

A Bitcoin ATM is an internet-connected kiosk that allows customers to purchase bitcoins with deposited cash and sell bitcoins. Unlike traditional ATMs, it is not backed by a bank or institution meaning that users do not need bank accounts and it does not dispense money. Instead, the bitcoin ATM connects the customer to an exchange—a website where Bitcoin transactions take place—where the bitcoin transaction can be conducted. The ATM then generates a record of the transaction via receipt. A record of the transaction will also appear in the customer's e-wallet.

In most cases, a bitcoin ATM will have an upper or lower limit of the amount of cash that can be deposited. Due to the volatility of bitcoin's value, sometimes the upper limit might be less than the cost of a bitcoin, so a customer will have to purchase fractions of bitcoin. An ATM also might require that customers pass security checks in order to complete a transaction. These include two-factor authentication, meaning a customer would have to give their number to receive a verification code and then input that code into the ATM, and scanning of a government-issued identification, such as a driver's license.

Customers are charged a service fee for using bitcoin ATMs that is typically a percentage of the transaction rather than a fixed dollar value. The percentages can be very high and the exchange rates usually aren't competitive because bitcoin ATMs are not common. They are usually owned and operated by cryptocurrency companies and located in major cities.

There are currently 3,365 bitcoin ATMs in total. The average fee that bitcoin ATM operators charge is 8.04%, which is calculated based on both buy operations and sell operations. The average buy fee is 8.80% and the average sell fee is 6.50%. Since 2014, the amount of bitcoin ATMs installed around the world has increased from less than 500 to over 3500 and is steadily increasing, and recent charts show that around 6 bitcoin ATMs are installed per day. While the cryptocurrency market is extremely volatile, the fluctuations have not had an effect on the continuous increase in bitcoin ATM installations. Over 70% of all bitcoin ATMs are located in North America with over 2,000 being located in the United States.

Bitcoin ATMs typically cost around \$999. Bitcoin ATM manufacturer Lamassu estimates that ATM operators earn between \$1,000-\$3,000 each month on an average commission of 5.5%. Annually, this equates to a profit of between \$12,000 and \$36,000 per unit.

Regulation of Bitcoin ATM machines varies by country but, currently, the U.S. is home to 60% of all Bitcoin ATMs in the world. This means that America is the leading market in Bitcoin ATM regulation. The regulation happens on both the federal and state levels. Bitcoin ATM machine operators are to follow the federal Bank Secrecy Act (BSA) which requires that they register with FinCEN (Financial Crimes Enforcement Network) and follow an AML compliance policy. Bitcoin ATM operators need to register as a Money Services Business (MSB) with FinCEN so the government can detect and prevent financial crimes including money laundering, terrorist financing, and tax evasion. Under FinCEN regulation, Bitcoin ATM operators are referred to as "exchangers" of virtual currency and therefore need proper registration. Registration must be done within 180 days of establishing MSB business and then renewed every 2 years. Operators can register online. Bitcoin ATM operators must also develop an AML compliance policy. Standing for "Anti-money Laundering", it is a set of procedures, laws or regulations designed to stop the practice of generating income through illegal actions. AML is enforced by the Financial Action Task Force on Money Laundering.

