



Bitcoin Association Switzerland

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 7500 members.

Zürich, 2020-03-13

To
Basel Committee on Banking Supervision

Uploaded to www.bis.org/bcbs/commentupload.htm
Publicly available on our blog bitcoinassociation.ch/blog

Comment on “Designing a prudential treatment for cryptoassets”

Dear Basel Committee

Bitcoin Association Switzerland appreciates this opportunity to take part in your discussion of the prudential treatment of crypto assets. There is a worrying trend of our laws being increasingly shaped by international bodies without immediate democratic legitimacy. The invitation to take part in your decision-taking is a step towards countering this trend and we encourage you to further involve the public in the future.

The capital requirements contemplated on page 11 of the discussion paper are absurdly restrictive. If such measures were actually implemented, we would take this as a strong hint that your organization has fallen victim to regulatory capture and that you are no longer acting in the best interest of the people. In their contemplated extent, these measures might even violate the Swiss constitutional principle of economic freedom, as they would essentially prohibit banking with Bitcoin. If you want to have some control over the risks associated with crypto currencies, a more sensible strategy would be to make it as attractive as possible for users to store their Bitcoins with banks. There, they could be subjected to all kinds of prudential measures and regulatory scrutiny.

To illustrate the absurdity of the contemplated requirements, take the example of a bank accepting a deposit of a Bitcoin worth 5'000\$ from a client. Even if the bank stores that Bitcoin securely in its own crypto vault, it would have to raise an additional 5000\$ of equity that sits idly in a bank account to preserve its capital ratio, despite there being no relevant risk. If the bank has one Bitcoin and owes one Bitcoin, there is no market risk, no liquidity risk, and no counterparty risk. The remaining risk of theft or accidental loss is not what you are tasked with regulating and not relevant in this context. Thus, there are no grounds to demand any additional capital at all in this

use case, but instead your “illustrative example” proposes to apply the most strict requirements conceivable!

Similarly, it makes no sense to disallow banks from accepting Bitcoin as a collateral. A more sensible treatment would be to actually follow your own principle of “same risk, same rules” and to simply apply the existing rules of similarly volatile assets. If - for example - Tesla shares and Bitcoin have about the same volatility, then they both should face the same requirements when used as a collateral. Any deviation from your own stated principle of “same risks, same rules” in this matter should again be seen as a strong hint that you are not acting in our best interest.

We suggest you assist our banking system in embracing crypto-currencies instead of trying to slow down adoption out of false fears. That would make it much more likely that we end up in an equilibrium where this promising technology is used for the good and the benefit of everyone. Pushing crypto into the dark does not help.

For detailed answers to your questions, we refer to the more extensive and excellent comment filed by the Swiss Blockchain Federation. In the meantime, we will continue to advance the vision of free and open finance driven by blockchain technology. As Swiss columnist Constantin Seibt recently noted: “In times of chaos, good work is the truly subversive act.”

Best regards on behalf of Bitcoin Association Switzerland

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President

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