



**Date:** February 19, 2024

**To:** House Committee on Financial Institutions & Pensions  
Representative Nick Hoheisel, Chair

**From:** Alex Orel, Senior Vice President – Government Relations  
Kansas Bankers Association

**Re:** HB 2729 – Written Opponent Testimony

Chairman and committee members, I am Alex Orel, and I am submitting testimony on behalf of the Kansas Bankers Association (KBA). I am also pleased to submit this testimony on behalf of my colleague Kelly VanZwoll, our Vice President – Government Relations & Staff Attorney. We look forward to being a resource for you and the committee for the remainder of this legislative session. Thank you for the opportunity to submit opponent testimony on HB 2729.

**Kansas Bankers Association Background Information:**

The KBA was founded in 1887 and is a voluntary, non-profit trade association governed by its membership. The KBA is headquartered in Topeka, Kansas, and is led by our 24-member board of directors. The KBA staff, which President/CEO Doug Wareham leads, includes 40 professionals, including 13 attorneys, that provide services to Kansas bankers ranging from legislative advocacy to educational training to insurance services to legal and regulatory compliance support. Our mission statement is direct:

"Together, we support our member banks and bankers with leadership, advocacy, and education to benefit the communities and customers they serve."

KBA's membership includes 98% of the headquartered banks in Kansas. Our membership also includes 20 out-of-state commercial banks operating in Kansas. Our member banks employ more than 21,000 Kansans who provide financial services in every county across the state. While our member banks range in assets from the smallest to the largest in our state, each member bank that belongs to the KBA has one vote on policy positions adopted by either our general membership or our Board of Directors. One member, one vote.



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**HB 2729 – Written Opponent Testimony**

Thank you for the opportunity to present opponent testimony on HB 2729 and share our concerns and questions about creating a state government asset backed digital currency.

Does Kansas want a state currency that is an asset backed digital currency? This is a lot more complicated than it may sound, as evidenced by the fact that no great platform currently exists. There are layers of security, processing speed, reliability, and even customer service that all have to be perfected. The currency has to be usable and also not hackable. The Commodity Futures Trading Commission warns “Virtual currencies are commonly targeted by hackers and criminals who commit fraud. There is no assurance of recourse if your virtual currency is stolen. Be careful how and where you store your virtual currency.”<sup>1</sup> The virtual currency world is still a wild west and is basically unregulated at the state and federal level. While virtual currency may be a risk that a savvy consumer feels safe taking on, is our state ready to assume that risk as well?

Even if you believe there is a role for the government to play in the creation of its own state level asset backed digital currency, do you think that power should be concentrated into one elected official? HB 2729 requires the State Treasurer to adopt rules and regulations to allow the use of an electronic currency for payment within the state. The Treasurer sets the security and insurance requirements and provides the audit of the services.

What protections will be in place for the Kansas consumers who use this gold depository/digital currency? How will these accounts be insured? Kansas bank and credit union accounts are federally insured by either the Federal Deposit Insurance Corporation or the National Credit Union Administration. Who has oversight over this digital currency? Banks and credit unions have heavy oversight by their state and/or federal regulators.

Virtual currency is bigger than just Kansas. It is a global and a national issue. If each state takes this into their own hands we run the risk of creating a patchwork of state level currencies. This is reminiscent of the days of the civil war where various states had their own currency and trade between the states was difficult. Taking on a state level asset backed digital currency is a big undertaking and it should require more thought and consideration.

Thank you for the opportunity to provide opponent testimony and we appreciate your consideration of the issues and concerns we have brought forth. If you have questions or require additional information later, please get in touch with me at [aorel@ksbankers.com](mailto:aorel@ksbankers.com) or (785) 232-3444.

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