



State Representative Tom Young

37th Ohio House District

State Representative Steve Demetriou

35th Ohio House District

Chair LaRe, Vice-Chair Pizzulli, Ranking Member Dell'Aquila and members of the House Financial Institutions Committee, thank you for allowing us to give sponsor testimony on House Bill 155. Our legislation looks to exclude central bank digital currencies from being treated as money under the Ohio Uniform Commercial Code.

Central Bank Digital Currency is a digital currency, digital medium of exchange, or digital monetary unit of account issued by the United States federal reserve system, a federal agency, a foreign government, a foreign central bank, or a foreign reserve system, that is made directly available to a consumer by such entities.

So far roughly a dozen countries have begun using a CBDC such as Nigeria, Jamaica, and the Bahamas with over 50 more currently researching and beginning pilot programs to launch their own. This is an issue that will only continue to grow if it is not addressed now. Florida has already passed similar legislation with states like Texas, North Dakota and Louisiana currently going through the legislative process.

I want to highlight seven of the negatives associated with digital currencies and CBDC:

1. Volatility- There are significant price fluctuations associated with digital/crypto currencies.
2. Security Risks- A lack of privacy protections exists as these currencies are susceptible to hacking/fraud and cyberattacks.
3. Lack of Regulation- Currently there is little regulation and oversight in how these currencies operate and function.
4. Technology Dependency- Users must have technology and stable internet connection.
5. Limited Acceptance and Understanding- These types of currencies are not accepted everywhere.
6. Irreversible Transactions- If fraud or an error does occur these transactions are often irreversible.
7. Environmental Concerns- There is a high environmental impact associated with the energy-intensive mining process.

As I mentioned CBDCs do not offer the privacy protections that cash does. This in turn increases the risk that the Government can end up controlling Ohioans financial activities such as limiting how much someone is able to buy and prevent them from buying certain products. In addition to controlling financial activities this network increases the likelihood that privacy of the stored financial information is at risk. With all these transactions being conducted in a main hub, unlike a bitcoin network which functional during an attack due to its decentralized nature, once an attack occurs the entire network is at risk and disrupted. The government has no role and should never decide an individual's financial decisions and this type of currency further encroaches on citizens' rights.

We must protect our constituents access to goods and services, protected financial information and reject Central Bank Digital Currency. We also intend to incorporate a suggested change from Representative King into this legislation which would exclude CBDC from the definition of "Deposit Account". Thank you for your time, Representative Demetriou will go into further detail of this legislation.

Chairman LaRe, Vice Chairman Pizzulli, Ranking Member Dell'Aquila, and esteemed members of the House Financial Institutions Committee, thank you for allowing Representative Young and I the opportunity to testify regarding House Bill 155, which excludes digital currencies as money under the UCC.

Let's start with some basic facts to make sure we are all on the same page regarding this bill.

First, Representative Young and I are excited about the growth in digital assets and blockchain technology in general. Blockchain is going to revolutionize and modernize a wide array of industries- and that's going to be a good thing for Ohio.

Secondly, I think it's important to define the difference between Centralized Bank Digital Currencies, or CBDCs, and non-state digital currencies.

CBDCs are created by a central bank or government. The issue with CBDCs is that they allow the government to have more control over and insight into what their citizens purchase or invest in. Imagine if every purchase we made with cash was recorded on a ledger that the government watched and controlled?

On the other hand, non-state digital currencies are a medium of exchange that is not created by the government but rather by some other function. Bitcoin, perhaps the most well-known digital asset in the marketplace, is created via a digital mining process.

Now, my joint sponsor and I will also look to amend this bill in the future to further ensure that CBDCs are fully excluded from the UCC. We will look to exclude CBDCs from the definition of a deposit account, which is defined by the ORC as "a demand, times, savings, passbook, or similar account maintained with a bank but does not include investment property or accounts evidenced by an instrument,"¹ to prohibit its use in commercial transactions, further ensuring that CBDCs will not find their way into Ohio.

¹ <https://codes.ohio.gov/ohio-revised-code/section-1309.102>

In short, House Bill 155 aims to preemptively prohibit the state of Ohio from recognizing or accepting any domestic CBCDs under the Uniform Commercial Code. This will help protect consumer rights and privacy in our state, while reducing the limits that the government may attempt to place on the flourishing blockchain industry now or in the future.