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Proposal and Comment Information

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

Comment ID: FR-2026-0008-01-C125

Submitter Information

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Submitted Date: 05/08/2026

Subject: Comment on Bank Capital Treatment of Bitcoin

To the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation:

I am submitting this comment because I believe U.S. bank capital rules should treat Bitcoin according to its actual risks, not through a blanket penalty that makes regulated bank involvement economically impractical.

Bitcoin is not risk-free. It has price volatility, custody risk, cybersecurity risk, liquidity risk, and operational risk. Banks that engage with Bitcoin should be required to manage those risks through strong controls, audited custody standards, prudent inventory limits, appropriate supervision, and robust operational safeguards.

But Bitcoin is fundamentally different from many other cryptoassets. It has no issuer, borrower, management team, coupon, redemption promise, reserve portfolio, or defaulting counterparty. It is not a claim on a company, stablecoin issuer, DeFi protocol, or lending platform.

Bitcoin is an issuerless, decentralized, globally traded capital asset with a transparent supply schedule, public settlement history, open-source validation, and continuous market pricing. Its risks are real, but they are not opaque. They are primarily market, custody, cybersecurity, operational, liquidity, hedging, and concentration risks. Those risks can be measured, supervised, and capitalized directly.

The blanket 1,250% risk weight proposed by Basel is therefore the wrong tool for Bitcoin's actual risk profile. Regulation that lumps Bitcoin together with speculative instruments and opaque credit products fails to distinguish among different assets, different structures, and different risks.

At an 8% minimum capital ratio, a 1,250% risk weight can require capital equal to the full value of a bank's Bitcoin exposure before additional buffers. That treatment does not make banks safer. It prevents regulated banks from offering custody, settlement, secured lending, treasury services, payment infrastructure, market-making support, hedging tools, and client services that Bitcoin users and businesses increasingly need.

I respectfully urge the agencies not to adopt or entrench Basel's blanket 1,250% treatment for Bitcoin. Instead, the agencies should adopt their own risk-sensitive framework that addresses Bitcoin's actual risks through market-risk capital, operational-risk treatment for custody and key management, cybersecurity standards, recognition of hedging, audited custody controls, prudent inventory limits, and graduated concentration limits.

The agencies should also distinguish Bitcoin from issuer-backed tokens, stablecoins, DeFi instruments, and other cryptoassets with materially different risk profiles. Bitcoin should not receive special treatment. It should receive accurate treatment.

A risk-sensitive framework would better protect safety and soundness while allowing Bitcoin-related activity to occur inside regulated, supervised U.S. financial institutions. A blanket penalty would push activity away from regulated banks, reduce consumer choice, and weaken American leadership in Bitcoin and financial technology.

America cannot lead the next generation of financial infrastructure if American banks are effectively blocked from participating in Bitcoin.