Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

August 19, 2025

Via E-Mail

Re: BCBS Cryptoasset Exposures Standard

Ladies and Gentlemen:

The undersigned associations (the "*Associations*")[1] request that the Basel Committee on Banking Supervision (the "*BCBS*") temporarily pause implementation of the Cryptoasset Exposures chapter (SCO60) (the "*Cryptoasset Standard*") of the Basel framework in order to (i) seek updated information concerning the use cases of distributed ledger technology ("*DLT*") and (ii) consider any appropriate redesign and recalibration of the Cryptoasset Standard to account for recent and ongoing developments in global cryptoasset markets.

Today, the Associations produced a report on the Impact of Distributed Ledger Technology in Capital Markets (the "*DLT Report*") providing a market update on use cases for DLT, which have greatly expanded since the Cryptoasset Standard was adopted in 2022. The DLT Report analyzes applications, opportunities and challenges posed by DLT and tokenization. The DLT Report also describes how the overall size and significance of the cryptoasset market have increased substantially, meaning many of the premises underlying the Cryptoasset Standard require adjustments.

[1] The undersigned associations include: Global Financial Markets Association, which brings together three financial trade associations, including the Association for Financial Markets in Europe, the Asia Securities Industry & Financial Markets Association, and the Securities Industry and Financial Markets Association; the Futures Industry Association; the Institute of International Finance; the International Swaps and Derivatives Association; the Financial Services Forum; the Bank Policy Institute; Global Blockchain Business Council; and Global Digital Finance.

Introduction

The Cryptoasset Standard's restrictive qualification standards, combined with otherwise punitive market and credit risk capital treatments, effectively make it uneconomical for banks to meaningfully participate in the cryptoasset market. We believe the natural result of the uniquely conservative treatment in the Cryptoasset Standard is the entrenchment of a bifurcated market structure in which a growing sector operates largely outside the banking sector—not because of its risk, but because of the design of the prudential bank regulatory framework. The direct involvement of banks, alongside other regulated cryptoasset market players such as digital natives, financial technology companies and non-bank financial intermediaries, in cryptoasset markets promotes safety and soundness, client protections, and financial stability by allowing activity inside the banking sector, with its inherent focus on management of consumer protection, financial risks, prudential risks, third-party risks, operational resilience, cybersecurity and other operational risks.

The prudential framework for those markets should not discourage participation by imposing overly punitive capital requirements that are inconsistent with actual risks. If banks choose to participate, they should be able to do so within a technology neutral framework that is proportionate and risk-sensitive. For example, we wish to highlight our concern with respect to the punitive capital treatment and corresponding "cliff-effect" that occurs when Group 1 cryptoassets fail certain qualification criteria as per SCO60.8 to SCO60.19. The Cryptoasset Standard would include them as Group 2 cryptoassets (most likely Group 2b cryptoassets), but the underlying risks are more closely aligned with, and would suggest inclusion in, Group 1, with a capitalization broadly based on the existing capital framework.

Throughout the history of financial markets, innovation has always charted the way forward to a more robust and efficient financial sector. Banks have adopted new technologies in every era of the financial system, and we do not believe they should be unfairly restricted from doing so with respect to DLT and cryptoassets. Banks should be allowed to compete on fair footing with other financial services providers, and the adoption and innovation of new cryptoasset products and offerings allows them to do so. The positive effects of this innovation are not limited to banks. The entire financial sector and global economy stand to benefit from banks' increased ability to provide more accessible and efficient services and offerings.

Recommendations

In line with the ongoing monitoring of cryptoasset market developments by the BCBS, the Associations recommend that the BCBS pauses implementation of the Cryptoasset Standard ahead of its 2026 effective date and further consults on targeted revisions to the Cryptoasset Standard. This further consultation would be consistent with the BCBS's steps to issue a consultation in December 2023,[2] which led to the technical

[2] BCBS, Cryptoasset standard amendments (Dec. 2023), *available at* https://www.bis.org/bcbs/publ/d576.pdf.

amendments and answers to frequently asked questions finalized by the BCBS in July 2024.[3] A new, revised standard, with a different implementation date, would also help ensure that all members of the BCBS are able to implement the standard in a full, timely and consistent manner that further preserves financial stability while promoting responsible innovation for global markets.

In support of our recommendation for a further consultation and revised implementation date, we wish to highlight the following market and regulatory developments:

- The policy approaches adopted by certain jurisdictions are fundamentally different in 2025 from what they were when the Cryptoasset Standard was adopted in 2022, so much so that there are now distinct differences between elements of the Cryptoasset Standard and recent supervisory guidance in some jurisdictions.[4] Some jurisdictions are declining to follow some of the more conservative aspects of the Cryptoasset Standard that depart from the principle of technology neutrality, such as higher risk weighting for assets depending on the nature of the ledgers they use (*i.e.*, permissioned vs. permissionless).[5] Other pro-innovation jurisdictions have not yet proposed to implement the Cryptoasset Standard or indicated any timeline for implementation.[6] Inconsistent implementation will jeopardize the goal of establishing a minimum standard that enables a level playing field, mitigates cross-border risk spillovers and prevents market fragmentation.[7] Pausing implementation, and conducting an appropriate

[3] BCBS, Various technical amendments and FAQs (Jul. 2024), *available at* https://www.bis.org/bcbs/publ/d576.pdf.

[4] An example is the direct conflict between (i) the requirement of SCO60.20(2) that banks must inform their supervisor of their classification assessment of the cryptoassets in advance of acquisition and with sufficient time for the supervisor to review and, potentially, override the decision before the bank completes the acquisition, and (ii) U.S. federal banking agencies' rescission of Federal Reserve Supervision and Regulation Letters 22-6 and 23-8, OCC Interpretive Letter 1179, and FDIC FIL-16-2022, which provided for prior supervisory non-objection or notification before a U.S. bank could engage in cryptoasset-related activities.

[5] On this particular point, we further highlight the importance of clarifying the BCBS's statements around permissionless blockchains from its December 2023 consultation (see here (https://www.bis.org/bcbs/publ/d567.pdf) page 1, "Introduction"). Those statements indicated that developing technical solutions may mitigate risks in this area. The DLT Report shares details of current risk mitigants that we believe merit a return to technology neutrality, including in relation to permissionless blockchains.

[6] In the United States, the President's Working Group on Digital Asset Markets recently published a report on "Strengthening American Leadership in Digital Financial Technology." That report recommends that the United States adopt capital requirements for bank digital asset activities that "accurately reflect the risk of the asset or activity," which the report distinguishes from the Cryptoasset Standard. *See*, The President's Working Group on Digital Asset Markets, Strengthening American Leadership in Digital Financial Technology *at* pg. 82, *available at* https://www.whitehouse.gov/crypto/.

[7] We note that several regulatory authorities have taken steps to move forward with implementation of the Cryptoasset Standard. For example: (i) in Canada and Hong Kong, the respective regulators are on track to implement the Cryptoasset Standard on January 1, 2026, (ii) in the EU, the Cryptoasset Standard has been partially implemented through a transitional regime (which should be replaced by a dedicated regime on prudential treatment for cryptoasset

redesign and recalibration, of the Cryptoasset Standard to provide an effective and widely adopted framework would further the overall mission of the BCBS. We note that, as with all BCBS standards, individual jurisdictions can apply additional and/or more conservative measures.

- DLT use cases involving traditional assets, including tokenized or digitally native versions of deposits, government securities and money market funds, have expanded. Some of these use cases are being actively developed in consultation or coordination with the official sector, including through projects convened by the Bank for International Settlements ("*BIS*") Innovation Hub. The use of DLT for these assets can have significant risk-mitigation benefits, including faster settlement processes, greater operational resilience, reductions in counterparty credit risk, reductions in run risk (*e.g.*, by obviating funds' creation/redemption processes), and expanded access to liquidity (*e.g.*, by enabling intraday repos). Certain aspects of the Cryptoasset Standard materially impede scaling these use cases.

- The overall size and significance of the cryptoasset market have increased substantially, despite minimal direct involvement by banks. For example, several large, regulated buy-side institutions have launched cryptoasset-related asset management products (such as cryptoasset exchange-traded funds ("*ETFs*") and tokenized money market funds) that have seen significant growth over a relatively brief period. Non-bank brokers are also increasingly offering cryptoasset market access to their customers. Non-bank payments providers are exploring the use of DLT to provide their services. The future market structure may be a blend of various participants: we may see banks, digital natives, financial technology companies, and non-bank financial intermediaries coexisting and interacting within cryptoasset markets. Each type of player will occupy the role best suited to their strengths. The inherent conservatism of the Cryptoasset Standard makes it likely that these developments will continue to gain traction outside the safety and soundness inherent in the supervision and regulation applicable to the banking sector, including the separate BCBS framework for management of third-party risks, operational resilience, cybersecurity, and other operational risks. By fostering this trend, and by constraining the ability of banks to intermediate and provide liquidity in the cryptoasset market, the Cryptoasset Standard could lead to unintended adverse consequences for market structure and oversight.

- As regulated market participants have gained experience with DLT, they have developed increasingly robust approaches to mitigating operational

exposures), and (iii) in Singapore, the Monetary Authority of Singapore ("*MAS*") is consulting on implementation of the Cryptoasset Standard intended to take effect from January 1, 2026.

risks, including cyber, third-party risk management, legal, and other non-financial risks. These approaches include permissioning at the smart contract or sub-ledger layer on top of permissionless ledgers, multi-signature and multi-party computation approaches to protecting private keys and advanced blockchain analytics to detect potentially illicit activity. Changes in the broader legal and regulatory landscape also mitigate non-financial risks. Examples include the adoption of new licensing and supervisory regimes applicable to other cryptoasset market participants and changes in commercial laws that promote enforceability of transactions.

During the requested pause, all other existing Basel framework standards would of course remain in place. The pause, and the resulting redesigned Cryptoasset Standard, would facilitate bank involvement in the cryptoasset market, which we believe can enhance market functioning in a manner consistent with financial stability policy objectives. Below we provide several non-exhaustive recommendations to improve the Cryptoasset Standard consistent with guiding principles of safety and soundness and technology neutrality:

1. *Eliminate the distinction between permissioned and permissionless ledgers for Group 1 eligibility*.[8] There should be no ex-ante distinction between permissioned and permissionless ledgers. The focus of regulatory supervision and treatment should be on the risk of the asset itself, not the attributes of the underlying ledger.

2. *Revise classification condition 2*. Classification condition 2 of SCO60 should be revised to place less emphasis on prescriptive ledger rules, and instead evaluate cryptoassets on their compliance with the principles of legal enforceability and settlement finality that are the spirit of the condition.

3. *Reconsider treatment of regulated stablecoins*. The Cryptoasset Standard should reflect a recognition that regulated and unregulated stablecoins have different risk profiles. Regulated stablecoins should be treated as eligible financial collateral.

4. *Recognize certain cryptoassets as eligible collateral*. Banks should be allowed to recognize Group 2a cryptoassets as financial collateral.

5. *Reconsider treatment of Group 2 cryptoassets*. Spot cryptoassets are increasingly traded by supervised institutions on regulated exchanges, with improving market liquidity, meaning that many assumptions underlying the design and calibration of the Cryptoasset Standard require revision. In particular, we recommend that the BCBS:

[8] For ease of reference to SCO60, we refer to "permissioned and permissionless ledgers" consistent with the blockchain taxonomy adopted in SCO60 (for example, in SC060.125(b)). We do however note that there are alternative taxonomies. *See, e.g.*, BCBS, Working Paper 44, Novel risks, mitigants and uncertainties with permissionless distributed ledger technologies (Aug. 28, 2024) *at* Annex 2, *available at* https://www.bis.org/bcbs/publ/wp44.pdf.

a. *Remove the limit on Group 2 cryptoasset exposure*. The current limit is too restrictive and does not recognize increasingly prevalent hedging practices.

b. *Update the hedging recognition test*. Revise the first hedging recognition test for Group 2a cryptoassets to reflect the increasing prevalence of spot cryptoasset transactions on regulated exchanges.

c. *Adjust the prescribed risk weight*. The risk weight for Group 2a cryptoassets should be adjusted to better reflect actual risk.

d. *Simplify risk factor rules*. Remove the current "cross-tenor" and "cross-exchange" rules for Group 2a cryptoassets that are no longer relevant in the more mature market and consider cross-bucket correlations consistent with other asset classes.

6. *Allow the use of market-risk and counterparty-risk internal models.* The Cryptoasset Standard should reflect a recognition that banks should be allowed to use internal market-risk and counterparty-risk models for cryptoassets, in particular Group 2a cryptoassets, as the depth of their markets and quality of their inputs indicate their suitability for internal model treatment.

Discussion

1. **Eliminate the distinction between permissioned and permissionless ledgers for Group 1 eligibility.**

The Cryptoasset Standard distinguishes between Group 1 and Group 2 cryptoassets, with more risk-sensitive—and preferential—capital and liquidity treatment applicable to Group 1. We note the BCBS's conclusion, in a prior consultative document,[9] that the use of permissionless blockchains gives rise to a number of unique risks, some of which cannot be sufficiently mitigated at present. We respectfully disagree with that conclusion. While we appreciate the need to account for and monitor blockchain network risks (*e.g.*, Anti-Money Laundering risks), focusing on ledger type is an overly broad simplification of a nuanced consideration. DLT and other technologies supporting the cryptoasset market have controls, as detailed in the DLT Report,[10] that allow for token, layer, or smart contract level permissioning as well as multiple levels of ledgers with different attributes that build on each other, resulting in a system that satisfies the substance, if not the form, of the Cryptoasset Standard. While Group 1 eligibility is not explicitly contingent on the use of a permissioned distributed ledger, cryptoassets based on permissionless ledgers are de facto excluded from inclusion in Group 1 because, in the BCBS's view, they cannot practically satisfy classification conditions 3 and 4 (related to the design of the networks on which cryptoassets run and the regulation of ledgers respectively).[11]

This de facto Group 1 exclusion of cryptoassets based on permissionless ledgers results in punitive capital treatment of those assets that is in no way commensurate to their risk profiles. Under the Cryptoasset Standard as currently conceived, a high-quality real-world asset token, *e.g.*, a tokenized U.S. Treasury issued on a public blockchain, is not likely to satisfy the classification conditions for Group 1 eligibility. It would therefore drop straight into Group 2b and be subject to the "catch-all" 1,250% risk weight, even though its underlying credit and market risk are identical to that of a conventional Treasury. This binary distinction in capital charges is neither risk-sensitive nor economically rational.[12]

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[9] BCBS, *supra* note 5.

[10] DLT Report, Chapter 1.4.

[11] SCO 60.16-17 and SCO 60.18-19, respectively. Certain of those classification conditions require that "node validators must be regulated and supervised, or subject to appropriate risk management standards." Certain Layer 1 protocols with public, permissioned validator requirements, and many projects that employ permissioned Layer 2 structures, are now active in the market and we believe successfully address these requirements.

[12] As highlighted in the Introduction, our concern with respect to this binary distinction extends beyond just this qualification criterion to all Group 1 cryptoassets that may be unfairly classified as Group 2 cryptoassets and therefore subject to a cliff-effect.

We also reiterate[13] our belief that the proposed "infrastructure risk add-on"[14] charge that would apply to Group 1 cryptoassets, is unnecessary given that it seeks to address risk already addressed by the existing prudential framework and risk management systems such as operational risk and third-party risk management frameworks, supervisory tools and controls. We note that implementation of this infrastructure risk add-on, by potentially penalizing specific technologies despite their risk-mitigating use cases, is at odds with principles of technology neutrality. We recommend the removal of the infrastructure risk add-on.[15]

The current dichotomous treatment of cryptoassets dependent on the underlying ledger technology is inconsistent with the principle of "same activity, same risk, same regulatory outcome." By implementing our recommendations, the BCBS would embrace technology neutrality, focusing on the risk profile of a cryptoasset rather than the architecture of its ledger. There are standards—for example, ERC-3643 and ERC-1400—that allow issuers or delegated authorities to whitelist approved holders, freeze suspect addresses, and enforce jurisdictional or investor-type restrictions on-chain. The DLT Report[16] also discusses real world use-cases demonstrating that permissionless networks can be harnessed securely. These mechanisms address the very risks that informed the overall structure of the Cryptoasset Standard and the inclusion of Groups 1, 2a and 2b classification criteria.

2. Revise classification condition 2 (legal enforceability and settlement finality).

The BCBS should revise classification condition 2, namely the requirement that settlement finality and enforceable rights be demonstrated via specific, prescriptive ledger rules, and instead adopt a principles-based, non-prescriptive approach. Classification condition 2 is intended to ensure that a cryptoasset confers clear, legally enforceable claims and that the process by which title passes is sufficiently certain under applicable law.[17] In practice, this condition should be deemed satisfied whenever (i) the mechanics and timing of settlement, whether executed pursuant to bilateral contracts, exchange rules, or technical conventions, are transparently documented and understood

[13] *See* The Associations, Consultation response to Basel Committee on Banking Supervision – Cryptoasset standard amendments, December 2023 (Mar. 28, 2024), *available at* https://www.gfma.org/wp-content/uploads/2024/03/joint-associations-cryptoassets-working-group-bcbs-cryptoasset-standard-amendments.pdf.

[14] BCBS, "Prudential treatment of cryptoassets exposures – second consultation", (Jun. 30, 2022), *available at* https://www.bis.org/bcbs/publ/d533.htm.

[15] For a discussion of mitigating use cases and other mechanisms, *see* SIFMA, Why Basel Should Not Apply A Blanket Infrastructure Risk Add-On For Group 1 Cryptoassets (Nov. 15, 2022), *available at* https://www.sifma.org/resources/news/blog/why-basel-should-not-apply-a-blanket-infrastructure-risk-add-on-for-group-1-cryptoassets/.

[16] DLT Report, Deep Dives: Assessing Select Examples of Scaled Adoption.

[17] *See* SCO60.14 and 60.15.

by the bank and (ii) the bank's own due diligence concludes that finality of settlement will occur under relevant legal frameworks.

Globally, key member jurisdictions are actively developing legal frameworks to address settlement finality and other private-law considerations for tokenized securities and payments in both primary and secondary markets. By revising condition 2's strict requirements,[18] and instead allowing banks to rely on a documented settlement process and basing their evaluation of that process under relevant legal frameworks, the BCBS would be recognizing that DLT itself can materially mitigate settlement risk. This principles-based approach maintains the spirit of classification condition 2, promotes enforceable rights and timely finality, and avoids the unintended exclusion of assets whose legal underpinnings are nevertheless robust and compliant with emerging global standards.

3. Reconsider treatment of regulated stablecoins.

SCO60.20 requires banks to assess all cryptoassets against the classification conditions detailed in SCO60.6 to SCO60.19. As discussed in the DLT Report,[19] numerous jurisdictions have developed or are developing regulatory frameworks for stablecoin issuers and stablecoin issuances. Regulated stablecoins have different risk profiles from unregulated stablecoins, and the Basel framework should reflect these distinctions. The BCBS should therefore differentiate classification conditions and eligibility assessment requirements for stablecoins that are subject to regulatory frameworks from those that are not. The uniform standards and uniform assessment requirements for all stablecoins in the current Cryptoasset Standard fails to reflect current—and evolving—market and regulatory dynamics.

According to SCO60.39, Group 1b (stablecoins) are not considered eligible financial collateral. The BCBS should revise this treatment. A regulated stablecoin is intended to function as the equivalent of, and be redeemable for, the pegged asset, typically a major currency such as the US dollar. Therefore, the value is that of the pegged asset and should factor in the collateral recognition. In that context, there is no policy reason that regulated stablecoins should be treated less favorably than other eligible financial collateral with a value derived based on underlying assets, such as mutual funds. The presence of potential redemption risk should not be disqualifying. Regulated stablecoins are backed by reserve assets, as required under the relevant legal or regulatory regimes, and on that basis are designed to ensure that the pegged value can be realized.[20] The presence of potential redemption risk can be viewed as a form of credit

[18] The Associations' December 2023 Consultation Response has a more extensive discussion of the complexity of classification condition 2 and settlement finality, *available at* https://www.gfma.org/wp-content/uploads/2024/03/joint-associations-cryptoassets-working-group-bcbs-cryptoasset-standard-amendments.pdf.

[19] DLT Report, Chapter 4.

[20] The New York Department of Financial Services requires 1:1 reserve backing in USD-denominated assets. At the U.S. federal level, the recently enacted Guiding and Establishing National Innovation in U.S. Stablecoins ("*GENIUS*") Act, created a comprehensive regulatory framework for payment stablecoins. The EU Regulation on the Markets in Crypto-Assets ("*MiCA*") requires stablecoins to be fully backed by reserves held in high-quality, low-risk assets and

risk associated with the redeemer, and there is no reason why such credit risk should be disqualifying, in particular given that other assets, including corporate bonds that have credit risk but are not backed by reserve assets, are considered financial collateral. We also note that regulatory initiatives, such as the Committee on Payments and Market Infrastructures ("*CPMI*")-International Organization of Securities Commissions ("*IOSCO*") framework on tokenized settlement[21] and the Financial Stability Board ("*FSB*")'s stablecoin oversight recommendations,[22] acknowledge the evolution of risk mitigation frameworks in digital finance. We believe that the Cryptoasset Standard should remain consistent with these regimes.

4. Allow Group 2a cryptoassets to qualify as eligible financial collateral.

SCO60.29 summarizes the current framework for identifying eligible financial collateral, of which the primary precondition is "whether the collateral can be liquidated promptly and legal certainty requirements." Despite a well-developed framework for assessing whether an asset has characteristics consistent with the recognition of collateral, the Cryptoasset Standard broadly disallows recognition of any Group 2a cryptoasset as eligible financial collateral, even if it would meet the criteria for collateral recognition (specifically the legal requirements for enforceability and close-out). This is inconsistent with the principle of "same activity, same risk, same regulatory outcome." Recognition of Group 2a cryptoassets as eligible financial collateral would remove a structural barrier to bank participation in cryptoasset financing markets, should institutions choose to engage in these markets, and allow the prudential framework to reflect actual liquidity and enforceability characteristics, rather than by asset type alone.

The principles for recognition of eligible financial collateral emphasize that any asset classified as eligible financial collateral must:

- be subject to legally enforceable documentation that gives a bank the right to liquidate or take legal possession of the collateral in a timely manner;
- be subject to legal arrangements in which a bank has a perfected, first-priority security interest; and
- have sufficient levels of liquidity and price transparency.

Given the liquidity condition associated with being eligible for Group 2a classification, cryptoassets that satisfy that condition can be considered to meet the

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redeemable at par at all times. Singapore's Payment Services Act and MAS Stablecoin Regulatory Framework requires single currency stablecoins to be fully backed 1:1 with low-risk fiat assets. Japan's Revised Payment Services Act 2023 requires that stablecoins be fully backed by fiat currency deposits and redeemable at par. Hong Kong's HKMA Stablecoin Regulatory Framework (set to take effect in 2026) has the same requirement.

[21] CPMI-IOSCO, Application of the Principles for Financial Market Infrastructures to stablecoin arrangements (Jul. 2022), *available at* https://www.bis.org/cpmi/publ/d206.pdf.

[22] FSB, High-level Recommendations for the Regulation, Supervision and Oversight of Global Stablecoin Arrangements (Jul. 17, 2023), *available at* https://www.fsb.org/uploads/P170723-3.pdf.

liquidity requirements of eligible financial collateral. Furthermore, as discussed in the DLT Report, Group 2a cryptoassets can and do satisfy the foundational requirement that collateral be governed by legally enforceable documentation granting perfected, first-priority security interests and prompt liquidation or possession rights. We also note that certain exchanges are moving forward with the recognition of cryptoassets as collateral.[23]

5. Revise Treatment of Group 2 cryptoassets

A. Eliminate the Group 2 exposure limit.

The Cryptoasset Standard establishes a limit on banks' exposures to Group 2 cryptoassets. Specifically, a bank's exposure to Group 2 cryptoassets should not generally be higher than 1 percent of the bank's Tier 1 capital and must not exceed 2 percent of the bank's Tier 1 capital. Exposure is calculated as the higher of the absolute value of the long and short positions in each separate cryptoasset. Any exposures in excess of the 1 percent limit would be subject to the capital requirements that apply to Group 2b cryptoasset exposures. If a bank's exposures exceed 2 percent of its Tier 1 capital, all Group 2 cryptoasset exposures would be subject to the capital requirements that apply to Group 2b cryptoassets (*i.e.*, disallowing any offsetting or netting).

The Group 2 exposure limit as currently constructed prohibits banks from being meaningful participants in the markets for Group 2 cryptoasset products and services. This will drive market participants seeking those services and products away from the regulated banking sector. The Associations believe an exposure limit is unnecessary and generally inconsistent with the principles of "same activity, same risk, same regulatory outcome" and technology neutrality. Therefore, the limit, as currently constructed, should be eliminated. In particular, the current Group 2 exposure limit in the Cryptoasset Standard suffers from the following shortcomings.

- First, the exposure limit is different in kind and degree from the large exposure limit in the Basel framework or any exposure-based threshold in the Basel framework. As reflected in the examples in the table below, across other limits and thresholds, calibrations are significantly higher, the limits and thresholds allow netting, and none have analogous punitive cliff-effects.

[23] For example, the Swiss stock exchange group SIX recently announced that they would begin allowing cryptoassets as collateral. *See* https://www.six-group.com/en/newsroom/media-releases/2025/20250212-digital-collateral-service.html.

Threshold	Limit	Netting	Citation
Threshold Deduction for Non-Significant (<10%) Unconsolidated Financial Institutions	■ 10% of CET1	■ Net long position	■ CAP 30.22, 30.23, 30.26
Threshold Deduction for Significant (>=10%) Unconsolidated Financial Institutions	■ 10% of CET1	■ Net long position	■ CAP 30.29, 30.32(1)
Threshold Deduction for Mortgage Servicing Assets	■ 10% of CET1	■ Net of associated DTLs	■ CAP 30.7, 30.32(2)
Threshold Deduction for Temporary Difference Deferred Tax Assets	■ 10% of CET1	■ Net of associated DTLs	■ CAP 30.9, 30.32(3)
Combined Threshold Deduction	■ 15% of CET1	■ Same netting as for individual deductions	■ CAP 30.33
Large Exposure Limits	■ 25% of T1 (15% of T1 for G-SIB/G-SIB)	■ Net of credit risk mitigation (banking book) ■ Net long position (trading book)	■ LEX 20.1, 30.13, 30.07-30.13, 30.23-30.31

- Second, by using gross exposure measures, the Group 2 exposure limit not only fails to recognize hedging, it is also inconsistent with long-standing risk management and hedging practices. This results in the Cryptoasset Standard being misaligned with risk-based principles because it does not recognize when banks effectively manage risk through offsetting exposures. The use of a gross exposure measure can also have unintended consequences. Because there is no recognition of netting, if a bank were to exceed the limit, the only way to bring exposures below the limit would be to unwind positions, which could lead to potentially adverse and unnecessary effects on markets. This could discourage regulated entities from offering cryptoasset-related services, leaving market demand to be met by non-bank institutions that may fall outside the prudential perimeter. This is not a question of mandating participation, but of ensuring that regulated institutions are not deterred from investment purely due to structural disincentives.

- Third, the exposure limit includes two increasingly punitive cliff-effects. At the 1 percent threshold, incremental exposures are treated as Group 2b cryptoassets. At the 2 percent threshold, all exposures are treated as Group 2b cryptoassets, removing any hedging recognition for all Group 2 cryptoassets.

- Finally, the potential wide scope of exposures subject to the limit could result in a meaningless exposure measurement. For example, exposures that result in contingent market risk to Group 2 cryptoassets (for example, where Group 2 cryptoassets are collateral or in instances where there is client clearing activity) should not be included in such a limit given that

they only pose risks if the counterparty defaults. In addition, client clearing exposures should be out of scope of any such limit to reflect that there is no direct price risk on client-clearing exposures, to recognize the risk-mitigation benefits of client clearing and avoid penalizing clearing activity, and to be consistent with the principle of "same activity, same risk, same regulatory outcome."

These concerns are interrelated. For example, banks generally manage exposures at lower levels than regulatory exposure limits and, given the punitive cliff-effects of breaching the thresholds, the Cryptoasset Standard provides powerful incentives for banks to maintain a large "buffer" to avoid a breach. This effect translates to even lower capacity for the banks to participate in cryptoasset activities to meet their clients' needs. This capacity could be so low as to potentially make any participation uneconomical.

The absence of netting recognition for Group 2 cryptoassets is inconsistent with established risk mitigation practices widely accepted across the Basel framework for traded products, as reflected throughout the market risk as well as the counterparty credit risk / CVA frameworks.

B. Update the first hedging recognition test for Group 2a cryptoassets to reflect that spot cryptoassets increasingly trade on regulated exchanges.

Group 2 cryptoassets must meet three hedging recognition criteria to be classified as Group 2a. Under the current criteria, only Bitcoin ("*BTC*"), Ethereum ("*ETH*"), Ripple ("*XRP*"), Solana ("*SOL*"), and Dogecoin ("*DOGE*")[24] qualify as Group 2a. The first criterion mandates the existence of a derivative or ETF/ETN traded on a regulated exchange that references the cryptoasset or a centrally cleared derivative or an ETF/ETN that references the cryptoasset. The trading of a cryptoasset on a regulated exchange should also satisfy the criterion. A cryptoasset traded on a regulated exchange could also be hedged via OTC derivatives, physically settled forwards that provide for short exposure, and short sales. Hedging recognition should not be limited to circumstances in which there is a derivative or ETF/ETN traded on a regulated exchange that references the cryptoasset or a centrally cleared derivative or an ETF/ETN that references the cryptoasset. This adjustment—though targeted—is necessary because the Cryptoasset Standard fails to reflect the evolving landscape of cryptoasset markets, where regulated spot venues have matured alongside derivative platforms. Many national regulators now oversee order-book trading, custody, and reporting requirements for major cryptoasset exchanges, effectively bringing them into the regulatory perimeter. Aligning the first test with this reality would align the hedging recognition criteria with market and regulatory developments.

[24] DOGE only recently became eligible for Group 2a classification and therefore, was not included in the calibration analysis of risk weights or the comparison to equities and foreign exchange asset classes below.

C. Recalibrate the risk weight for Group 2a cryptoassets.

Under the Cryptoasset Standard, all Group 2a cryptoassets are assigned a 100 percent capital risk weight. This is in stark contrast to the treatment of single-name large-cap equities and major FX currency pairs, which, per MAR33.12, table 2, are placed in a 10-day liquidity horizon bucket. This discrepancy is not empirically justified, especially considering that certain cryptoassets have demonstrably higher trading volumes than many single-name large-cap equities and major FX currency pairs.

The observed trends in price volatility, shown below (current as of April 30, 2025), dictate a much lower capital risk weight (at most, 54%) for Group 2a cryptoassets.[25]

Cryptoasset	Liquidity Horizon	99% VaR	97.5% ES	Calibration Period
BTC	10 days	49%	46%	3/17/2020 - 3/16/2021
ETH	10 days	54%	53%	3/19/2020 - 3/18/2021
SOL	10 days	60%	59%	11/20/2021 - 11/19/2022
XRP	10 days	132%	130%	1/2/2021 - 1/1/2022
Market Cap Weighted Average		**54%**	**52%**	

In order to compare the liquidity profile of large cap equities that receive a 10-day liquidity horizon to that of cryptoassets, we compared the trading volume for the 500 companies in the S&P 500, which by de-facto meet the definition for large cap ($2 billion USD) under MAR21.74, to the trading volume over the same period for BTC/USD, ETH/USD, SOL/USD, and XRP/USD. The 1-year average daily trading volume for the large cap equities over the period between April 2024 and April 2025 was approximately $192 million with a median of $90 million.[26] The 1-year average daily trading volumes for the cryptocurrency to dollar and tether pairs over the same period were $10.6 billion, $6.4 billion, $1.8 billion and $1.5 billion respectively.[27] These trading volumes demonstrate that Group 2a cryptoasset to dollar and tether trading pairs are generally significantly more liquid than large cap equities.

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[25] The underlying data for this analysis was sourced from TradingView. The capital risk weights were derived using 10-day price return data for each cryptoasset over a one-year stressed period during which they satisfied the Group 2a classification criteria, in accordance with SCO60.55. BTC, ETH, SOL, and XRP have met the criteria for Group 2a since at least late 2021, a period that encompasses several significant stress events—including the May 2022 collapse of Terra (LUNA) and UST, the June 2022 contagion linked to Celsius, and the November 2022 failure of FTX. A one-year stressed period was identified for each cryptoasset based on the period with the maximum left tail value-at-risk ("*VaR*"), *i.e.*, when a long portfolio would have the most severe negative returns. The applicable risk weight was then determined using the greater of the absolute value of the right and left tails of the return distribution in the stressed period. This risk weight was calculated using both the 99th percentile VaR and the 97.5% expected shortfall, the latter representing the average loss within the right (or left) tail.

[26] These figures were derived by reviewing the 1-year average daily trading volume data for each of the SPX's 500 constituents.

[27] If we were only considering cryptocurrency to fiat pairs (as is currently formulated in SCO60.55), then the 1-year average daily trading volumes for BTC/USD, ETH/USD, SOL/USD, and XRP/USD would have been $2.7 billion, $1.7 billion, $301 million, and $405 million, respectively.

In addition to large cap equity trading volumes, we also compared the trading volume of FX specific currency pairs that receive a 10-day liquidity horizon against BTC and ETH spot trading pair volume. The FX currency pairs defined in MAR33.12 included, but are not limited to, EUR/USD, EUR/JPY, USD/ZAR, USD/TRY, USD/NOK, USD/BRL and AUD/JPY. Furthermore, MAR33.12 states that currency pairs forming first-order crosses across the specified currency pairs are also subject to the same 10-day liquidity horizon. This would include, but is not limited to, EUR/CAD and JPY/NZD. To conduct this analysis, we reviewed a sample of FX currency pair trading volumes published by the Bank for International Settlements ("*BIS*") Triennial Central Bank Survey of Foreign Exchange and Over-the-Counter Derivatives Markets.[28] The sampled currency pairs are presented in the table below.

FX Currency Pair	Spot Volume from BIS 2022 Survey (in bn USD)	LH 10-days in MAR 33.12
EUR/USD	418.8	Specified Currency Pair
USD/JPY	349.7	Specified Currency Pair
USD/CNY	159.3	Specified Currency Pair
GBP/USD	158.7	Specified Currency Pair
AUD/USD	110.0	Specified Currency Pair
USD/CAD	109.4	Specified Currency Pair
USD/CHF	59.2	Specified Currency Pair
USD/SGD	50.0	Specified Currency Pair
USD/MXN	42.7	Specified Currency Pair
USD/HKD	38.8	Specified Currency Pair
EUR/GBP	37.1	Specified Currency Pair
USD/INR	37.0	Specified Currency Pair
EUR/JPY	35.2	Specified Currency Pair
USD/KRW	32.3	Specified Currency Pair
NZD/USD	29.4	Specified Currency Pair
USD/NOK	29.4	Specified Currency Pair
USD/ZAR	20.4	Specified Currency Pair
AUD/JPY	20.1	Specified Currency Pair
EUR/CHF	20.0	Specified Currency Pair
USD/SEK	18.1	Specified Currency Pair
USD/TRY	11.5	Specified Currency Pair
USD/BRL	10.2	Specified Currency Pair
USD/RUB	2.0	Specified Currency Pair

[28] *Available at,* https://www.bis.org/statistics/rpfx22.htm.

We also analyzed the trading volume for a variety of BTC and ETH trading pairs, including stablecoin pairs, to determine whether the volume was consistent with the currency pairs receiving a 10-day liquidity horizon. We believe that the liquidity horizon test should also include Group 2a cryptoassets that are traded relative to stablecoins because when traders rebalance or reduce their cryptoasset exposures, they sell into stablecoins, which allows for more efficient execution. The traders then usually sell out of stablecoins when they buy back into the cryptoasset market. Therefore, the expectation is trading volume for cryptoassets will generally tend to be paired more with stablecoins than with fiat currencies.

Pair	1-year average volume (in bn USD)
BTC/USD Stablecoins	7.94
ETH/USD Stablecoins	4.77
BTC/USD Fiat	2.69
ETH/USD Fiat	1.67
SOL/USD Stablecoins	1.47
XRP/USD Stablecoins	1.11
XRP/USD Fiat	0.41
SOL/USD Fiat	0.30
BTC/EUR Fiat	0.16
ETH/EUR Fiat	0.07
XRP/EUR Fiat	0.05
SOL/EUR Fiat	0.03
BTC/GBP Fiat	0.03

By aligning the liquidity horizon and calibrating a lower risk weight, for example 54 percent rather than 100 percent, the Basel framework would more accurately reflect the real-world behavior of these markets.[29] This adjustment would also harmonize the treatment of all liquid instruments, whether tokenized or not, upholding the principle of "same activity, same risk, same regulatory outcome."[30]

[29] According to a recent letter from the Association for Financial Markets in Europe ("*AFME*") in response to the EBA's RTS on the calculation and aggregation of crypto exposure, a sample of cryptocurrencies exhibited not only high trading volumes but also levels of volatility comparable to components of the S&P 500 and the Russell 2000. *See* AFME response to the EBA's consultation on draft Regulatory Technical Standards (RTS) on the calculation and aggregation of crypto exposure values *at pp. 8-9*. (Apr. 8 2025)*, available at* https://www.afme.eu/Portals/0/DispatchFeaturedImages/AFME%20Response%20to%20EBA%20CP%20RTS%20on%20the%20Calculation%20and%20Aggregation%20of%20Crypto%20Exposure_Final.pdf.

[30] Consistent with our discussion above, it would be inconsistent with the principle of "same activity, same risk, same regulatory outcome" for a different, and higher, risk weight to apply to a counterparty credit risk exposure with respect to a derivative referencing a cryptoasset rather than any other type of derivative. Therefore, in the absence of specific guidance in the Cryptoasset Standard, there is a risk that implementation across jurisdictions may result in divergent or overly conservative approaches that are not aligned with risk—for example, by applying elevated risk weights to counterparty credit exposures solely because the exposure references a cryptoasset.

D. Remove the current "cross-tenor" and "cross-exchange" risk factor segmentation for Group 2a cryptoassets and consider cross-bucket correlations consistent with other asset classes.

The Cryptoasset Standard imposes capital requirements so high that it would effectively prohibit banks from making markets in Group 2a cryptoassets or securities or derivatives linked to such cryptoassets. This is despite the presence of liquid instruments—such as QCCP-cleared futures—that allow banks to hedge exposures. However, the Cryptoasset Standard does not recognize these hedges as effective, resulting in capital charges that are disproportionate to the residual risk. Consequently, the activity becomes economically inviable for banks. One important consideration to make the framework for cryptoassets risk sensitive is addressed above in relation to the risk weight calibration. Another consideration is to reflect hedge recognition more appropriately in the framework.

Under the standardized approach for market risk for Group 2a cryptoassets, the Cryptoasset Standard contemplates using delta sensitivities based on a risk factor structure that considers two dimensions: (1) the exchange, and (2) time to maturity, at certain prescribed tenors. The Cryptoasset Standard treats cryptoassets like commodities, for which delta risk factors are determined along two dimensions: (1) the delivery location, and (2) time to maturity of the traded instrument.

The rationale for the treatment of commodities—that for some commodities the relevant risk factor can either be the spot or the forward price—does not, however, apply to cryptoassets. The valuation of transactions relating to Group 2a cryptoassets is based on spot prices rather than forward prices. Storage costs and the associated convenience yields that may drive forward prices for commodities are not relevant to cryptoassets. For example, CME Bitcoin futures are based on the CME CF Bitcoin Reference Rate, which reflects the USD price of one Bitcoin on major Bitcoin spot exchanges. Like the delta risk factors for foreign exchange and equity, cryptoasset spot prices do not have a tenor dimension. Any funding-related risk factors due to buying or selling of the cryptoasset forward would be captured as general interest rate risk factors. This funding risk is not inherent in the cryptoasset price, unlike commodities where—as mentioned above—storage costs and convenience yields can influence forward prices.

The current cross-exchange dimension of the risk-factor structure, and its accompanying requirement to treat exposures on different trading venues as different risk factors, artificially inflates capital charges for identical economic positions in the same cryptoasset. Recent observed correlations show that the cross-exchange segmentation does not reflect actual market risk. The tables below show spot correlations across exchanges for Bitcoin (January 2022-April 2025), Ether (January 2020-April 2025), XRP (August 2023-April 2025) and Solana (June 2022-April 2025).

Bitcoin

10d Returns						
	Binance	Bitfinex	Bitstamp	Coinbase	Gemini	Kraken
Binance	100.000%	99.902%	99.904%	99.904%	99.891%	99.902%
Bitfinex		100.000%	99.991%	99.991%	99.983%	99.991%
Bitstamp			100.000%	99.999%	99.992%	99.998%
Coinbase				100.000%	99.992%	99.998%
Gemini					100.000%	99.992%
Kraken						100.000%

Ether

10d Returns						
	Binance	Bitfinex	Bitstamp	Coinbase	Gemini	Kraken
Binance	100.000%	99.993%	99.997%	99.997%	99.992%	99.997%
Bitfinex		100.000%	99.993%	99.993%	99.987%	99.993%
Bitstamp			100.000%	99.998%	99.991%	99.998%
Coinbase				100.000%	99.991%	99.998%
Gemini					100.000%	99.991%
Kraken						100.000%

XRP

10d Returns						
	Binance	Bitfinex	Bitstamp	Coinbase	Gemini	Kraken
Binance	100.000%	99.999%	99.998%	99.996%	99.999%	99.782%
Bitfinex		100.000%	99.999%	99.996%	99.999%	99.784%
Bitstamp			100.000%	99.997%	99.998%	99.782%
Coinbase				100.000%	99.996%	99.780%
Gemini					100.000%	99.784%
Kraken						100.000%

Solana

10d Returns						
	Binance	Bitfinex	Bitstamp	Coinbase	Gemini	Kraken
Binance	100.000%	99.975%	99.975%	99.972%	99.976%	99.970%
Bitfinex		100.000%	99.999%	99.995%	99.998%	99.988%
Bitstamp			100.000%	99.995%	99.998%	99.989%
Coinbase				100.000%	99.995%	99.984%
Gemini					100.000%	99.988%
Kraken						100.000%

By eliminating the current cross-maturity and cross-exchange dimensions, the BCBS would more accurately account for true market risk, reduce unnecessary capital burdens, and encourage efficient risk management practices without diminishing prudential conservatism. This adjustment aligns with the broader principle of "same activity, same risk, same regulatory outcome," streamlining implementation and preventing redundant capital charges for economically equivalent exposures.

In addition, the BCBS should also consider the recognition of cross-bucket, *i.e.*, cross Group 2a cryptoassets, diversification benefits under FRTB-SA consistent with the other risk classes and the actual risk where a pure gross-up across all cryptoassets is not reflective of the actual loss of long and short exposures in different cryptoassets. This will become even more important as the cryptoasset market further evolves.

6. Allow the use of market-risk and counterparty-risk internal models

Under the principle of "same activity, same risk, same regulatory outcome," the BCBS should also reconsider its prohibition on the use of market-risk and counterparty-risk internal models.

Although we believe the prohibition should be removed entirely, Group 2a assets in particular meet three rigorous conditions that indicate their suitability for internal-model treatment: (i) there are robust, regulated hedging instruments, (ii) they demonstrate market liquidity and capitalization, and (iii) there are frequent and transparent price observations consistent with the risk-factor eligibility tests under MAR 31.12. Specifically, the second and third criteria for classification as Group 2a provide for both the depth of market and the quality of inputs necessary to support FRTB-IMA calculations. Relatedly, banks should be allowed to use SA-CVA calculations for Group 2a cryptoassets subject to supervisory approval. Given how rapidly bank clients' appetite for cryptoasset trading and market making has grown, the inability to employ internal models for cryptoassets exposures threatens to starve these markets of much needed liquidity.

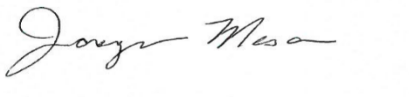
* * * *

Finally, we note that there are elements of the Cryptoasset Standard that are unclear and should be revised to eliminate ambiguity and promote consistent, risk-sensitive application across jurisdictions. For example, SCO60.83(1) broadly provides that the treatment of Group 2b cryptoasset exposures applies to funds of Group 2b cryptoassets "and other entities, the material value of which is primarily derived from the value of Group 2b cryptoassets." "Other entities" should specify that this provision affects only special purpose vehicles or similar entities and excludes equity investments in cryptoasset exchanges, wallet providers, blockchain miners, blockchain application developers, cryptoasset/blockchain infrastructure providers, and crypto-derivatives.

The Associations appreciate your consideration of our request and the arguments, data and analysis that support it. We would value an opportunity to meet to discuss this request in greater detail and remain at your disposal to provide any additional information you may require.

Respectfully submitted,

Allison Parent
Executive Director
Global Financial Markets Association



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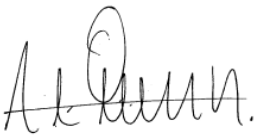

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