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Proposal and Comment Information

Title: Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-weighted Assets, R-1888

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Submitter Information

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I am a Bitcoin investor based in South Korea
U.S. banking regulations have a significant global impact on Bitcoin's institutional adoption and market infrastructure, which is why I am submitting this comment.

1. Volatility
While I acknowledge that Bitcoin's short-term volatility is higher than that of traditional assets, the volatility has been steadily declining as the market matures
Recent data shows that Bitcoin's 90-day realized volatility is frequently lower than that of many large-cap stocks in the S&P500
The existing Basel market risk framework already includes sophisticated tools such as VaR and Expected Shortfall to properly address volatility
Applying a blanket 1,250% risk weight is an excessive and duplicative penalty
Importantly, Bitcoin has virtually zero credit and counterparty risk, which distinguishes it from other high-risk assets.
2. Liquidity Risk
Bitcoin is one of the most liquid assets in the world. It trades 24 hours a day, 365 days a year across global exchanges, CME futures, and ETFs, with daily trading volume often reaching tens of billions of dollars
Its market depth is superior to many traditional assets
Since the Basel framework already includes Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to manage liquidity risk, an additional 1,250% risk weight is unnecessary.
3. Operational Risk (Permissionless Blockchain)
The Bitcoin network has operated without a single downtime for over 14 years and is one of the most secure and battle-tested public blockchains in existence
Major hacking incidents have primarily occurred on centralized exchanges and custody services, not on the Bitcoin protocol itself
Operational risks can be adequately managed under the existing Basel Operational Risk Framework
Moreover, the permissionless nature of Bitcoin provides significant benefits: extreme transparency and the reduction of single points of failure.
4. Valuation Difficulty
Bitcoin currently offers one of the highest levels of price transparency in the world, with real-time trading across multiple exchanges, ETF Net Asset Value (NAV), and on-chain metrics such as MVRV and realized price
Applying the fallback rule designed for "opaque securitization" to Bitcoin is a clear category error.
5. Hedging Difficulty
A wide range of hedging tools are now available, including CME Bitcoin futures and options, ETFs, OTC desks, and perpetual futures
While the Basel Market Risk Framework recognizes hedging, assigning almost no hedging recognition to Group 2b assets is unreasonable.

Bitcoin has virtually no credit or counterparty risk, and the infrastructure to measure and manage its risks is now sufficiently developed
Therefore, the 1,250% risk weight lacks risk-sensitivity and is overly punitive
I respectfully request that regulators adopt a more accurate, risk-based capital treatment for Bitcoin.