STATE OF MONTANA

Montana Blockchain and Digital Innovation Task Force

FINAL REPORT

Submitted to the Economic Affairs Interim Committee and Legislative Council

July 2026

Pursuant to Montana Senate Bill 330 (2025 Legislative Session, 69th Legislature)
Department of Administration | Division of Banking and Financial Institutions
https://doa.mt.gov/bfid/bditf

Executive Summary

The Montana Blockchain and Digital Innovation Task Force (Task Force) was created by Senate Bill 330, enacted during the 2025 legislative session, and administered by the Department of Administration. The Task Force convened five times between October 2025 and June 2026, bringing together legislators, state officials, industry experts, educators, law enforcement, and consumer advocates to develop knowledge and expertise regarding blockchain, financial technology, artificial intelligence, and digital innovation.

Consistent with its educational mandate, the Task Force's primary purpose was to build a shared foundation of knowledge and to identify findings, ideas, and potential legislative options for the Legislature, stakeholders, and the public to consider and build upon. The Task Force did not take formal votes on recommendations or develop specific legislation.

This report fulfills the statutory obligation under SB 330 § 1(8) to report findings to the Economic Affairs Interim Committee (EAIC) and the Legislative Council by July 1, 2026.

Key Findings

- Montana has a strong foundation of pro-innovation digital asset legislation (SB 178, SB 265, SB 330, SB 426), but the legislature should consider modernizing existing statutes to address gaps created by the emergence of blockchain, decentralized finance, and digital assets.
- Federal legislative developments — including the enacted GENIUS Act (stablecoins) and advancing CLARITY Act (digital commodities market structure) — will significantly shape the state regulatory landscape. Montana should monitor and attempt to balance preemption risk, particularly any erosion of state anti-fraud enforcement authority, by implementing uniform state standards where possible to avoid regulatory burden for multistate and multinational companies.
- Cryptocurrency fraud is causing severe, documented harm to Montanans, with verified losses exceeding $34 million in 2025. Cryptocurrency kiosks are a primary vehicle for this fraud, with vulnerable older adults disproportionately targeted. Options to address this consumer protection undertaken by other states have included legislation that either regulates or entirely bans cryptocurrency kiosks.
- Artificial intelligence offers substantial economic opportunity for Montana — particularly in agriculture, education, and technology industries — but carries real risks requiring thoughtful policy responses grounded in Montana's existing Right to Compute framework.
- Information presented to the Task Force suggests that Montana may want to delay pursuing a state-qualified stablecoin issuer framework at this time, deferring to the federal OCC pathway under the GENIUS Act until federal rulemaking is finalized.
- Montana's existing statutes governing deposits, lending, electronic funds transfers, escrow, and consumer finance were written for traditional financial instruments and require review and potential updating to address digital asset activities.
- Information presented to the task force indicates that law enforcement resources for investigating cryptocurrency crime are inadequate. A dedicated multi-jurisdictional cryptocurrency crime task force and an appropriation for blockchain tracing tools would be beneficial to law enforcement agencies.
- Modernization of unclaimed property laws to address digital assets should be considered.

- Blockchain and AI offer meaningful opportunities for Montana agriculture, state government record-keeping, professional credentialing, and supply-chain integrity, and the Task Force believes that structured pilot programs could be explored.

I. Background and Statutory Authority

Senate Bill 330

Senate Bill 330, enacted during the 2025 legislative session of the 69th Montana Legislature, created the Montana Blockchain and Digital Innovation Task Force administered by the Department of Administration. The bill was introduced by Senator Gayle Lammers, with broad bipartisan support from both chambers.

The Task Force's statutory mandate under SB 330 § 1(7) is to:

- Develop knowledge and expertise regarding issues pertaining to blockchain, financial technology, and digital innovation technology; and
- Develop and introduce recommendations regarding policy pertaining to:
    - promotion of adoption of blockchain, financial technology, and digital innovation in Montana;
    - development of nonfinancial incentives for related industries;
    - promotion of partnerships with existing financial institutions and regulated financial service entities; and
    - regulation of blockchain, financial technology, and digital innovation in Montana.

The Task Force terminates December 31, 2026. This report is due to the EAIC and the Legislative Council by July 1, 2026.

Montana's Existing Digital Asset Framework

Prior to the formation of the Task Force, Montana had already enacted several significant digital asset provisions:

- Senate Bill 178 (2023), Sponsored by Task Force Member, Sen. Zolnikov: Clarified cryptocurrency laws, ensured fair utility rates for miners, limited local restrictions, prohibited discriminatory taxation, and recognized digital assets as personal property.
- Senate Bill 265 (2025), Sponsored by Task Force Member, Sen. Zolnikov: Established the Financial Freedom and Innovation Act — the first Montana law defining "network tokens" — and has influenced national policy discussions.
- Senate Bill 426 (2025), Sponsored by Sen. Ricci: Updated Montana's Uniform Commercial Code to include Article 12 provisions governing digital assets, secured transactions, and custody rules.
- Senate Bill 330 (2025), Sponsored by Task Force Member, Sen. Lammers: Created this Task Force.

These statutes provide Montana with a substantive foundation that compares favorably with most states. However, existing frameworks were written for traditional financial instruments and do not fully address the regulatory questions raised by digital assets, decentralized finance, stablecoins, and cryptocurrency lending.

II. Task Force Membership and Meetings

Cochairs

- Senator Gayle Lammers (President of the Senate appointee, Cochair)
- Representative Curtis Schomer (Speaker of the House appointee, Cochair)

Legislative Members

- Representative Kelly Kortum
- Senator Brandon Ler
- Senator Shane Morigeau
- Senator Daniel Zolnikov

State Officials and Designees

- State Auditor Jim Brown (Commissioner of Securities and Insurance) — represented by Trevor Graff and Kirsten Madsen
- Attorney General Austin Knudsen — represented by Andrew Butler / Chase Scheuer / Alan Doane

Industry and Public Members

- Tanner Avery, Policy Director, The Frontier Institute, Inc.
- Mark Baker, Attorney, ABS Legal, PLLC
- Bill Bickle, SVP Chief Risk Officer/Chief Credit Officer, Stockman Bank of Montana
- Loren Brown, President/CEO, Ascent Bank
- Randy Chesler, President/CEO, Glacier Bancorp, Inc.
- Leigh Drogen, General Partner and Chief Information Officer, Starkiller Capital
- Julie Fredrickson, Venture Capitalist, Chaotic Capital
- Kevin Gilbertson, Chief Information Officer/Division Administrator, Montana Department of Administration, State Information and Technology Services Division
- Alex Miller, CEO, Crypto Blockchain Labs
- Guillermo Perez, Owner, Liberty Oak Consulting
- Daniel Pittman, Senior Blockchain and Infrastructure Engineer
- Thad Pryor, Owner, dKit Labs, LLC
- Sam Sill, President/CEO, Montana Bankers Association

Staff

- Melanie Hall, Commissioner of the Montana Division of Banking & Financial Institutions
- Heather Bernet, Paralegal to Commissioner Hall

Meeting Schedule

Meeting	Date	Location	Key Topics
Meeting 1	October 6, 2025	Virtual	Organizational meeting; task force overview; federal regulatory updates (GENIUS Act, Clarity Act); brainstorming session
Meeting 2	December 15, 2025	State Capitol, Room 137 (Hybrid)	DeFi and blockchain practical applications (Drogen); nationwide survey of blockchain law (Miller); public comment from Kraken
Meeting 3	February 11, 2026	State Capitol, Room 102 (Hybrid)	AI in Montana (Pittman); federal crypto market structure bills (Madsen); cryptocurrency fraud and crypto ATM scams (Wenzel); Montana Digital Academy and Frontier Learning Lab (Neiffer)
Meeting 4	April 23, 2026	State Capitol, Room 455 (Hybrid)	Crypto fair value / Layer-1 policy (Gotts); state and federal legislative updates (Peterson/Kraken); Montana statutes and digital economy (Hall)
Meeting 5	June 1, 2026	State Capitol, Room 455 (Hybrid)	GENIUS Act / stablecoin state frameworks (Hall); agriculture and blockchain (Sheffels/MGGA); crypto kiosk operations (CoinFlip); kiosk fraud (AARP); victim testimony; law enforcement perspective (RMIN); work session

III. Educational Foundation: What the Task Force Learned

The Task Force devoted significant time to building a shared baseline of knowledge across a diverse membership that included legislators, bankers, attorneys, engineers, venture capitalists, and regulators. The following summarizes the substantive educational content presented across the five meetings.

A. Blockchain Technology Fundamentals

Leigh Drogen (Starkiller Capital) delivered a comprehensive practical demonstration of blockchain technology at the December 2025 meeting, covering:

- Centralized vs. decentralized exchanges: Centralized exchanges (e.g., Coinbase) take custody of assets analogous to a brokerage. Decentralized exchanges (DEXs) do not custody assets — users hold assets in self-custody wallets and transact through smart contracts. The failure of FTX illustrated the custodial risks of centralized models and argues for regulatory separation of custody and exchange functions.
- Stablecoins and USDC: USDC is a compliant stablecoin fully backed by short-term U.S. Treasuries and cash in bankruptcy-remote accounts run by Circle. Stablecoin yield (near-Treasury rates) creates competitive pressure on traditional bank checking accounts.
- Self-custody and blockchain transparency: Users can hold digital assets in self-custody wallets. All transactions are visible on public blockchain explorers (e.g., Etherscan), creating

pseudonymity rather than full anonymity. Hardware wallets (e.g., Trezor) are current best practice for private key security.

- Decentralized finance (DeFi): Mr. Drogen demonstrated live DeFi lending on Aave (fully collateralized, auto-liquidating loans governed by smart contracts) and liquidity provision on Uniswap. He noted DeFi cannot yet replace fractional-reserve credit creation but that early under-collateralized credit models integrating off-chain legal identity are emerging.
- Real-world applications: Demonstrations included real-time payroll streaming via Superfluid (eliminating reliance on payday loans), zero-knowledge (ZK) proof-based identity verification (proving age or citizenship without revealing personal data), decentralized prediction markets (Polymarket), stablecoin merchant payment rails (Stripe), and potential government use of blockchain to tokenize property titles.

B. Nationwide Survey of Blockchain Law and Policy

Alex Miller (Crypto Blockchain Labs) presented a comprehensive review of how states are responding to blockchain and digital assets at the December 2025 meeting. Key findings:

- State regulatory frameworks fall into five categories: (1) legal recognition and definitions; (2) commercial law and custody (UCC Article 12); (3) business regulation and licensing; (4) taxation and economic incentives; and (5) government adoption and pilots.
- Early state laws (Arizona, Tennessee, Nevada) focused on declaring smart contracts and blockchain records legally valid. Aggressive bespoke licensing regimes (e.g., New York's BitLicense) dramatically raised compliance costs, deterred smaller startups, and drove activity to more permissive states.
- Montana's existing statutes place it in a strong relative position — particularly its UCC Article 12 adoption, network token framework, and mining protections — but gaps remain in banking integration, custody standards, and consumer protection.
- For government blockchain pilots to succeed, they require: a clearly identified agency owner; a defined budget; specific, measurable success metrics; and a limited, time-boxed scope. Candidate pilot areas include digitized notarization, agricultural supply-chain provenance, professional credentialing, and government record-keeping and archival integrity.

C. Federal Legislative Landscape

Kirsten Madsen (Deputy Securities Commissioner, CSI) and Eric Peterson (Kraken) provided detailed updates on the rapidly evolving federal legislative framework:

The GENIUS Act (Enacted July 18, 2025)

The Guiding and Establishing National Innovation for US Stablecoins Act creates a national regulatory framework for payment stablecoins. Key provisions:

- Limits the issuance and sale of payment stablecoins in the U.S. to Permitted Payment Stablecoin Issuers (PPSIs).
- PPSIs must maintain specific reserve assets, meet capital standards, and comply with Bank Secrecy Act and AML requirements.
- Offers both a federal path (OCC) and an optional state licensing path. State frameworks must be "substantially similar" to OCC standards and cannot set lower thresholds.
- Does not apply to Bitcoin or investment-type cryptocurrencies — applies only to USD-pegged stablecoins.

- Key milestones: effective date January 18, 2027 (or 120 days after final federal rules); state certification deadline January 18, 2028; ban on non-PPSI stablecoins July 18, 2028.

The CLARITY Act (Market Structure Legislation)

The House-passed Clarity Act creates a comprehensive classification system for digital assets:

- Three categories: digital commodities (governed by CFTC), investment contract assets (initially SEC-governed, then transitioning to CFTC upon blockchain maturity), and payment stablecoins (governed under GENIUS Act).
- Relatively broad preemption of state registration requirements, preserving only general anti-fraud statutes — a significant concern for state securities regulators.
- Senate Agriculture Committee and Senate Banking Committee each have advanced companion legislation. Negotiations continue; reconciliation between House and Senate versions is required.
- The Senate Banking Committee bill (ANCR framework) takes a narrower preemption approach more aligned with existing NISMEA structure, but enforcement provisions remain disputed.

State-Level Developments

State	Bill	Status (as of June 2026)	Notes
Alabama	HB 259	Enacted April 6, 2026	Effective October 1, 2026
Georgia	HB 1272	Enacted May 11, 2026	Effective January 18, 2027, or 120 days after federal rules
Maryland	SB 662	Enacted May 12, 2026	Effective January 1, 2027
Minnesota	HF 3709	Enacted May 15, 2026	Crypto custody only; no PPSI framework
Delaware	SB 19/SS 2	Passed Senate; pending House	Strong state regulator role
North Carolina	HB 1029	Pending	Digital Asset & Stablecoin Act

D. Digital Asset Valuation and Layer-1 Policy

John Gotts presented on cryptocurrency valuation and potential Montana policy options at the April 2026 meeting. Key points:

- Layer-1 cryptocurrencies (Bitcoin and similar) are decentralized ledgers maintained across many computers rather than through a single institution. This fundamental architecture distinguishes them from stablecoins and tokens issued on other networks.
- Montana's energy resources, climate, land, and existing pro-mining laws create natural advantages for layer-1 mining and related infrastructure.
- A proposed "fair value" framework based on adoption, transactions, transaction value, and developer ecosystem could be used when state officials must determine how to treat digital assets obtained through seizure or unclaimed property — rather than defaulting to immediate liquidation.

- Policy options for consideration include: zero capital gains tax on native crypto holdings; de minimis tax exemption for small transactions; acceptance of taxes and fees in cryptocurrency through a payment processor; a strategic layer-1 reserve; SPDI-style digital asset custody charters; anti-debanking protections; and inheritance law updates.
- Kraken Financial became the first digital asset bank to receive a Federal Reserve master account (March 2026) under Wyoming's SPDI charter — a significant milestone in integrating digital asset institutions into the U.S. banking system.

E. Montana Banking Law and the Digital Economy

Banking Commissioner Melanie Hall presented a detailed statutory review at the April 2026 meeting identifying gaps and questions raised by digital assets in existing Montana financial law.

Loans of Money

Montana lending statutes do not define "money" internally. The closest statutory definition (UCC) excludes electronic forms. Montana has classified digital assets as personal property rather than money. This creates uncertainty about whether current lending statutes apply to crypto-denominated loans, and whether repayment provisions assuming payment in fiat can accommodate digital assets.

Deferred Deposit and Consumer Lending

The Deferred Deposit Loan Act and Consumer Loan Act are written around USD-based concepts (loan amounts, fees, interest limits, repayment). Open questions include: whether lenders can debit crypto accounts to collect dollar-denominated loans; whether fees can be paid in crypto; and whether Montana should specifically address crypto-collateralized consumer loans.

Electronic Funds Transfer Act

Montana's EFTA largely follows the federal framework but lacks a broad catch-all definition of "financial institution," creating questions about whether crypto exchanges or wallet providers are covered. Recent federal court decisions have treated cryptocurrency as "funds" in EFTA claims. Open questions involve consumer remedies, unauthorized transfers, self-custody wallets, and crypto ATM treatment.

Escrow Regulation

Montana's Regulation of Escrow Businesses Act assumes the use of money, funds, and bank accounts. Many provisions create uncertainty about whether escrow businesses can handle digital asset transactions. The Division is not yet seeing significant crypto escrow activity in Montana.

F. Artificial Intelligence: Opportunities and Challenges

Daniel Pittman presented a comprehensive 30-page overview of artificial intelligence at the February 2026 meeting:

Current State of AI

- ChatGPT reached 100 million users within two months of its November 2022 launch.
- The IRS identified $9.1 billion in fraud using AI in fiscal year 2024; 91% of U.S. banks use AI for fraud detection.
- McKinsey estimates generative AI could add $2.6–$4.4 trillion annually to the global economy.
- Goldman Sachs estimates 300 million full-time jobs globally could be automated.

Montana Agricultural Applications

- GPS-guided precision agriculture achieves 3 cm accuracy.
- Variable rate application reduces fertilizer use by 20% while increasing yields 10–15%.
- AI detects cattle disease 48 hours before visible symptoms.
- AI-powered irrigation reduces water usage by 25–40%.
- "WeedIt" precision sprayer technology reduces herbicide use by approximately 80%.

AI and Cryptocurrency Convergence

- AI agents require payment infrastructure; cryptocurrency provides permissionless payment rails that AI can use autonomously.
- Smart contracts combined with AI create autonomous economic actors — raising novel legal questions about liability, ownership, and rights.
- Blockchain provides a mechanism for verifying human-versus-AI-generated content.
- The same infrastructure investments (energy, data centers, compute) benefit both AI and cryptocurrency operations.

Policy Considerations

- Montana's existing Right to Compute law establishes a strict scrutiny framework for balancing AI public benefits against potential harms. Task force members noted this existing framework may provide a useful foundation for future AI policy discussions.
- Clarifying how current Montana law applies to AI activities — rather than creating entirely new regulatory frameworks — was suggested as a practical starting point for the Legislature.
- Task Force members noted that some AI safety advocacy groups cited in national policy discourse have specific ideological agendas and funding interests, and encouraged careful stakeholder engagement when evaluating AI policy proposals.
- The Trump administration's executive order on AI regulation was discussed as a potential preemption consideration for state AI laws. Participants noted that Montana's Right to Compute framework, with its strict scrutiny standard, may be well-positioned relative to federal expectations.

G. AI in Montana Education: Montana Digital Academy

Jason Neiffer, Executive Director of the Montana Digital Academy (MTDA), presented on the Frontier Learning Lab at the February 2026 meeting:

- MTDA, created by the 2009 legislature, provides distance learning statewide and has expanded to include future-looking technology in education. Located on the University of Montana campus.
- The Frontier Learning Lab (established 2025) focuses on AI and virtual reality in education and operates the nation's first AI Help Desk for teachers (ai.help@mtda.org).
- Key challenges: AI has evolved faster than teacher professional development. Many teachers first encountered AI when students used it for cheating, creating resistance. Technology must be purposeful and teachers must be prepared before student deployment.

- Strengthen student data privacy legislation: Montana's 2019 student privacy law needs updating; the National Data Privacy Agreement alignment with the Montana Pupil Online Personal Information Protection Act (MPOPIPA) requires legislative clarification.
- Funding considerations: Schools face a technology funding cliff as COVID-era device investments require replacement.
- Suggestions for the Legislature: Consider funding AI education for teachers and students with measured outcomes; strengthen student data privacy laws; encourage Office of Public Instruction to provide teachers with secure, approved AI tools and professional development to support measured experimentation with AI-based tutoring in Montana schools; lead the AI-in-education movement rather than follow.

H. Agricultural Applications of Blockchain and AI

Steve Sheffels, President of the Montana Grain Growers Association, presented at the June 2026 meeting on blockchain applications in agriculture:

- The most practical agricultural application of blockchain is two-way traceability in the supply chain — as demonstrated by recent food recalls involving lettuce and meat where blockchain helped identify contamination sources.
- Structural barriers to blockchain in bulk grain: commingling in large bins, mixing at local mills, and the mechanical nature of bulk handling make field-level traceability impractical without dedicated storage.
- Blockchain traceability is already occurring in limited segments — GMO vs. non-GMO canola streams, malt plant grain-by-truckload tracking.
- The economic potential of traceability is significant: a blockchain-enabled recall could be narrowed to specific stores rather than requiring product pulls across 18 states, dramatically reducing economic harm to producers.
- The Montana Department of Agriculture is considering an AI-based grain scanner to increase throughput at the state grain lab in Great Falls.
- The Colorado Department of Agriculture has offered webinar series on blockchain in the grain industry; the Montana Department of Agriculture has not yet launched a comparable program.
- Many farm implements already use technology to reduce fertilizer and pesticide use and improve seed planting. AI innovation could further this progress.

IV. Consumer Protection: Cryptocurrency Fraud and Kiosk Scams

> Cryptocurrency fraud is causing severe and documented harm to Montanans.

A. National Fraud Landscape

Category	2024 Losses	2025 Losses
Total Internet Crime Losses	$16.6 billion	—
Total Cryptocurrency Fraud	$9.3 billion	$11.366 billion (22% increase)
Crypto Investment Scams	$5.8 billion	—

Category	2024 Losses	2025 Losses
Crypto Kiosk Scams	$246.7 million	$389 million (58% increase)
Losses — Adults 60+	$4.8 billion	$4.432 billion

Cryptocurrency fraud complaints represented approximately one-fifth of all fraud reports in 2025 but accounted for more than half of all fraud and scam dollar losses. Adults aged 60 and older are disproportionately victimized due to accumulated assets and lower technological familiarity. Experts note reported figures represent the floor, not the ceiling — as few as 1 in 44 elder fraud cases are ever reported.

B. Montana-Specific Data

Metric	Figure
Total Montana crypto crime losses (2025, FBI IC3)	$34+ million ($22M crypto wallet + $12M additional)
Montana crypto kiosk complaints (2025)	69 (acknowledged significant undercount)
Montana crypto kiosk losses (2025, FBI IC3)	$1,585,079 (undercount; est. 10–15% reporting rate)
Montana crypto losses (2025, CSI/RMIN)	$1.5 million (RMIN); $3.4 million (CSI 2025)
Montana crypto losses (2026, single day)	$2 million (February 2026)
Montana losses — Adults 60+	~$21 million (2025)
Crypto ATMs in Montana (CSI estimate)	~400 machines
AG's Office crypto fraud calls	~3 per week; total losses in tens of millions

C. How Crypto Kiosk Fraud Works

The Task Force received detailed presentations from the Commissioner of Securities and Insurance, AARP, RMIN, and two Montana fraud victims. A typical scam follows this pattern:

- Victim receives a text, email, or pop-up claiming their account has been hacked, child pornography has been found on their device, or they have a legal problem requiring urgent action.
- A scammer posing as a bank, tech support agent, or law enforcement officer calls and maintains continuous phone contact — sometimes through the night — to maintain psychological control.
- Victim is directed to withdraw cash and deposit it into a crypto kiosk. Scammers are fluent with machine locations and guide victims between locations if machines are busy.
- Scammers coach victims on what to say to bank tellers and coach them through any kiosk verification prompts. Victims have been photographed on their phones during kiosk verbal confirmations.
- Transactions are irreversible. Funds are typically collected by the recipient within minutes or hours.

- Iowa AG investigation: 98.16% of money through Bitcoin Depot and 94.92% through CoinFlip were scam transactions. Washington D.C. investigation: 93% of all Athena Bitcoin deposits were scam-related; median victim age 71; median loss $8,000.
- Many scams originate from Georgia state prisons, operated by the Blood prison gang using stolen cell phones smuggled in by drones or corrupt staff. Scammers use LexisNexis, TLO, Zillow, and Realtor.com to identify high-value households.

D. Victim Testimony

Two Montana fraud victims provided public testimony at the June 1, 2026, Task Force meeting:

Tom Hopgood, age 72, Clancy, Montana: On January 8, 2026, Mr. Hopgood received a fraudulent text message and was contacted by a scammer posing as a Wells Fargo fraud representative. Over two days, he was directed to deposit $4,800 into a kiosk at Green Meadow Market in Helena and $11,500 into a second kiosk — a total loss of $16,300. The scammer remotely deleted all communications from Mr. Hopgood's phone. He received no refund and no information about a refund process despite the kiosk operator's public claims.

Rob Freistadt, age 70, Helena, Montana: Mr. Freistadt received a computer pop-up directing him to a fake Microsoft support line. A scammer built an environment of paranoia over an extended period before directing him to deposit $16,000 in cash into a Bitcoin kiosk at a gas station. Mr. Freistadt grew suspicious only when the scammer asked for his mortgage information, at which point his daughter-in-law intervened. He was unable to recover his funds. He proposed a minimum 48-hour moratorium on collection of funds deposited into kiosks.

E. Industry Response — CoinFlip Presentation

CoinFlip (Jon Turke, Director of Government Affairs) presented at the June 2026 meeting. CoinFlip operates over 4,000 kiosk locations nationwide, holds 41 money transmitter licenses, and provided the following consumer protection measures:

- "Safe in Six" fraud awareness screen (six mandatory acknowledgments before transacting).
- Tiered KYC: government ID required for transactions over $1,000; SSN, occupation, and source of funds required for transactions over ~$3,000.
- Enhanced screening for customers age 80 and older — required to speak with a trained specialist before transacting.
- 24/7 live customer support; wallet screening (Elliptic, TRM Labs, Chainalysis).
- CoinFlip claims that only approximately 1% of transactions are scam-related.
- CoinFlip advocates for 72-hour settlement holds for new customers.

F. AARP Recommendations for Montana

Clark Flynt-Barr, AARP Government Affairs Director for Financial Security (former FBI intelligence analyst specializing in crypto-enabled crime), and Kristin Page-Nei, AARP Montana Government Relations Director, made the following minimum recommendations for crypto kiosks:

- Daily transaction limits: A single $1,000 daily limit for all users (not tiered).
- Refund requirements: AARP recommended that operators be required to refund fraud victims, creating a financial incentive for genuine compliance investment.
- User identification: Government-issued ID plus name, date of birth, phone number, address, and email — essential for fraud detection and law enforcement investigations.

- Mandatory printed paper receipts: Paper receipts give law enforcement the wallet address, operator contact information, and transaction time — critical in the first minutes of an investigation. Scammers routinely coach victims to delete digital receipts.
- Kiosk location registration with the state: CSI estimates approximately 400 machines in Montana; better data helps regulators and law enforcement.
- Live customer service during operating hours.
- Clearly disclosed fees and exchange rates: Many kiosks charge 25–35% in fees (one operator's terms allow up to 50%), often in fine print. Mainstream exchanges charge approximately 2%.
- Mandatory scam warning notices posted on or near the kiosk.
- Dedicated law enforcement contact line at the kiosk company.
- AARP came out strongly in support of all three state bans enacted in 2026 (Indiana, Minnesota, Tennessee).

G. Law Enforcement Perspective — RMIN

Tom Pallach, Law Enforcement Coordinator, Rocky Mountain Information Network (RMIN), presented at the June 2026 meeting:

- RMIN has access to blockchain analytics tools (TRM Labs, Chainalysis) and can assist local and county agencies with cryptocurrency tracing upon request.
- Open-source tracing tools are slow, cumbersome, and often inadequate. Dedicated tools are expensive and out of reach for most Montana agencies.
- Law enforcement coordination across city, county, state, and federal agencies is not working well. No cohesive enforcement approach to cryptocurrency crimes currently exists in Montana.
- Some large exchanges (e.g., Binance) are willing to freeze assets at law enforcement request on letterhead alone, without a court order. RMIN has published guidance on what each major exchange requires.
- No Montana agency has yet formally seized cryptocurrency. Mr. Pallach noted that a government cryptocurrency wallet — a necessary prerequisite for holding seized digital assets — does not yet exist. Mr. Pallach suggested this be addressed proactively.
- Mr. Pallach's recommendation: removal of cryptocurrency ATM kiosks from Montana would be the single most impactful action the state could take.

V. Findings

Finding 1: Montana's Existing Digital Asset Framework Is a Strength but Has Significant Gaps

Montana's prior legislative work — recognition of digital assets as personal property, UCC Article 12 adoption, network token definitions, and mining protections — provides a strong foundation. However, the state's financial statutes governing loans of money, deferred deposit lending, consumer lending, electronic funds transfers, and escrow were written for traditional financial instruments and do not clearly address digital asset activities. This creates legal uncertainty for businesses, consumers, and regulators alike.

Finding 2: Federal Legislation Will Significantly Reshape the Regulatory Landscape

The GENIUS Act (enacted 2025) and the advancing CLARITY Act will establish national frameworks for stablecoins and digital commodities, respectively. Montana must closely monitor preemption implications. The most significant risk to the state is loss of anti-fraud enforcement authority under the CLARITY Act, which would eliminate the Commissioner of Securities and Insurance's ability to assist Montana fraud victims and render the Securities Restitution Assistance Fund (Lynne Egan Memorial Fund) unavailable.

Finding 3: Cryptocurrency Kiosk Fraud Is a Severe and Growing Threat

Cryptocurrency fraud caused more than $34 million in documented losses to Montanans in 2025 alone, with 2026 on a trajectory to exceed that figure. Cryptocurrency kiosks are a primary vehicle. Independent investigations by state attorneys general found that between 93% and 98% of funds flowing through crypto kiosks are associated with scams. Reported figures significantly undercount actual losses due to underreporting and embarrassment. Older adults bear the heaviest burden.

Finding 4: Existing Law Enforcement Resources Are Inadequate

Montana law enforcement lacks the specialized tools, legal frameworks, and inter-agency coordination necessary to effectively investigate, trace, and recover cryptocurrency losses. Blockchain tracing tools are expensive and inaccessible to most agencies. Montana has no government cryptocurrency wallet, and no agency has yet formally seized cryptocurrency. Asset forfeiture and seizure laws are structured around drug crimes and may warrant reviewing the context of financial and cryptocurrency crimes.

Finding 5: Montana Is Not a Strong Candidate for a State Stablecoin Issuer Framework at This Time

Unlike states that regulate money transmitters — who have a financial and regulatory interest in the GENIUS Act state pathway — Montana does not currently license money transmitters. The state would not lose regulatory revenue by relying on the OCC federal pathway. Since state frameworks must be "substantially similar" to OCC standards (states cannot set lower thresholds), the practical benefit of a state framework is limited. Federal rules are expected by end of summer 2026, and Task Force members generally agreed that Montana should wait for finalized federal guidance before considering a state-qualified stablecoin framework.

Finding 6: AI Presents Both Opportunity and Policy Risk for Montana

Artificial intelligence offers transformative economic opportunities for Montana — particularly in agriculture (precision farming, disease detection, water management), education (AI tutoring, teacher productivity), and technology-sector development. However, AI poses real risks that require thoughtful policy responses: bias and discrimination, deepfake fraud, autonomous economic actors challenging existing legal frameworks, and the potential for significant workforce displacement. Montana's Right to Compute law provides a sound starting framework.

VI. Potential Legislative Options for Consideration

The Task Force did not take formal votes on recommendations or prepare specific legislative proposals. Consistent with its statutory mandate to develop knowledge and expertise, the primary value of the Task Force's work was educational in nature — intended to provide legislators, stakeholders, and the public with findings, ideas, and options to consider; however, some legislative options emerged from the Task Force's discussions and presentations over five meetings. They are offered for the Economic Affairs Interim Committee's and Legislative Council's consideration and do not represent positions formally endorsed by the Task Force as a whole.

Topic Area: Consumer Protection — Cryptocurrency Kiosk Legislation

> Among the topics discussed, cryptocurrency kiosk fraud generated the most substantial record of documented harm to Montanans and the broadest discussion of potential legislative responses.

Discussions during the Task Force's meetings — including presentations from the Commissioner of Securities and Insurance, AARP, law enforcement, a kiosk operator, and two Montana fraud victims — surfaced the following options for legislative consideration. The CSI has indicated it plans to bring at least one agency bill on this topic.

Legislators may wish to evaluate the full range of approaches, from comprehensive regulation to an outright ban.

Regulatory Approach —Provisions Discussed

- License kiosk operators as money transmitters in Montana.
- Requiring prior state approval for each kiosk location.
- Impose a daily transaction limit (AARP discussed a single $1,000 daily limit for all users; the Task Force discussed multiple models).
- Requiring mandatory fraud refunds for new customers who report fraud within a specified period.
- Requiring government-issued ID verification for every transaction.
- Requiring clear, mandatory fraud warning disclosure at each transaction.
- Requiring mandatory printed paper receipts containing wallet address, operator information, transaction details, and law enforcement contact information.
- Requiring 72-hour settlement holds for new customers.
- Requiring operators to maintain a dedicated law enforcement contact line and timely comply with law enforcement requests.
- Requiring blockchain analytics software use to flag high-risk wallets.
- Requiring quarterly and annual reporting to the state.

Ban Approach

Three states — Indiana, Minnesota, and Tennessee — have enacted full bans on cryptocurrency kiosks. Minnesota initially passed a regulatory bill but found it was not stopping fraud; scammers gamed the new-customer rules and waited out the 48-hour period. Multiple Task Force participants — including law enforcement personnel and consumer advocates — expressed support for a ban approach during discussions. AARP is actively supporting bans. Law enforcement coordinator Tom Pallach stated that removal of kiosks would be the single most impactful action Montana could take.

Any ban legislation would need careful drafting to avoid unintended effects on legitimate digital asset infrastructure. Definitions of "virtual currency kiosk operator" should include the emerging "app-to-cashier" model used to evade kiosk regulations.

Topic Area: Law Enforcement Resources

The following options were discussed in the context of strengthening Montana's capacity to investigate and respond to cryptocurrency crime:

- Appropriating funding for the Department of Justice to acquire blockchain analytics and tracing tools. The Energy and Technology Committee has approved a bill requesting approximately $500,000 (one-time) for this purpose.
- Establishing a government cryptocurrency wallet to enable the state to formally seize and hold digital assets recovered through law enforcement actions.
- Establishing a multi-jurisdictional cryptocurrency crime task force to which cryptocurrency crime cases from city, county, and state agencies could be routed, given the specialized nature of these investigations.
- Reviewing Montana asset forfeiture and seizure laws, which are currently structured around drug seizures, to consider whether updates are needed to address financial and cryptocurrency crimes.
- Expanding public education about common cryptocurrency scam typologies — no government agency, bank, or utility will ever request payment through a cryptocurrency kiosk.

Topic Area: Statutory Modernization of Financial Services Laws

Banking Commissioner Hall's April 2026 presentation identified the following areas of Montana financial law that may warrant legislative review to address questions raised by digital asset activities:

- Loans of Money: Whether crypto-denominated loans are subject to Montana lending statutes; whether and how repayment provisions accommodate digital assets; and whether crypto-collateralized consumer loans warrant express statutory treatment.
- Deferred Deposit Loan Act and Consumer Loan Act: Whether lenders may debit crypto accounts to collect dollar-denominated loans and whether fees may be paid in cryptocurrency.
- Bank and Credit Union Acts: Developing clear pathways enabling Montana-chartered banks and credit unions to offer compliant digital asset custody, lending, and related services to customers.
- Electronic Funds Transfer Act: Whether crypto exchanges, wallet providers, and crypto ATM operators are covered as "financial institutions"; consumer remedies for unauthorized transfers involving digital assets.
- Escrow Regulation: Whether existing escrow law applies to digital asset transactions and whether escrow businesses may permissibly handle crypto transactions.

Topic Area: Federal Preemption — Anti-Fraud Authority

Task Force discussions highlighted concerns about potential federal preemption of Montana's anti-fraud enforcement authority under advancing federal market structure legislation:

- The Legislature and Governor's Office may wish to engage Montana's Congressional delegation — particularly with respect to the CLARITY Act — regarding preemption language that would eliminate state anti-fraud enforcement authority.
- Preserving the Commissioner of Securities and Insurance's anti-fraud jurisdiction and the Lynne Egan Memorial Securities Restitution Assistance Fund was identified as important to Montana's ability to protect consumers from digital asset fraud.

Topic Area: Stablecoin Framework

At the June 2026 meeting, Task Force participants reached a general consensus that Montana should not pursue a state-qualified stablecoin issuer framework at this time, instead relying on the OCC federal pathway under the GENIUS Act until federal rulemaking is finalized (expected by end of summer 2026). A sampling of other State frameworks is within the June 1, 2026, meeting presentation.

This topic could be revisited in the fall of 2026 or during the 2027 session once federal rulemaking is finalized. General rulemaking authority for the Division of Banking and Financial Institutions was mentioned as one flexible option, though participants noted that open-ended rulemaking authority carries the risk of future regulatory action without direct legislative involvement.

Topic Area: Unclaimed Property

The following options were presented during Task Force discussions regarding digital assets and Montana's unclaimed property framework:

- Adopting a framework for in-kind custody of unclaimed digital assets rather than requiring immediate liquidation. Other states (Arizona, California) now hold unclaimed cryptocurrency in native form before liquidation to preserve value.

Topic Area: AI Policy

The following observations and options regarding AI policy emerged from the Task Force's February 2026 discussions:

- Montana's existing Right to Compute law, which establishes a strict scrutiny standard for balancing AI's public benefits against potential harms, may provide a foundation for any future AI-related regulation, rather than building new comprehensive regulatory frameworks.
- Clarifying how current Montana law applies to AI activities, with early stakeholder engagement, was suggested as a more practical near-term approach rather than creating new regulatory schemes.
- Outstanding questions regarding AI use by government were raised, including: Does an AI chatbot summarizing a confidential meeting constitute "recording" under Montana law? What are the third-party sharing implications (attorney-client privilege, work product protection) of AI tool use in government?
- Strengthen student data privacy legislation. Montana's 2019 student privacy law needs updating; the National Data Privacy Agreement alignment with the Montana Pupil Online Personal Information Protection Act requires legislative clarification.
- Encourage the Office of Public Instruction in consultation with the Frontier Learning Lab to provide teachers with secure, approved AI tools and professional development, and to support measured experimentation with AI-based tutoring in Montana schools.

IX. Appendices

Appendix A: Statutory Authority — Senate Bill 330

Senate Bill 330 (2025 Montana Legislature, 69th Session) created the Montana Blockchain and Digital Innovation Task Force. The full text of the enrolled bill is incorporated by reference. Key provisions:

- Section 1: Creates Task Force; defines membership (19 members appointed by President of Senate, Speaker of House, and Governor); designates cochairs; sets terms through December 31, 2026; sets quorum and voting requirements; establishes duties (§1(7)); requires report by July 1, 2026 (§1(8)).
- Section 2: Effective on passage and approval.
- Section 3: Section 1 terminates December 31, 2026.

Appendix B: Key Federal Legislation Referenced

- GENIUS Act (Guiding and Establishing National Innovation for US Stablecoins Act): Enacted July 18, 2025. Establishes national stablecoin regulatory framework.
- CLARITY Act (Digital Asset Market Clarity Act): House-passed market structure bill classifying digital commodities, investment contract assets, and stablecoins; assigning CFTC/SEC jurisdiction; advancing through Senate.
- Senate Agriculture Committee Crypto Bill: Companion legislation focused on CFTC-side market structure.
- Senate Banking Committee ANCR Framework: Narrower preemption approach; negotiations ongoing involving the White House.
- S. 710, Crypto ATM Fraud Prevention Act of 2025: Introduced February 2025; tracks state-level kiosk provisions.
- GUARD Act (HR 2978 / SB 2544): Law enforcement tools and training for fraud.
- AI Fraud Accountability Act (SB 3982 / HR 7786): Senator Sheehy (Montana) is a lead sponsor.

Appendix C: State Cryptocurrency Kiosk Laws — Selected Examples

- California and Connecticut: First states to enact kiosk laws (2023).
- Minnesota (2024): Transaction limits for new users (first 48 hours); moved to full ban in 2026 after finding regulations were not stopping fraud.
- Indiana and Tennessee: Full bans enacted in 2026 after beginning with regulatory approaches.
- Rhode Island: Caps daily transactions at $2,000 for new users.
- Nebraska and North Dakota: Require crypto ATM operators to be licensed as money transmitters.
- 30 states have enacted cryptocurrency kiosk laws as of June 2026; 32 expected by year-end.
- Municipal bans: Spokane, Anacortes, and Kennewick (Washington); Heber City and Layton City (Utah).

Appendix D: Montana Data Summary

Data Point	Figure / Source
Crypto kiosks in Montana (CSI estimate)	~400 machines
Total Montana crypto losses 2025	$34+ million (FBI IC3; acknowledged undercount)
Montana crypto losses — Adults 60+	~$21 million (2025)

Data Point	Figure / Source
Crypto kiosk complaints (2025)	69 reported; est. 10-15% reporting rate
Crypto kiosk losses (2025, FBI IC3)	$1,585,079 (undercount)
AG's Office crypto fraud calls	~3 per week; losses in tens of millions
CSI reported losses (2025)	$3,423,908
RMIN cases (2025)	15 cases; $1.5 million in losses
CSI Bitcoin ATM cases (2026 to date)	5 cases; $149,000 in losses
Depository assets supervised by DBFI	~$80 billion

Appendix E: GENIUS Act Implementation Timeline

Date	Milestone
July 18, 2025	GENIUS Act signed into law
January 18, 2027	GENIUS Act takes effect (earliest of 18 months after enactment or 120 days after final federal rules)
January 18, 2028	State initial certification deadline (1 year after effective date; extensions available)
July 18, 2028	Deadline for sale of non-PPSI stablecoins in the U.S. After this date, anything called or issued as a stablecoin must be issued by a PPSI.

Appendix F: Documents Presented to the Task Force

Agendas, minutes, recordings, and presentation materials from all Task Force meetings are available on the Task Force website at https://doa.mt.gov/bfid/bditf.

Perplexity Enterprise AI was used in the preparation of materials within this presentation and reviewed by staff.

— End of Report —