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Proposal and Comment Information

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Submitter Information

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I am submitting this comment in a personal capacity. I spent fifteen years working in banking at HSBC North America, a significant portion of which involved operating directly within Basel capital frameworks, including risk-weighting methodology, capital allocation against trading and banking book positions, and the product viability decisions that flow from regulatory capital treatment. I am writing because the proposed 1,250% risk weight assigned to Bitcoin under the Basel cryptoasset framework represents a methodological error, not a conservative judgment.

The 1,250% weight is a category misapplication.

The 1,250% risk weight tier was designed for instruments carrying the risk of total, unrecoverable loss — primarily highly leveraged or deeply subordinated structures where a bank could lose its entire exposure with no residual claim. The classic examples are securitisation tranches with no recourse and certain equity exposures held against counterparties with no liquidation value.

Bitcoin does not fit this category. It has no issuer. It has no borrower. There is no counterparty who can default and render the asset worthless. The risks associated with a Bitcoin position are primarily two: market risk (price volatility) and operational risk (custody, key management, internal controls). Both of these risk types are already well-understood by banking supervisors and are addressed by existing frameworks. Applying a 1,250% weight, a weight designed for default-risk instruments, to an asset with no issuer and no default mechanism is not methodologically conservative. It is methodologically incorrect.

What the capital treatment actually does in practice.

Having worked inside the system, I can be direct about the mechanics: banks do not absorb punitive risk weights and continue operating. They exit the activity. A 1,250% weight on Bitcoin does not mean banks are providing Bitcoin services with heavy capital buffers. It means banks are not providing Bitcoin services at all. Custody, secured lending, settlement infrastructure, treasury services, all commercially unviable at that weight.

The result is not that Bitcoin activity disappears. It migrates to less regulated venues, offshore institutions, and platforms operating outside the supervisory perimeter that U.S. bank regulators can actually see and influence. This is a worse outcome for safety and soundness than supervised, capital-adequate Bitcoin activity inside regulated institutions. The 1,250% weight achieves the opposite of its stated intent.

What the agencies should do instead.

The appropriate treatment disaggregates Bitcoin's actual risk profile rather than assigning a blanket penalty:

Market risk: Apply standard market-risk capital rules to Bitcoin price exposure. Use internal models or standardised approaches already in use for other volatile asset classes. Volatility is high; the framework for it already exists.
Operational risk: Apply supervisory standards to custody, cybersecurity, key management, and internal governance. These are not novel risks. They are familiar categories for which examination frameworks already exist.
Hedging recognition: Where a bank can demonstrate that directional exposure has been offset, recognise it, consistent with how hedging is treated for other asset classes.
Disaggregation from other cryptoassets: Bitcoin is not a stablecoin, a governance token, a DeFi instrument, or an issuer-backed asset. Its risk profile is materially different. Treating all cryptoassets

identically is the same analytical error as treating all structured credit instruments identically because they share a broad category label.
Conclusion.

Regulators have an opportunity here to develop a capital framework that is both accurate and supervisory sound, one that reflects what Bitcoin's risks actually are, not a legacy classification that doesn't fit the asset. A risk-sensitive approach would allow regulated U.S. institutions to serve Bitcoin users inside the supervisory perimeter, with proper capital backing, proper operational controls, and proper regulatory visibility. The current 1,250% treatment forfeits all of that.

I urge the Federal Reserve, OCC, and FDIC to reject the blanket Basel treatment for Bitcoin and develop a risk-based capital standard proportionate to Bitcoin's actual and measurable risk profile.