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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-C144

Submitter Information

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Submitted Date: 05/09/2026

Comment Submission for Docket FR-2026-0008-01: Regulatory Capital Rules – Regulatory Capital and Standardized Approach for Risk-Weighted Assets (R-1888)

I respectfully submit this comment in strong support of the agencies' efforts to improve the risk sensitivity and calibration of risk weights under the standardized approach. The proposed reductions—for corporate exposures to 95% and the residual "other assets" category to 90%—represent a thoughtful step toward better aligning capital requirements with actual risks in lending and balance-sheet activities. These changes will enhance the efficiency of the banking system while preserving safety and soundness.

I urge the Board, OCC, and FDIC to extend this same principle of risk-sensitive calibration to Bitcoin (and other Group 2 cryptoassets under the Basel framework). Bitcoin should be permitted to serve as a legitimate source of capital and balance-sheet strength for banks, subject to prudent risk-management standards. The current blanket 1,250% risk weight (or equivalent punitive treatment) for Bitcoin holdings is not calibrated to its actual risk profile, materially distorts bank incentives, and is inconsistent with the goals of this proposal.

Bitcoin is a scarce, decentralized digital commodity with a verifiable 21-million-coin supply cap and a 16+ year track record as a superior store of value. Its volatility, while higher than traditional assets in the short term, has declined meaningfully as liquidity and institutional participation have grown. Spot Bitcoin ETFs now hold tens of billions in assets under management, major corporations treat it as a treasury reserve asset, and several sovereign nations have added it to national reserves. Empirical data show Bitcoin's long-term correlation with traditional financial assets is low, making it an effective portfolio diversifier and hedge against fiat-currency debasement and inflation—risks that are increasingly material to bank balance sheets.

Institutional-grade custody solutions (cold storage, multisig controls, audited SOC 2 and ISO 27001 compliance, and insurance) have matured dramatically. Operational and custody risks are now measurable and manageable through the same supervisory tools the agencies already apply to other volatile assets. Banks can and should be required to implement concentration limits, stress-testing, independent valuation, and robust internal controls—precisely the risk-management practices this proposal seeks to reward through better-calibrated weights.

A 1,250% risk weight effectively requires banks to back nearly 100% of any Bitcoin exposure with capital before buffers. This is more conservative than the treatment of many corporate loans, equities, or even certain commodities that have demonstrated higher historical loss rates. It prevents banks from holding Bitcoin in amounts that could meaningfully strengthen their capital base or diversify reserves. By contrast, assigning Bitcoin a risk weight that reflects its empirical characteristics—comparable to other well-managed commodities or low-correlation assets—would allow prudent holdings to contribute positively to capital adequacy and overall resilience.

This adjustment aligns directly with the proposal's stated objectives: greater risk sensitivity, improved calibration, and consistency with actual economic risks. It also supports broader U.S. policy goals of financial innovation, technological leadership, and strategic reserve diversification. Recent actions by the SEC (token taxonomy classifying Bitcoin as a non-security digital commodity) and other developments confirm that Bitcoin is no longer an experimental asset; it is a mature, transparent, and increasingly systemic part of global finance.

I recommend that the final rule either:

1. Explicitly carve Bitcoin (when held in qualified custody) out of the punitive Basel Group 2b treatment and assign it a risk weight informed by historical data and portfolio-diversification benefits, or
2. Provide a clear pathway for banks to demonstrate, through supervisory review, that Bitcoin holdings meet risk-management standards warranting treatment within the revised "other assets" category or an analogous calibrated bucket.

I further suggest the agencies consider a phased implementation or pilot program for well-capitalized institutions to gather real-world data on Bitcoin's contribution to bank stability.

Allowing Bitcoin to function as a recognized source of capital—under strict prudential safeguards—will strengthen the U.S. banking system, promote competition, and position American institutions at the forefront of digital-asset innovation without compromising safety and soundness.

Thank you for considering these views. I am happy to provide additional data, modeling, or references upon request.
Respectfully submitted,
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