

How Ohio became a key player in the fight over cryptocurrency regulations

Coinbase, the largest U.S. cryptocurrency exchange, included the Buckeye State in a national advertising blitz calling for regulatory reforms.

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Coinbase, the largest U.S. cryptocurrency exchange, is making a play for Ohio voters.

The company hosted a "Stand With Crypto" event in Columbus, launched ads urging voters to call their lawmakers, graded Ohio lawmakers based on their support for legislation and retained former Congressman Tim Ryan to sell crypto as the vehicle to bring good-paying jobs to rural Ohio.

"There's a real opportunity here," Ryan said. "I've always made the argument coming from Youngstown that there will not be another steel mill with 30,000 people in it. That's not how the economy works anymore."

Ryan was the Democratic nominee for the U.S. Senate in 2022.

But he's convinced the data centers necessary to log and maintain records of every Bitcoin or Ethereum transaction would be a boon for communities like Coshocton or Marietta.

"Ohio is open for business in so many ways with Intel, electric vehicles and Google," Ryan said. "Why wouldn't we want to add this into the portfolio of opportunities?"

What is crypto?

Cryptocurrencies are an alternative to traditional cash and banks, where your transactions are recorded into ledgers known as blockchains that get downloaded by a decentralized system of computers instead of a centralized authority like a bank.

Basically, currencies like Bitcoin are digital payment systems that don't rely on banks to verify transactions.

Supporters say this form of payment is more private and easier to use internationally since there are no exchange rates. Opponents say these currencies are riskier, less transparent than other investments and can be used by criminals to launder money.

In 2022, a currency called FTX collapsed and customers lost billions.

"They were over-leveraged and undercapitalized. They had no internal risk controls. They were careless with customers' money," U.S. Sen. Sherrod Brown, D-Ohio, said during a February 2023 hearing. "In the case of FTX, they used it to line their own pockets. Now, the money of millions of Americans is trapped, and they might never get it back."

How should crypto be regulated?

That's why Ohio's senior senator has been focused on how to regulate these markets and which governmental agency should be in charge.

Coinbase is backing a bill called the Financial Innovation and Technology for the 21st Century Act (FIT21 Act) that currently sits in the U.S. House of Representatives. If passed, the legislation would clarify how these exchanges are regulated by defining when a cryptocurrency is a security or a commodity.

That's an important distinction because the entities responsible for regulation, the Securities and Exchange Commission and Commodities Futures Trading Commission, have different responsibilities and enforcement methods.

And sometimes that gets confusing.

The Securities and Exchange Commission sued Coinbase in June, alleging the company acted as an "unregistered national securities exchange." Coinbase responded in an August brief that said its assets were not securities. And they would like some clarification.

"I do think they make a really good point that they deserve a regulatory structure that is made up of laws and not based on the whims of whatever regulator happens to be in office," Lt. Gov. Jon Husted said.

He's been supportive of Coinbase since it first approached the state about building data centers in Ohio before the pandemic. In September 2022, Husted attended the opening of Standard Power in Coshocton, a blockchain center built inside of an old warehouse.

But he worried whether more centers would come if the federal government can't give cryptocurrencies a set of regulations they can build their businesses around.

"If we fail to do that in America, then we are inviting another country to be the home of the cryptocurrency marketplace," Husted said. "I think America should take the lead."

But whether the legislation backed by Coinbase and other cryptocurrencies will pass remains to be seen.

How Ohio fits into the narrative

U.S. Rep. Warren Davidson, R-Troy, introduced a bill "to preserve Americans' right to privacy in transacting with crypto assets" in February 2022, and he's a strong supporter of the FIT21 Act

"The status quo is not solving problems, it's not serving people, and it's leaving America weaker by the day for failing to provide clarity in the digital assets market," Davidson said in a statement when the regulatory bill was released. "We now have the opportunity to harness and embrace this next generation of technology in the United States."

But over in the U.S. Senate, Brown has been more skeptical. He's held multiple hearings in the banking committee he chairs about the FTX scandal and crypto regulation.

"Ohioans have been burned by financial schemes too many times before. Fraud and misleading scams in the crypto industry have already hurt Ohio consumers. It's why I'm working with my colleagues and with regulators to look at the best way to reign in the abuses and protect Ohioans," Brown told the USA TODAY Network Ohio Bureau. "We need a framework of rules for crypto that protects our economy and protects Ohioans' hard-earned money from scams."

About 1.3 million Ohio adults own digital assets, according to data Morning Consult released in August.

Coinbase says half of those owners are between 18 to 34, and their political party affiliation reflects where Ohio is as a state. About 36% of Ohio users are Democrats, 43% are Republicans and 21% are unaffiliated.

"The crypto voting bloc in Ohio and around the country is broad, active, and growing," according to Coinbase.

And a survey Coinbase conducted with Impact Research found that 89% of Ohio crypto owners thought the global financial system needed to change, and about 80% said that our economic system "unfairly favored powerful interests and harmed their abilities to build wealth."

"All roads lead through Ohio," Kara Calvert, Coinbase's head of U.S. policy, said in a statement. "What I read in [Brown's] letter is an interest in how to move the ball forward. Does that mean legislation? I hope so. Does that mean movement in the Senate? I hope so."