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Proposal and Comment Information

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The Basel III “Endgame” treatment and the 1,250% risk weighting approach toward Bitcoin exposure is structurally flawed. It does not reflect the actual risk characteristics of modern Bitcoin custody, particularly where institutions are operating under full reserve models, transparent on-chain verification, and segregated customer assets.

Bitcoin is not a leveraged credit product, an opaque derivative, or a fractional reserve banking instrument. It is a bearer asset with continuous public auditability. Treating it as categorically more dangerous than many traditional financial products appears disconnected from observable market structure and technological reality.

A blanket punitive framework risks pushing Bitcoin activity outside regulated U.S. institutions and into less transparent offshore environments. That outcome would reduce supervisory visibility, weaken consumer protections, and disadvantage American banks and companies attempting to build compliant infrastructure.

Regulators should instead pursue a risk-based framework that distinguishes between:

* custodial vs non-custodial exposure
* fully reserved vs rehypothecated models
* customer assets vs proprietary speculation
* transparent on-chain systems vs opaque balance sheet exposure

The current proposal appears to treat all Bitcoin exposure as inherently toxic regardless of implementation. That is not technologically accurate and may unintentionally discourage safer institutional designs.

The United States should encourage responsible Bitcoin integration within the regulated banking system rather than impose capital treatments so punitive that participation becomes economically irrational.