



October 22, 2024

## Virtual Currency Kiosks: Guidance for Iowa Consumers and Businesses

The Iowa Division of Banking is issuing this guidance letter to clarify the Division’s interpretation of Iowa’s money transmission laws as they apply to the operation of virtual currency kiosks<sup>1</sup> in Iowa. Virtual currency kiosks are often located in retail establishments like convenience stores and generally enable consumers to exchange U.S. dollars for virtual currency. Some virtual currency kiosks only permit customers to purchase virtual currency in exchange for U.S. dollars, while others allow customers to buy and sell virtual currency. Transactions at virtual currency kiosks utilize a digital wallet, rather than a bank account, to effect the exchange. Customers generally provide personal information as required by the operator of the virtual currency kiosk, then insert cash or other payment. The customer must then provide a digital wallet address to enable the virtual currency kiosk to connect to the digital wallet, and the kiosk then deposits the virtual currency into the digital wallet designated by the customer.

Virtual currency kiosks have proliferated in Iowa in recent years, and this has prompted the Division to revisit the application of Iowa’s money transmission laws to this business model. Iowa Code section 533C.102(19) defines “money transmission” to include “[r]eceiving money for transmission from a person located in this state.” Iowa Code section 533C.102(28) further defines “[r]eceiving money for transmission” to mean “receiving money or monetary value” in this country for domestic or foreign transmission. Finally, Iowa Code sections 533C.102(16)-(17) define “money” as any “medium of exchange authorized or adopted by the United States or a foreign government” and “monetary value” as any “medium of exchange, whether or not redeemable in money.” Based on these definitions, the Division has long held that virtual currency qualifies as “monetary value” for purposes of Iowa Code chapter 533C and that receiving virtual currency for transmission in Iowa therefore requires a money transmission license.

With respect to virtual currency kiosks, the Division has previously taken the position that exchanging cash, in the form of United States dollars, for virtual currency at a virtual currency kiosk did not constitute “money transmission” provided several preconditions are satisfied. First, that any virtual or fiat currencies being exchanged at the kiosk come directly from the pre-existing reserves of the operator of the virtual currency kiosk and are not acquired on a per transaction basis. Second, that the operator of the virtual currency kiosk does not operate a digital wallet or otherwise hold virtual or fiat currency on behalf of customers using the kiosk. Finally, all

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<sup>1</sup> Virtual currency kiosks are also sometimes referred to as “Bitcoin ATMs” or “BTMs” despite the fact that many of these kiosks facilitate the purchase or transfer of virtual currencies other than Bitcoin.

transactions at such virtual currency kiosks are exclusively between the customer and the operator of the kiosk and the kiosk does not facilitate or enable the transmission of virtual or fiat currency between a customer and a third party.

Operators of virtual currency kiosks regularly represent that the kiosks only permit virtual currency purchased at the kiosk to be deposited in a digital wallet that is owned by the individual customer initiating the transaction. As the Division has gained a better understanding of the functions of virtual currency kiosks, it has become clear that the operators of virtual currency kiosks generally cannot verify the identity of the true owner of a digital wallet involved in an individual transaction. While the Division has a longstanding interpretation that virtual currency kiosks only enable transactions between two parties—the customer and the operator of the kiosk—there are practical barriers to independently verifying the identity of the true owner of a digital wallet in transactions executed at virtual currency kiosks. It is therefore possible for customers to use virtual currency kiosks to transfer virtual currency to a third party—by providing that third party’s digital wallet instead of the customer’s digital wallet—rather than merely effecting an exchange of fiat currency for virtual currency directly between the operator and the individual customer.

The Division has therefore concluded, consistent with its historic interpretation, that operators of virtual currency kiosks in Iowa that enable, or could be used to enable, virtual currency to be deposited into a digital wallet belonging to a third party, rather than to the customer initiating the transaction, are engaging in money transmission as defined in Iowa Code section 533C.102(19). Unless the operator of a virtual currency kiosk can independently verify, for every transaction, the identity of the true owner of the digital wallet receiving virtual currency, and that the digital wallet belongs to the customer initiating the transaction and not to a third party, the operator is engaged in money transmission and must obtain a money transmitter license under Iowa Code section 533C.301(1) unless an exemption enumerated in Iowa Code section 533C.103 applies.

While the Division may not be authorized to resolve individual disputes between consumers and businesses, we remain able to process complaints against licensees and any information received from consumers helps to inform the regulatory process. If you wish to report an unlicensed virtual currency kiosk operating in Iowa, please send a detailed email and any supporting documents to the following email address: [craig.christensen@idob.state.ia.us](mailto:craig.christensen@idob.state.ia.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Craig Christensen", with a stylized flourish extending from the end.

Craig Christensen  
Finance Bureau Chief