil infraction issued to the Virtual Currency Kiosk Operator. In addition, the City of Spokane may cancel or revoke the business license or registration of any Virtual Currency Kiosk Operator in violation of this chapter.

**Section 2. Severability.** If any section, subsection, sentence, clause, phrase or word of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality thereof shall not affect the validity or constitutionality of any other section, subsection, sentence, clause, phrase or word of this ordinance.

**Section 3. Clerical Errors.** Upon approval by the city attorney, the city clerk is authorized to make necessary corrections to this ordinance, including scrivener's errors or clerical mistakes; references to other local, state, or federal laws, rules, or regulations; or numbering or referencing of ordinances or their sections and subsections.

PASSED by the City Council on \_\_\_\_\_

## **Cryptocurrency Locations in Lathrup Village**

Unless determined otherwise, a simple online search reveals there are currently no cryptocurrency ATM or BTM kiosks within the city limits of Lathrup Village. However, search results indicate kiosks can be found within close proximity beyond the boundaries of the city.