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Bill Analysis

H.B. 206

136th General Assembly

Version: As Introduced

Primary Sponsors: Reps. Gross and McClain

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SUMMARY

- Requires the Treasurer of State to issue specie and establish a transactional currency that are usable as legal tender and readily transferable, including by electronic means.
- Authorizes the Treasurer to contract with a private vendor to establish the transactional currency or perform other duties required under the bill.
- Requires the Treasurer to authorize an approved bullion depository as the state's issuer of specie, which can either be (1) a bullion depository located in Ohio, controlled by this state, and operating pursuant to regulations and safeguards reasonably acceptable to the Treasurer, or (2) the Texas Bullion Depository or similar depository in the U.S.
- Specifies how a person or state can obtain the transactional currency or redeem the currency for U.S. dollars, specie, or bullion.
- Authorizes the Treasurer to set a fee for the issuance of the transactional currency or for the redemption of U.S. dollars, specie, or bullion using the transactional currency.
- Allows the Treasurer to retain fees to cover the costs of administering the bill's provisions and cover costs of industry standard merchant fees for use, and requires any excess fees to be deposited into the General Revenue Fund.

DETAILED ANALYSIS

General overview and background

The U.S. monetary system is based on paper money backed by the full faith and credit of the federal government. The currency is neither valued in, backed by, nor officially convertible into gold or silver. However, for much of U.S. history, the dollar was backed by gold or silver. This period is commonly referred to as the "gold standard." In 1976, the U.S. officially abandoned this standard.[1] The bill would require the Ohio Treasurer of State to create a transactional currency backed by gold and silver. Holders of the gold and silver specie and currency would be able to use it as legal tender in payment of debt with other people and with other states. Holders may also redeem the currency for U.S. dollars, bullion, or specie. The Treasurer may charge a fee for any issuance or redemption. The bill expressly relies upon an untested interpretation of Article I, Section 10, of the U.S. Constitution, which, in part, provides that:

> No State shall enter into any Treaty, Alliance, or Confederation; grant Letters of Marque and Reprisal; coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts; pass any Bill of Attainder, ex post facto Law, or Law impairing the Obligation of Contracts, or grant any Title of Nobility.[2]

Treasurer of State to establish transactional currency

The bill requires the Treasurer of State to issue specie and establish a transactional currency that are usable as legal tender and readily transferable, including by electronic means. This transactional currency must be backed by gold or silver. Specifically, the bill defines "transactional currency" as a representation of actual specie and bullion held in a depository account by a depository account holder that may be transferred by electronic instruction, which must reflect the exact fractional troy ounce measurement of physical specie or bullion in the pooled depository account. "Bullion" is a precious metal (i.e., gold or silver) that is formed into uniform shapes and quantities. "Specie" is a precious metal stamped into coins of uniform shape, size, design, content, and purity, suitable for or customarily used as a currency, a medium of exchange, or the medium for purchase, sale, storage, transfer, or delivery of precious metals in retail or wholesale transactions. For example, a gold bar is bullion, while a gold coin is specie.

The bill authorizes the Treasurer to contract with a private vendor to establish the transactional currency or perform other duties required under the bill. When selecting a vendor, the Treasurer may give preference to vendors with a principal place of business in Ohio.[3] The Treasurer may also adopt rules to administer the bill's provisions, including rules to do all of the following:

- Ensure the security of the specie, bullion, transactional currency, transactions, and related data;
- Prevent fraud;

[1] Congressional Research Service, "Brief History of the Gold Standard in the United States," page 2, June 23, 2011, which can be found at https://www.congress.gov/crs-products.

[2] R.C. 113.81 to 113.90 and U.S. Constitution Article I, Section 10.

[3] R.C. 113.81(B), (G), (H), and (I) and 113.82.

- Prevent the release of data related to depository accounts or depository account holders other than by order of a court with proper jurisdiction.[4]

Approved bullion depository

The bill requires the Treasurer to exclusively authorize an approved bullion depository as the state's issuer of specie. "Bullion depository" is defined as a secured physical vault for the reception, authentication, storage, and security of bullion. "Approved bullion depository" in the bill means either of the following:

1. A bullion depository located in Ohio, controlled by this state, and operating pursuant to regulations and safeguards reasonably acceptable to the Treasurer; or
2. The Texas Bullion Depository or another depository within the U.S. similar in mission and operation to the Texas Bullion Depository, provided that agreements and standards reasonably acceptable to the Treasurer govern the use of the bullion depository with respect to deposits from Ohio or Ohio's designees.[5]

Issuing the transactional currency

A person or state can obtain the transactional currency by two different methods. A person or state that would like to hold transactional currency can pay the Treasurer for specie or bullion to be represented by transactional currency and pay a fee set by the Treasurer (see "**Fees**," below). Or, the person or state can designate specie or bullion held on account in the approved bullion depository for the purpose of being represented by transactional currency and pay the fee set by the Treasurer.

In either case, the bill requires the Treasurer to issue transactional currency to that person or state and to buy specie or bullion in the number of troy ounces of gold or silver equal to the number of units of transactional currency issued to the purchaser. The Treasurer must then deposit the specie or bullion into a pooled depository account for the purchaser and issue to the purchaser a depository account with, or add to an existing depository account, a number of units of the transactional currency equal to the amount of specie or bullion that the purchase money received from the account holder would buy at the market price on that date as published by the approved bullion depository.

The Treasurer or the Treasurer's designee, serving as trustee, must hold in trust on behalf of the transactional currency holders all specie and bullion owned or purchased and all of the issued transactional currency must be fully backed by the specie or bullion.[6]

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[4] R.C. 113.90.

[5] R.C. 113.81(A) and (C) and 113.82(D).

[6] R.C. 113.83 and 113.84.

Using transactional currency to redeem U.S. dollars, specie, or bullion

A holder of transactional currency can redeem the transactional currency for U.S. dollars, specie, or bullion by presenting the currency to the Treasurer. The Treasurer must then sell the equivalent amount of specie or bullion from the pooled depository account and provide the amount received from the sale in U.S. dollars, less any fee charged, or the Treasurer must withdraw the specie or bullion from the depository and charge a fee to deliver the specie or bullion to the requestor.[7]

At the time of each transaction involving the issuance or redemption of the transactional currency, the Treasurer must determine the value of a unit of the transaction currency as published by the approved bullion depository. The value of a unit of the transactional currency at the time of a transaction must be equal to the value of the appropriate fraction of a troy ounce of gold or silver, respectively, at the time of that transaction as published by the approved bullion depository.[8]

The bill requires that specie and bullion purchased and deposited into the pooled depository account and money received in exchange for transactional currency or for the sale of specie or bullion in response to a request for redemption be held by the Treasurer outside the state treasury and provides that it is not available for appropriation by the General Assembly.[9]

Fees

The bill authorizes the Treasurer to set a fee for the issuance or redemption of the transactional currency. The Treasurer may retain the fees to cover the costs of administering the bill's provisions and cover costs of industry standard merchant fees for use. The bill requires that any excess fees be deposited into the General Revenue Fund.[10]

HISTORY

Action	Date
Introduced	03-31-25

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[7] R.C. 113.85 and 113.86.

[8] R.C. 113.87.

[9] R.C. 113.88.

[10] R.C. 113.89.