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Proposal and Comment Information

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Submitter Information

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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 support maintaining a highly conservative capital treatment for Bitcoin exposure within the banking system.

Bitcoin remains an extremely volatile speculative asset with no intrinsic cash flow, no sovereign backing, no lender of last resort, and no underlying productive yield. Its market behavior is characterized by large price swings, periodic liquidity shocks, concentrated ownership, and strong correlation with speculative risk appetite.

While advocates argue that Bitcoin is “different” from other cryptoassets because it lacks an issuer, that does not eliminate systemic risk to banks. In practice, banks exposed to Bitcoin would still face substantial market risk, liquidity risk, operational risk, custody risk, cybersecurity risk, reputational risk, and contagion risk during periods of market stress.

The argument that banks should be encouraged to integrate Bitcoin services because activity already exists outside the banking system is not persuasive. The role of prudential regulation is not to guarantee profitability or competitiveness for speculative assets. It is to protect the safety and soundness of the banking system and reduce the probability that taxpayer-backed institutions become exposed to destabilizing losses.

History repeatedly shows that financial institutions tend to underestimate risk during bull markets and socialize losses during downturns. Regulators should be extremely cautious before lowering capital standards for highly volatile digital assets whose long-term role in the financial system remains uncertain.

Bitcoin supporters often compare Bitcoin favorably against other risky instruments, but Bitcoin’s historical volatility remains dramatically higher than traditional reserve assets, sovereign debt, investment-grade securities, or regulated commodities markets. A stringent capital framework is therefore reasonable and prudent.

I also disagree with the suggestion that a 1,250% risk weight “blocks innovation.” Financial innovation should occur only when risks can be properly measured, supervised, and absorbed without threatening broader financial stability. If Bitcoin-related services are economically unattractive under realistic capital requirements, that may simply reflect the true underlying risk profile.

For these reasons, I urge the agencies to retain strong capital safeguards for Bitcoin exposures and avoid weakening prudential standards in response to political or industry pressure.

Respectfully,
Jay