



Bitcoin Association Switzerland (BAS)

Bitcoin Association Switzerland is a non-profit organization of enthusiasts that regularly organizes free and open events related to Bitcoin. Founded in 2013, it is Switzerland's oldest fintech-related association. Its meetup group has more than 8000 members.

Zurich, 2022-08-07

To:

Bank for International Settlements (BIS)
Basel Committee on Banking Supervision

Prudential Treatment of Cryptoasset Exposures II

Dear Members of the Basel Committee on Banking Supervision,

We would like to express our disagreement with your latest proposal on the prudential treatment of crypto assets in the strongest possible terms. Observing your hostile stance towards crypto currencies and the absence of a dialog in previous consultations, it is questionable whether it is worthwhile to take part in this consultation at all. Nonetheless, we would like to point out the three most misguided elements in your thinking:

1. In an open departure from the principle of technological neutrality, you propose an "Infrastructure risk add-on" that punishes the use of blockchain technology for the storage, transfer and settlement of traditional financial assets. This destroys the efficiency gains that blockchain technology promises and ignores that well-designed blockchain-based systems can be significantly more secure than the traditional market infrastructure. In such cases, the principle "same risk, same rules" would call for the opposite, namely an "infrastructure bonus".
2. As we already argued in the previous consultation, small short-term deviations from a peg are a poor measure for the stability of stablecoins. Instead, stablecoins should be considered stable if they are backed by substantial value - similar to how the solvency of banks is evaluated. Narrow spreads are primarily a measure for how well developed the respective markets are and not for how stable the value of the traded assets is.
3. Limiting a bank's exposure to Bitcoin and related crypto currencies to 1% of their tier 1 capital would effectively prohibit banks from engaging meaningfully with crypto currencies and would destroy the possibility of starting and running crypto banks in a useful way. All the US banks together have USD 2,000 billion of tier 1 capital, so your proposal would limit the crypto exposure of the US banking system to mere USD 20 billion.

It seems your intent is to prohibit banks from meaningfully engaging in crypto markets. However, since you lack the authority to openly do that, you do it indirectly through absurd capital requirements. This is dishonest. Furthermore, such a far-reaching decision should be left to the legislative in any democratic system with a clean separation of powers. Your approach is eroding the trust people have in the established institutions. If enacted, your rules would also foster further cynicism about the usefulness of financial regulation in general. That is how wrong the proposal at hand is. It reveals that you care more about protecting old power structures than about doing what is right.

Sincerely,



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