A response by the Federation of Latin American Banks – FELABAN to the Basel Committee on Banking Supervision's consultative document on:

Prudential treatment of cryptoassets exposures

Dear Basel Committee on Banking Supervision members:

The Federation of Latin American Banks - FELABAN acknowledges the Basel Committee on Banking Supervision (hereinafter *the Committee)* for the opportunity to discuss the proposals included in the consultative document "*Prudential treatment of cryptoassets exposures*", published on June 2021.

Cryptoassets have gained rapid traction over the last years, and are on the track of becoming a permanent part of the financial system in the years to come. However, bank regulatory standards for activities linked to these kinds of assets are not clear, which has kept banks away from performing transactions with them. However, as both central banks and financial regulators around the globe are showing increasing interest in cryptoassets, every prudential regulatory framework for the banking sector on this regard is welcome.

FELABAN analyzed and discussed its content with the Banking Associations we represent, as well as with our Latin American Committee on Risks, and the outcome is this document, which highlights our comments and views on this initiative. We believe it will be a useful point of reference when considering a prudential treatment for cryptoasset exposures, from the point of view of the Latin American banking sector.

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1. What are your views on the Committee's general principles?

We welcome the efforts by the BCBS to clarify the prudential treatment of banks' exposures to cryptoassets. Certainty on the prudential treatment of cryptoassets will help financial institutions to take part of this market. Also, it is important that any effort on this front is coordinated at international level to ensure a level playing field across geographies.

We support that the Committee is following an iterative process to this endeavour. We believe it is important to ensure that any regulatory response to cryptoassets at this stage remains flexible and avoids being excessively prescriptive. This is due to the evolving nature of the cryptoassets markets and the speed by which developments in technology and the market might take place.

However, the current proposal on the prudential treatment of banks' exposures to cryptoassets seems to be excessively punitive. Given that the interest in and the use of cryptoassets by consumers and businesses is here to stay, absent action by regulators and policymakers to effectively allow banks to engage in such activities, consumers will increasingly look to non-bank financial services providers (or non-regulated financial services providers) for cryptoassets products and services.

In this regard, we believe that banks' involvement in the crypto-environment is essential to ensure a secure development of the market, and is beneficial both for the general public and regulators. This is because, while cryptoassets might be new, the potential harms to the financial sector that they might bring are not, and banks have a longstanding experience in dealing with different types of risks. In fact, banks are already subject to comprehensive and robust risk management, supervision and examination processes, and have long standing expertise in complying with consumer protection and anti-money laundering laws and regulations.

On the other hand, non-bank providers are not necessarily subject to comprehensive and robust risk management requirements, supervision or consumer protection regimes. Therefore, a concentration of crypto-asset activity in this non-regulated environment might undermine efforts to prevent financial stability risks, rather than the opposite.

Providing a carefully calibrated regulatory framework for banks' exposure to cryptoassets would encourage the introduction of related products and services by banks, subject to the highest levels of scrutiny and risk management best practices. In this regard, we believe that the Basel Committee should ensure harmonization in the treatment of banks' exposures to cryptoassets and that having jurisdictions prohibiting their banks from having any exposures to cryptoassets should not be deemed compliant with the global standard.

We believe that recognizing the prudential treatment of crypto asset exposures by the Committee and developing a framework that responds to emerging innovations in financial markets is a positive development. It is essential that financial institutions participate in this new digital era to ensure their survival.

Although this is a positive step, there are additional issues that remain to be discussed and it would be beneficial to clearly know the position of the BCBS regarding DeFi, the interaction with DEX and CEX, among others.

The document is an appropriate step in recognizing the treatment of cryptoassets in the regulatory framework. It is an opportunity to incorporate other types of assets in Basel standards with legal certainty, in addition to helping banks to develop greater financial innovation based on the technology that sustains cryptoassets.

Despite this, there are also significant challenges that arise from cryptoassets, and it is an aspect that we cannot lost sight of. It is essential that the prudential approach proposed by Basel weighs the strategic risk that cryptoassets represent and the risk they may disintermediate traditional participants in the current financial system, therefore an appropriate regulatory burden must be assigned.

This approach should promote an equal footing for competition that benefits users of financial services without creating a disincentive for Banks in the search for these technological innovations, while in turn discouraging the growth of "Shadow Banking".

The principles are adequate and will have to be improved once their operations start and experience increases.

Before addressing the use of the principles, it is important for the document to consider the need of having a local regulatory framework in place. Without this general framework, the application of any Basel rule or principle will be difficult to adopt.

We agree to having minimum standards to manage the use of cryptoassets and to including regulators as key players in the regulatory framework. In terms of operations, we believe that it is better to start with something simple and not overly complex to better control operational risk and be able to scale operations in a controlled way. This requires a 360-degree view of all related regulations in force, including the prevention of money laundering.

Considering operational risks and mitigating them through assessments is something we find appropriate. The project not only includes money laundering and terrorist financing, but also the analysis of the technological environment (i.e., networks, transfers, cyber risk). This standard should have the support of regulators in all jurisdictions.

We understand that the main benefit of cryptoassets is buying and selling on platforms. When offering products in this sector, banks need to protect themselves and their customers against the risks that such new technology can bring.

In addition to considering the technology used, the economic purpose must be taken into consideration in the creation of the standard. Questions that may be considered in the project:

- For the valuation of these cryptoassets, do you consider it a good idea to create a weighted index of currencies?
- How would a regulatory audit determine the prices or valuation?
- Will banks provide digital vault services?

Anti-money laundering regulations have implications for users of a cryptoasset or crypto network. How would the regulator establish exceptions to these rules?

2. **What are your views on the Committee's approach to classify cryptoassets through a set of classification conditions? Do you think these conditions and the resulting categories of cryptoassets (Group 1a, 1b and 2) are appropriate? Which existing cryptoassets would likely meet the Group 1 classification conditions?**

The institutions support the general principles outlined by the Basel Committee and believe that these should guide the prudential treatment of cryptoassets. We believe that the principle of "same activity, same risk, same treatment" is of the utmost importance and that it should guide any regulatory response to cryptoassets.

However, we are concerned that the proposed capital treatment, especially for Group 2 cryptoassets, might be too simplistic and fail to follow the principle of "same activity, same risk, same treatment". This is because, following the proposed classification conditions, Group 2 would encompass a wide range of cryptoassets with potentially very different risk profiles, which would all be subject to the same capital treatment.

We believe that the classification of Group 1a and 1b assets is adequate, although we suggest re-evaluating the classification of Group 2 cryptoassets as the level of risk within this segment may differ substantially. We believe that sub-segmenting Group 2 by risk levels will encourage Banks not to assign an equivalent risk to assets that could have very different risk levels, since under current criteria, most cryptocurrencies fall within this classification. Likewise, we believe that the lack of segmentation in this same group could generate "Cliff effects" by violating some classification criteria, so we suggest mitigating these possible effects and implementing more gradual reclassification mechanisms.

Additionally, there are assets whose classification may not be clear. This could be the case of USDT, since property rights and the asset have been questioned by the FED. The capital requirement may not be easy to determine or assign in these cases, so a clear definition from the authorities and / or supervisors would be more beneficial than an excessive capital requirement due to conservatism. This would also avoid the heterogeneity of criteria in the classification of cryptoassets.

An example of the assets that would likely meet the Group 1 classification conditions are Ethereum, Tether / Truecoin that is indexed to the dollar.

3. **What are your views on the classification conditions? Are there any elements of these conditions that should be added, clarified or removed in order to: ensure full transferability, settlement finality, and/or redeemability; limit regulatory**

arbitrage, cliff effects and market fragmentation; and take account of new and emerging cryptoassets?

We are concerned that the proposed classification conditions are too restrictive for recognition as Group 1. In fact, it is currently unclear whether any existing cryptoasset would satisfy the conditions to qualify as group 1b.

- In particular, classification condition #1 requires the stabilization mechanism to guarantee that the difference in value of the cryptoasset vs that of its underlying traditional asset does not exceed 10bp more than 3 times over a one-year period, and requires banks to monitor this daily.
- Also, it appears that classification conditions #3 and #4 would not be met by any cryptoasset built on a permissionless network.

As for the responsibilities of banks and supervisors regarding the classification of cryptoassets, we believe it might be reasonable to ask for authorities to define a unified criteria for the classification of widely used and accepted cryptoassets. This would avoid an excessive burden on banks and supervisors, as would guarantee consistency across jurisdictions.

Also, regulators need to remain aware that any classification effort will likely not be useful or accurate in all circumstances, given the wide variety of cryptoassets that exist today and the rapidly evolving nature of the market. Therefore, it should be acknowledged that, where banks find that the classification conditions are not fit for the categorization of a given cryptoasset, they might seek approval from supervisors for the classification of such cryptoasset as Group 1, on the basis of reasoned arguments.

There are classification criteria that are extremely strict and prescriptive, which does not favor the principle of the “same risk, same activity, and same treatment”, nor that of “simplicity”, in addition to the fact that they do not respond to the current situation of the state of cryptoassets. An example is the linkage criterion which, when applied, could result in most cryptoassets not being eligible for Group 1b recognition.

Additionally, we suggest the revision of the approach proposed for the classification of assets so that the operational burden and associated costs in regulatory authorizations do not inhibit the process of adopting cryptoassets. An amount of market risk requirement for capitalization must be established to consider systemic risk for the global economy.

We consider as essential to monitor the creation of new cryptoassets to assess whether they require specific regulations.

4. **For the first classification condition, is there an alternative methodology to assess the effectiveness of the stabilisation mechanism of Group 1b cryptoassets? Would this proposed methodology be consistent with ensuring the effectiveness of the stabilisation mechanism while also being practical?**

The Committee states in the consultation document that the proposed capital treatment would only apply to those cryptoassets that do not qualify for capital deduction (e.g. because they are considered as an intangible asset) following the existing accounting principles. Since the accounting treatment is not clarified, this creates a high level of uncertainty.

Therefore, we believe that any discussion on the prudential treatment of cryptoassets should follow or be accompanied by the discussion on the accounting treatment of cryptoassets. In fact, IASB has not yet issued any final ruling on this issue, but rather has so far only issued an Agenda Decision on June 2, 2019, trying to guide how to apply existing rules to the accounting treatment of some kind of cryptocurrencies (i.e. “bitcoin” type).

We believe that the accounting treatment of cryptoassets should be included in the work plan of the IASB for the following years. The banking industry is highlighting this in the response to the March 2021 Request for Information Third Agenda Consultation.

We consider the stabilization mechanisms in Group 1b to be adequate, as well as the fact that exceptions can be applied to those recently created cryptoassets, we believe this could encourage innovation. However, the mechanism for said exception applicable to new assets is not clear, nor is the definition of “new asset”.

Finally, regarding the stabilization mechanism, we suggest that it be less restrictive than the one proposed as it could generate “Cliff effects”, an operational burden for Banks and Supervisors and it does not seem practical to implement, since it is also costly for each bank to carry out the suggested management. A heterogeneity of classification criteria for the same asset could be favored between jurisdictions and even between banks.

5. **For the third classification condition, (i) would risk governance and risk control practices for Group 1 and Group 2 cryptoassets differ; and (ii) are there alternatives to the required risk governance and risk control practices that would ensure that material risks of the network are sufficiently mitigated and managed?**

a. Group 1 cryptoassets

- The treatment of Group 1 assets would largely follow the principle "same activity, same risk, same treatment", and thus, we largely support the capital treatment proposed for cryptoassets under Group 1, although it is not yet clear which assets would satisfy the classification conditions to fit in this group (as explained before).
- For Group 1b cryptoassets, illustrative example 1 suggests that, to account for the counterparty credit risk associated with the redeemer, the RWAs for credit and market risk would include the value of the stablecoin exposure multiplied by the risk weight applicable to an unsecured loan to the redeemer. However, we are of the view that such risk could be considered as a secured exposure to the redeemer as, in fact, the underlying asset can be seen as a guarantee.

b. Group 2 cryptoassets

- The Basel Committee proposes a 1250% risk weight for all Group 2 cryptoassets, rather than a capital deduction, and states that this would in practice ensure that banks are required to hold risk-based capital equal in value to their Group 2 cryptoasset exposures.
- We are afraid that, in practice, this capital treatment could be even more conservative/penalizing than the deduction. This is because many banking organisations are effectively subject to capital requirements in excess of the 8% minimum risk-based capital requirement (as a result of buffer requirements, Pillar 2 requirements and additional buffers held as a prudential management buffer). Therefore, the 1250% risk weight would in practice mean that banks need to hold risk-based capital in excess of the exposure to the cryptoasset. Therefore, we suggest that banks are given the option to decide whether they prefer to apply the 1250% risk weight or deduct from capital.
    - Example: for a bank managing a 12% total risk based capital ratio, a 1250% risk weight would translate to a $150 total capital requirement for a $100 gross exposure to Group 2 cryptoassets.

- Also, we are concerned that this punitive treatment would be applied equally to all group 2 cryptoassets, regardless of their actual risks.
    - A 1250% risk weight or a deduction from capital would suggest that these assets do not have a verifiable market price or that the value of the asset cannot be realised in the event of stress of the institution holding it. This is at least the logic that applies to other assets that receive this treatment today (e.g. positions in funds where the entity cannot determine the composition of the fund and thus can't RW according to that composition). However, we believe that this is not the case for all cryptoassets falling under Group 2. Among the latter, there would be cryptoassets for which there is public data to verify their market value, and the holding of these cryptoassets would presumably have value in case of stress of the institution.
- Limited recognition of hedging/netting: In the context of Group 2 cryptoassets, the consultation states that "cryptoasset exposures would not be part of any hedging set" for the purpose of calculating the Potential Future Exposure (PFE), while for calculating the Replacement Cost (RC), netting will not be allowed between different cryptoassets. We believe this is too restrictive. Also, it is not totally clear whether this applies only to Group 2 or to all cryptoassets, and thus should be clarified

Governance and risk control practices should not differ for different groups of cryptoassets. It would be helpful to consider having additional stress exercises.

6. **For the fourth classification condition, (i) to what extent would the regulation and supervision of entities that execute redemptions, transfers, or settlement finality of the cryptoasset reduce risk in cryptoasset exposures held by banks; (ii) which entities should/ should not be in scope of regulation or supervision? For instance, are there entities involved in the transfer and settlement systems of cryptoassets (such as nodes, operators and/or validators) that should be excluded from the condition of required regulation and supervision?**

All steps in a cryptoasset exchange must be supervised. These entities, as part of the process, should be reliable and overseen by the regulators, and a specific framework for each of the

participants must be issued. This, in order to ensure that all steps of the transactions are carried out safely.

7. **Do you consider the responsibilities of banks and supervisors to be clear and appropriate? Are there any other responsibilities for banks or supervisors that the Committee should consider?**

Banks and supervisors have a big responsibility in cryptoasset classification. For the banks, having to demonstrate if a cryptoasset fulfills all the conditions could be difficult, many tokens have the objective of being a decentralized instrument, that's why information gathering can get complicated. It will be very useful if the supervisors can create a centralized information repository, containing all the necessary data for every existent and new token.

We consider as positive to have a continuously updated list of cryptoassets that could be transacted with, considering the rapid evolution of the market, instead of an individual management by each Bank.

We also consider that the classification proposed by the Basel Committee is broader and less restrictive than the one proposed locally, and therefore favors the development of this market more actively.

Similarly, we consider that the responsibilities of both banks and supervisors are clear and adequate. It will be necessary to measure their implementation and make the corresponding adjustments so as not to return to the previous bureaucratic process and continue to make dynamic process.

Responsibility could be shared with buying and selling platforms (they must have the obligation to establish pre-trade risk controls regarding volume, price, and volatility).

8. **Are there ways in which the increased operational risk relating to cryptoassets (relative to traditional assets) can be measured? How should a pillar 1 add-on be designed to capture additional operational risks arising from exposures to cryptoassets?**

Measuring the operational risk in cryptoassets activities will not be an easy task. On the one hand, the future general framework for operational risk relies both on a measure of the bank's income and also on the past operational risk losses. Given that cryptoasset activities are fairly new, it is possible that neither of those measures will capture the risk in these activities (because they do not generate an income at the beginning and/or because we do not have large operational events related to cryptoassets activities yet).

Nevertheless, designing a target methodology to cover the operational risk of these assets separately from the general operational risk requirements would add an undesired complexity to the framework which is not justified by the size of the activity in bank's balance sheets.

Moreover, the Committee should consider that it is more than possible that banks will cover potential operational risks arising from cryptoasset activities through insurance policies, which should be taken into account when measuring this risk.

Finally, any treatment adopted for these activities should cover all the range of cryptoassets, including those in group 2.

We suggest that the considered approach adheres to current principles, which will be adopted in the coming months (with the business indicator method), so that additional complexity is not created by treating this type of assets differently.

In addition, considering that the methodologies already capture historical losses and that these would be updated as cryptoassets are operated, we do not see it necessary to modify said methodology before their adoption and use.

Likewise, it is worth mentioning that we do not recommend a penalizing approach, because the use of cryptoassets does not necessarily have a negative impact, it depends on the use that is given to the associated technologies. There are examples of the use of technologies such as Distributed Ledger Technology (DLT) that could generate a reduction in the operational risk of certain transactions.

There should be more robust controls for this type of assets; as new assets they could be more vulnerable to fraud.

The capital requirement for operational risk attributable to cryptoassets could be calculated by banks based on their ability to weigh the strength of the internal controls to mitigate the

operational risks that the operation of these assets imply, depending on this strength; a % capital charge could be established, on the amount of the average assets in a period of time.

It is true that there may be greater operational risk related to cryptoassets; however, we consider that a more in-depth study is required to determine a measurement methodology for this type of risk.

The main operational risks that are identified in the operation of cryptoassets in relation to the traditional instruments of recognized markets, are mainly related to the following:

1. The scant regulation that still exists, by governments and central banks,

2. The ignorance that exists in the matter, it is still unknown by the vast majority of markets the way in which cryptocurrencies operate.

3. Volatility, it is common for the prices of cryptoassets to undergo drastic changes without a risk management and measurement scheme as exists in traditional markets

4. Computer security risk, perhaps the highest risk identified, by its very nature, these operations are subject to cyberattacks and fraud.

Based on the above, from our perspective, it is seen as an extensive task to establish a framework for risk management and control over the operation of cryptocurrencies, since the risks are estimated to be fundamentally high.

9. Are there further aspects of the credit risk and market risk requirements that could benefit from additional guidance on how they should apply to Group 1a cryptoassets?

In general terms, we agree with the “same risk, same activity and same treatment” approach. However, regarding the treatment of cryptoassets as collateral, we believe that the proposed approach is conservative since it ignores cases where the guarantee (“aforo”, in Spanish) is much higher than the credit exposure (despite the fact that the collateral has greater volatility than the traditional asset). Additionally, it is not clear what criteria will be used to determine the reasonable volatility limits for said collateral to be eligible.

In addition to the proposal of cryptoassets as collateral, the possibility of maintaining a traditional asset collateral as underlying asset could be considered to reduce capital requirements.

We agree that cryptoassets treatment on market risk requirements must consider the nature of these assets. We hope the Committee will continue to provide guidelines about their insights according to the evolution of the market.

We agree that treatment for Credit Risk must follow a similar treatment as traditional assets, which is based on their characteristics, legal rights, underlying, currency, etc. Further guidelines would be required to better understand asset classification, and local regulation should be required to consider risk factors.

10. Do you have any views on the Committee's current thinking on the capital requirements for Group 1b cryptoassets?

The current thinking of the Committee regarding the capital requirements for Group 1b is reasonable, nevertheless we consider it as a very conservative approach the obligation to purchase the total current value of all existing cryptoassets.

In general terms, we agree with the "same risk, same activity and same treatment" approach. We suggest applying the same principle to mitigation mechanisms, particularly in exposures that may be overcollateralized. In cases where the underlying assets are accepted, a similar treatment should be applied to cryptoassets that have these same underlying assets.

The proposed approach does not seem complex to implement given that RWA for cryptoassets must include the sum of:

- The RWA applicable to a direct holding of the underlying traditional asset.
- The value of the cryptoasset holding multiplied by the risk weight applicable to an unsecured loan to the redeemer.

11. What further aspects of the credit risk and market risk requirements could benefit from additional guidance on how they should apply to Group 1b cryptoassets?

We recommend incorporating market risk measures specific to Group 1b cryptoassets such as high volatility, fat tails, and extreme movements in prices. If possible, the liquidity risk of these assets should also be included.

12. **Do you think the proposed capital treatment of Group 2 cryptoassets, including the application of a 1250% risk weight instead of deducting the asset from capital (for the reasons explained above), appropriately reflects the unique risks inherent in these assets?**

A greater distinction must be created within Group 2 to sub-segment and assign different risk weights based on the risk of the reference asset.

The current definition of Group 2 is quite broad, which does not allow banks to discriminate between cryptoassets with higher or lower risk. This could be a source of instability for institutions that may have a more aggressive approach with cryptoassets.

In assets with a risk weight of 1250%, banks should be given the alternative to decide whether to apply the percentage or deduct it directly from capital.

Is it possible to have some rational backtest analysis to support the proposed 50% of the notional as add-on; the later because the proposed capital calculation will lead to a 100% capital for the Exposure (RC + 50% Notional).

Possibly not all existing risks are being considered, but it is a conservative way of integrating them into the measurement.

13. **Are there alternative approaches that the Committee should consider that are simple, conservative and easy to implement? For exposures in the trading book, would it be appropriate to permit recognition of hedging via the application of a modified version of the standardised approach to market risk?**

- Allowing hedging would be adequate for the application of the standard method.
- We recommend the use of internal models and risk metrics such as SVaR, Expected Shortfall, etc. to calculate capital requirements in addition to the standardized approach.

- In some jurisdictions, the approach for market risk should be reviewed. We consider, however, that the approach should contemplate hedging mechanisms in addition to netting counterparties and collaterals as is done with other types of assets.
- A more in-depth study must be carried out to determine the market risk for the new standards issued by the Basel Committee.
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14. Do you have any views on the Committee's current thinking regarding the leverage ratio, large exposures framework and liquidity ratio requirements? Are there further aspects of these requirements that could benefit from additional guidance?

We agree that cryptoassets treatment on the asset or liability side of a banks' balance sheet must follow a treatment that considers the risks as set out in the liquidity, leverage and large exposure standards.

Some current local standards would already consider these cryptoassets in these standards since they would be recognized in the balance sheets of institutions.

As for the leverage ratio the Group 1b should limit its exposure entirely to the current exposure, rather than the potential exposure derived from promises of buy cryptoassets from a non-member holder could be difficult to quantify.

The approach to large exposures is considered to be reasonable.

Regarding liquidity ratios, it is necessary to continue investigating the prospect of recognising as HQLA those cryptoassets as stated in the view of the Committee, that, according to the definition set out in Section 2.1, are deemed to be equivalent to traditional assets that themselves qualify for inclusion in HQLA, as well as the need for adjustments to adequately capture the cash flow risks arising from exposures to cryptoassets. We suggest including cryptoassets as part of the Liquid Assets of LCR and NSFR, since the characteristics required are essentially the same.

15. Do you have any views on the responsibilities of banks? Are there any other responsibilities or aspects that should be covered by banks for the purposes of the supervisory review?

This first approach of the risk assessment bears an extensive set of responsibilities for the banks, compared with the ones applicable to traditional assets where the surveillance and operation is supported by other types of entities. The definition and implementation of mechanisms, the legal framework and to enforce participants to distribute the burden of the risks inherent to cryptoassets operation.

The responsibilities of banks are clear; however, it will be necessary to establish mechanisms to ensure that banks comply with their responsibilities. The regulator should establish supervisory mechanisms that can provide effective risk mitigation and monitoring.

As with derivative financial instruments, we suggest considering a certification to be able to transact with this type of assets

16. **Do you have any views on the responsibilities of supervisors? Are there any other responses that could be considered by supervisors when conducting supervisory review?**

From our perspective, supervisors provide the legal framework and regulatory changes needed to provide adequate guidelines that enhance and foster the cryptoassets market development.

Therefore, the Committee should consider avoiding an excess of regulation which could impede the healthy development of the cryptoasset market, for example by imposing limits for carrying out operations with this type of assets, on top of the proposal to establish a risk weight of up to 1250%.

17. **Do you have any views on the adjustments to minimum Pillar 1 capital requirements to capture additional credit and/or market risk? Are there any other potential modifications that supervisors may need to consider?**

Understanding that the additional credit or market risk adjustments stated aim to maintain a conservative approach, they seem adequate, nevertheless the points (iii) and (iv) should be described in a more comprehensive definition, including how to measure the basis risk in the market

risk framework to account for potential differences between cryptoassets and equivalent traditional assets; as well as the application of scalars to Pillar 1 requirements, when features of the cryptoasset technology could increase the risk of non-payment or delayed payment relative to traditional assets.

We suggest adjusting these requirements not only to increase conservatism in capital requirements, but also to recognize cases where cryptoassets may represent an opportunity to reduce risk for banks.

18. Do you have any views on the potential design of disclosure requirements?

Pillar 3 requirements are an adequate tool for supervisors and market participants to review the bank's solvency evolution. We consider there are no additional requirements to be disclosed.

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FELABAN wishes to thank the Committee for considering the above comments, and hope they enrich the development of a potential cryptoasset prudential and regulatory framework. Should any clarification arise regarding our comments to this consultative document, we look forward to discussing them further.

Sincerely,

GIORGIO TRETTENERO CASTRO

Secretary General

FELABAN – FEDERATION OF LATIN AMERICAN BANKS