

## Ohio General Assembly

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### HB 585 Sponsor Testimony

Thank you Chairman Wilkin, Vice Chair White, Ranking Member Brown, and members of House Government Oversight for hearing HB 585, regarding depository institutions.

HB 585 would update the Ohio Revised Code and enable the regulation and depositing of digital currency into dedicated Special Deposit Institutions and traditional banking institutions. In order to keep up to date with emerging securities and alternative currency interests nationwide, Ohio can become one of few states to adopt a special banking charter to allow citizens to deposit digital assets like crypto-currency at regulated in-state institutions. Our bill also enables traditional banks access to fully-leverage the block-chain and the cryptocurrency marketplace, while also allowing for decentralized autonomous organizations and smart contracts to be leveraged in Ohio for new and existing businesses.

While the new bank charter established in this bill will not have the full authority of traditional bank due to the custodial structure of cryptocurrency and the fact that fiat deposits aren't backed by the Federal Deposit Insurance Corporation. For this reason, new charter banks must retain unencumbered liquid assets that covers their holdings. This allows the state to be early adopters of new securities and alternative currencies while protecting our consumers and special charters from volatility and fraud, through the maintenance of a contingency accounts. This legislation will require the special banking charter to be fully solvent, allow for custodial non-lending banking activities, and allow the chartered organization to do business with out of state depositors; establishing a regulatory framework essential to protecting consumers, deterring bad actors, and continue making Ohio a business friendly and innovative state.

As we introduced this Bill in March of this year, a lot has transpired in the cryptocurrency marketplace and unregulated or under regulated companies. In June of this year, EmpiresX was indicted in Federal Court for a Ponzi-like scheme in which securities and wire fraud occurred with investors for \$100 Million. This is dwarfed by the recent FTX revelations, with a FTT coin that dropped from \$25 to \$1.29 and the exchange is under investigation by Federal Authorities for misplacing Billions of Dollars of customer's holdings. Customers were unable to withdraw accounts and FTX has since declared bankruptcy due to insolvency and questionable securities practices. This coupled with thousands of dead coin examples in which scams are used with new coins to steal money through a variety of ways including pumping and dumping, fake platforms,

and/or plain theft. Often it is the unsophisticated investor losing hard earned dollars on these online scams, unaware of risk and unprotected from deceptive operators.

With digital assets being a relatively new phenomenon through which all kinds of online transactions can occur, requirements have been included in this legislation for depositors to provide reasonable evidence that the person is engaged in lawful business in association with their digital asset account. Requirements include financial agreements, business plans, and operating agreements.

As use of alternative currencies and digital assets becomes more commonplace, making Ohio a stable and secure banking location for investors to store their digital wealth is crucial to our modernization, and will make Ohio a more attractive place to base innovative commerce. Additional aspects in this bill like decentralized autonomous organizations to leverage technology to create innovative companies via technology to enable fractional investment and shared ownership in a variety of fields.

Thank you Chairman Wilkin, Vice Chair White, Ranking Member Brown, and members of House Government Oversight. My joint sponsor and I will be happy to answer any questions.