Comments on the discussion paper “Designing a prudential treatment for crypto-assets”[1]

Comments on Question 4: What additional factors affect the risk profile of different crypto-assets which are relevant in the context of determining a prudential treatment?

I suggest the following additional factors and consider them as relevant in the context of determining a prudential treatment:

1. **Distributed Ledger network size:** Some public distributed ledgers rely on networks with thousands of nodes (e.g. Ethereum[2]), while others only use a limited network of nodes (e.g. Steemit[3]). A small network of nodes indicates a high-risk profile, while a large network of nodes indicates a low risk profile.
2. **Ratio of operators to nodes:** Are most of the nodes run by a single operator or are they distributed among many operators? The former indicates a high-risk profile while the latter indicates a low risk profile.
3. **Trustworthiness of node operators:** How trustworthy are the operators of the nodes? Are the nodes run by public/ private institutions (low-risk profile) or private persons (high risk-profile)? Is there a long-ranged commitment by the operators of the nodes?
4. **Reward for validation and storage of data:** What is the current/past/future reward for validation and storage of data for a node? Is it positive? The higher the reward, the lower is the risk-profile.
5. **Active maintenance of source code:** Is there a development team, which is committed to the ongoing maintenance of the DLT network? An active team would indicate a low-risk profile.

[1] Author details: Simon Hess, Monetative, Germany, simon.hess@monetative.de
[2] Bitfly Gmbh. 2020. „Ethereum Mainnet Statistics“. (https://www.ethernodes.org/).
[3] Cliff, T. 2019. „Steem Blockchain ‚Full‘ RPC Node List“. (https://steemit.com/steem/@timcliff/updated-steem-rpc-node-list).