



MARYLAND STATE TREASURER
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Informational Testimony of the Maryland State Treasurer’s Office

House Bill 51: Strategic Digital Asset Reserve Act of Maryland

House Economic Matters Committee

February 3, 2026

The State Treasurer’s Office (STO) appreciates the opportunity to provide information regarding House Bill 51 for the Committee’s consideration. As introduced, the bill requires the State Treasurer to invest specified “seized money” into a new special fund, the Maryland Digital Asset Reserve Fund. The legislation further specifies that the State Treasurer may only invest money deposited in the Fund in “cryptocurrency,” as defined in the bill.

While the market for digital assets remains especially volatile, state treasurers and legislatures have been exploring ways to utilize these new products for public good. Investing in cryptocurrency as proposed in House Bill 51 would represent a substantial policy shift for Maryland, since the State has always prioritized the highest grade, lowest risk investments. For the reasons discussed below, STO would request that, if the Committee chooses to give favorable treatment to House Bill 51, the bill be amended to authorize rather than require the State Treasurer to invest in cryptocurrency.

Background on Cryptocurrency

Digital assets and blockchain technology are part of a relatively new and rapidly evolving industry. Over the last few months, STO participated in a four-part webinar series from the National Association of State Treasurers to better understand policy initiatives in other states. In addition, STO’s Chief Investment Officer has been closely monitoring market conditions. In November, Bloomberg reported on a sharp decline in the total market value

of all cryptocurrencies ([“Crypto Bear Market Wipes Out Almost Entire 2025 Value Gain”](#)):

“It took just over a month for cryptocurrencies to erase almost all of this year’s market value gains. At its Oct. 6 peak, the total market value of all cryptocurrencies touched a record of nearly \$4.4 trillion, but a 20% decline since then leaves asset class up a modest 2.5% for the year, according to [CoinGecko data](#). The downturn that began with the sudden liquidation of about \$19 billion in leveraged positions just days after the all-time high shattered confidence, and traders show few signs of [betting on a rebound](#).”

One potential reason for the decline in price is that some participants in the market are borrowing money to leverage purchases of Bitcoin and other cryptocurrency, essentially buying Bitcoin with borrowed money. Leverage is not unusual in the financial markets, however some reports suggest that a significant portion of all transactions in the cryptocurrency realm have been done with leveraged funds. Using leveraged funds in this manner can exacerbate a sell-off when market conditions sour and assets need to be liquidated.

Given the State’s financial outlook, STO believes that mandated cryptocurrency investment could make it more difficult for the State to remain focused on preserving capital and maintaining the safety of its high-grade investments.

“Wait and See” Approach

Based on all of the information available to STO, the Office has made the decision to wait and see how the market conditions surrounding cryptocurrencies continue to develop and evolve. A range of practical considerations have informed the decision to wait. For example, setting aside the market fluctuations, STO would need to promulgate regulations to allow the State to invest in cryptocurrency. In addition, STO would need to conduct a procurement to identify a bank that would accept digital currency.

Managing institutional cryptocurrency portfolios comes with unique challenges, including security risks and regulatory complexities. Therefore, to properly administer and invest such assets, institutions must adopt robust strategies and best practices tailored to the digital asset market. If the Committee passes House Bill 51 with the amendment to *enable* investment in cryptocurrency, STO will review strategies and best practices that institutional investors have developed, such as those listed in Exhibit 1.

Exhibit 1

- **Risk Management:** Implementing robust risk management protocols, including position sizing, portfolio allocation limits, systematic risk assessment, and regular stress testing.
- **Custody Solutions:** Partnering with reputable third-party custodians specializing in secure storage of digital assets. These custodians offer multi-signature wallets, geographically distributed storage, and advanced encryption techniques.
- **Compliance and Regulatory Adherence:** Prioritizing compliance with regulatory frameworks and engaging proactively with regulatory bodies to ensure adherence to legal requirements.
- **Portfolio Rebalancing Strategies:** Rebalancing portfolios to maintain optimal asset allocation. Strategies include fixed internal reviews, dynamic adjustments based on market conditions, and threshold-based rebalancing.
- **Liquidity Management:** Establishing relationships with multiple exchanges, partnering with over-the-counter (OTC) trading desks, and developing emergency liquidity protocols to ensure smooth operations.
- **Advanced Analytics and Data Management:** Using specialized portfolio management systems to integrate disparate data points, providing real-time valuation and customizable reporting features.
- **Automated Trading Systems:** Enhancing trading systems, risk management, and market analysis with AI-driven algorithms and allowing institutions to optimize their operations in the 24/7 cryptocurrency market.

Amendment to Make the Bill Enabling Legislation

As discussed above, if the Committee intends to proceed in this space, STO would respectfully request an amendment that would enable, rather than require, the State Treasurer to invest in cryptocurrency. Currently, STO invests in significantly lower-risk assets authorized under the State Investment Policy and corollary regulations. An amendment to House Bill 51 is necessary to ensure that STO has the discretion, flexibility, and time to establish new policies, procedures, and systems that support potential future investment in cryptocurrency.

Treasurer Davis and STO hope that this information is useful as the Committee considers House Bill 51. Please contact Laura Atas, Deputy Treasurer for Public Policy (latas@treasurer.state.md.us), with any questions.