ANONYMOUS

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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To the Board of Governors,

I submit this comment as an individual U.S. investor and Bitcoin holder. My comment addresses one defect that will undermine the proposal's stated objective of better matching capital to actual risk. That defect is the treatment of Bitcoin under any default importation of the Basel cryptoasset standard (SCO60), which assigns Bitcoin a 1,250% risk weight under Group 2b.

The 1,250% weight is a category error. That weight was designed to capitalize unrateable securitization tranches whose underlying risks are opaque and embedded. Bitcoin is the opposite case. It is a bearer asset with no issuer, no counterparty obligation, and no embedded credit risk. Its supply is algorithmic and auditable. Every transaction is recorded on a public ledger. Under CRE20.4, allocated gold receives a 0% credit-risk weight precisely because it is a bearer asset with no obligor. Bitcoin shares those structural characteristics. Two assets with the same risk topology cannot defensibly sit at opposite ends of the standardized risk-weight ladder.

The math is prohibitive, not conservative. A 1,250% weight multiplied by the 8% minimum capital ratio produces a charge equal to 100% of the exposure before buffers. With buffers and internal hurdle rates, the effective requirement exceeds the position. For a non-yielding asset, this functions as a capital deduction, an outcome the Basel Committee itself rejected when it chose risk-weighting over deduction in 2022. Under any reasonable return-on-equity hurdle, the business case for regulated-bank Bitcoin intermediation is eliminated.

The risks Bitcoin actually carries are already addressable through existing chapters. Volatility is what FRTB was built to capitalize, through Expected Shortfall, default risk charges, and stress overlays. Bitcoin has fifteen years of continuous trading data. Liquidity is captured by LCR and NSFR. Spot volume runs $10 to $20 billion daily, CME futures and options averaged 340,000 contracts per day in Q3 2025, and on-chain settlement is probabilistic-final within roughly one hour. Operational risk has its own chapter under OPE25, and OCC Interpretive Letters 1170, 1183, 1186, and 1188 already establish custody, cybersecurity, and resilience standards. The 1,250% weight bypasses each of these calibrated tools and substitutes a single penalty number that does the work of all of them at once. That is not risk sensitivity. It is the absence of it.

The framework also creates an internal inconsistency. A bank holding long Bitcoin through CME futures is capitalized under the market-risk framework. The same bank holding spot Bitcoin to deliver against a client redemption is hit with a credit-risk-style maximum penalty. Two paths to the same economic exposure produce charges that differ by orders of magnitude.

The consequences are visible. Over 150 public U.S. companies now hold roughly 1.1 million Bitcoin worth approximately $78 billion in corporate treasury. These positions need custody, collateralized lending, settlement, and hedging. When U.S. banks are foreclosed from serving them, demand migrates to non-bank intermediaries, offshore exchanges, and unregulated channels. The FTX collapse showed what that pattern produces. The EU's MiCA framework and the licensing regimes in Hong Kong, Singapore, and Switzerland are already absorbing activity that U.S. banks cannot serve. The Basel Committee Chair himself acknowledged in November 2025 that these rules require rework.

I respectfully ask the Board to do four things in the final rule.

First, clarify that pure agency custody, where the bank holds no principal position and bears no market risk, is capitalized solely under the operational risk framework (OPE25), consistent with post-SAB 122 accounting and OCC interpretive guidance.

Second, replace the fixed 1,250% default for non-issuer digital commodities with a conservative FRTB-based market-risk approach plus an explicit operational-risk add-on calibrated to custody and key management. Recognize offsetting positions in CME-listed futures, options, and approved ETF shares with appropriate haircuts.

Third, replace the binary 2% Group 2 hard cap with a graduated concentration-limit schedule. The current cliff causes banks to manage well below the threshold and produces no incremental safety benefit.

Fourth, classify by measurable risk, not by technology label. An asset with no issuer, continuous global trading, regulated derivatives, and cryptographic auditability should not automatically receive the framework's maximum penalty weight.

The Board has the discretion to lead this calibration rather than import a default the Committee Chair has acknowledged requires rework. The 1,250% weight is not conservatism. It is the absence of a calibration. The framework is better than that, and the final rule should reflect it.

Thank you for your consideration.

Sincerely,
Individual investor and Bitcoin holder