Testimony for the Record
Submitted to the Ohio House of Representatives
Technology and Innovation Committee
for the Hearing on Sub. H.B. No. 18
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Chairman Claggett, Vice Chair Workman, Ranking Member Mohamed and Members of the Committee, thank you for inviting me to participate in today's hearing and for your attention to a key topic in policy development and decision-making in the United States and at the Federal level. Namely, the creation of a Strategic Reserve Fund that permits investment in digital assets, and in some cases, Bitcoin in particular.

A thanks to the Chairman for all of your leadership on crypto initiatives in the State of Ohio. Equal thanks to the Vice Chair, who we know is focused on what security features in particular inspire public confidence in digital assets. As well, Ranking Member Mohamed, who we understand is seeking best practices in the crypto space from other states and similar entities. I state and reiterate for the record my willingness to be a resource for the Chairman and the entire Committee here and anon.

My name is Noah Herman and I am the Chief Revenue Officer for the digital asset treasury operations company Fortris Global, on behalf of which I testify today. My standing and credibility as a witness derives from several angles. I spent five years in my capacity as a FINRA licensed private banker as fiduciary for my clients' investments. I spent five years in corporate banking, working with the US EX-IM bank on long-term infrastructure projects. And most recently, I have spent six years in the blockchain and cryptocurrency space, leading the go-to-market function for my organizations. I hold an MBA from Columbia University, which over the course of my two-year matriculation did not include a single mention of the terms "crypto" or "blockchain".

I have been working with other state legislatures and the Federal government, but Ohio has the opportunity to be a leader in this space and potentially influence other strategic reserves now being contemplated across the country.

In our experience, we have observed large gaps in market knowledge and understanding as it relates to distributed ledger technology and digital assets (or blockchain and crypto, in the parlance). I am pleased that this House is taking steps to address Sub. H. B. 18's progress toward passage of legislation that seeks to prioritize and deploy a framework that allows for the State of Ohio and its constituents to take timely advantage of the manifold benefits inherent in digital assets. These include cryptographic proof and distributed consensus, absolute scarcity in the case of Bitcoin (capped at 21 million coins), and borderless transaction capabilities.

What, then, are the best practices and principles for a strategic reserve fund that will hold digital assets, with a focus on Bitcoin? The nature of the organizations we work with requires our technical expertise in security and transparency, and as such, I intend to be a source of assurity and information therein.

First, sovereignty: private key ownership must reside with the state at all times- with a so-called "break the glass" option if the state chooses to use qualified third-party custodians. Security: employ cold storage, multi-signature, HSMs, air-gapping, geo-distribution, and strict wallet/account segregation. Transparency: mandate public proof of reserves, third-party audits, and governance disclosures. And resilience: enforce disaster recovery, key rotation, and insider threat monitoring.

The primary focus for this and other legislative sessions and action has always been to empower members who have direct policy concerns related to safeguards and security in the legislation in question that would increase public confidence, assurity and information. The bill rightly highlights secure custody, detailed accounting, and constituent visibility and transparency.

The focus of our work is centered on precisely these criteria, based on the nature of the large volumes of digital assets we process and manage. We trade on and derive our revenue from acting as a bridge between the traditional fiat-based dollar world, and that of blockchain and digital assets.

The Committee is rightly focused on keeping public and constituent funds safe. My company's work and my own domain expertise qualifies us as a trusted third party. We have been doing this for a decade. We serve large corporations, governments, and nonprofits, including one of the largest nonprofits in the world. These institutions use the Fortris systems to accept, manage and invest its Bitcoin.

We are the system behind a Bitcoin mining corporation that operates right here, in the State of Ohio, employing Ohioans and providing Bitcoin mining services to its customers, and thus, to your constituents. Our partners are the Big4. We are integrated directly into NetSuite/Oracle and other major ERP systems. We have directly accepted and managed $16 Billion in Bitcoin and Stablecoins over the past eight years, and that is our primary revenue source and composition. We do all of this in the same way that large financial institutions do it. How? With standards, procedures, technology, security, operations, governance, and auditability.

The State of Ohio, the Committee, and latterly, the State Treasurer's Offices, have the opportunity to take maximum advantage of this unique moment in the history of financial markets, to vote to pass and structure the safest, most secure and most advantageous framework possible for the use of digital assets in its Strategic Reserve Fund.

I urge the committee to pass Sub H. B. 18. Thank you for the opportunity to testify, and I would be pleased to answer any questions you may have.