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Proposal and Comment Information

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Real-world market behavior already demonstrates that Bitcoin-related financial services can evolve toward more transparent and risk-aware models without requiring blanket exclusion from the regulated banking system.

Some firms have narrowed their focus specifically to Bitcoin and structured products around measurable collateral, conservative loan-to-value practices, and operational transparency. For example, Bitcoin-backed lending models that emphasize overcollateralization, real-time collateral monitoring, and rapid liquidation frameworks demonstrate that volatility risk can be actively managed rather than ignored.

Other firms have explored structures designed to reduce forced liquidation risk during periods of market volatility through dynamically managed collateral and loan arrangements. These examples show that operational and market risks can be addressed through prudential controls, governance, and risk management practices instead of categorical capital treatment.

At the same time, the broader digital asset industry has demonstrated that scale alone does not guarantee operational resilience or consumer protection. Major platforms have experienced outages during periods of market stress, cybersecurity incidents, inconsistent governance practices, and operational failures despite significant market share and capital access.

This distinction matters because the agencies should avoid treating all digital asset activity as economically or operationally identical. A narrowly focused Bitcoin custody or collateralized lending activity presents materially different risks than highly leveraged trading platforms, opaque token ecosystems, or issuer-dependent crypto structures.

A blanket 1,250% capital treatment risks preventing regulated U.S. banks from competing in the development of safer Bitcoin financial infrastructure while encouraging activity to migrate toward less supervised venues or concentrated intermediaries.

Consumers and businesses benefit when regulated institutions are permitted to compete on the basis of security, operational competence, transparency, and risk management rather than being excluded from participation through disproportionate capital treatment.