SIX Group AG – Comments on the Basel Committee on Banking Supervision second consultative document "Prudential treatment of cryptoasset exposures"

SIX Group AG (SIX) operates the infrastructure for the financial centres in Switzerland and Spain, thus ensuring the flow of information and money between financial market players. SIX provides services relating to the exchange and post trade functions, financial information and banking with the aim of increasing efficiency, quality and innovation along the entire value chain. SIX is also building a digital infrastructure for the new millennium.

SIX connects financial market participants in Switzerland, Spain and throughout the world. The company is owned by around 120 national and international financial institutions. They are the main users of our services and our most important customers. Our close relationship with them guarantees stability of the financial infrastructure and processes, proximity to clients' evolving business needs and competitive prices.

SIX has a global workforce with 3,825 employees across 21 countries.

Our Financial Markets Infrastructure (FMI) businesses are authorised in Switzerland by the Swiss Financial Market Supervisory Authority (FINMA) and systemically important entities are monitored by the Swiss National Bank (SNB) and in Spain by The National Securities Market Commission (CNMV). Our FMI businesses also have relevant international authorisations, where appropriate, to enable them to operate cross borders.

Through its subsidiaries SIX Digital Exchange AG and SDX Trading AG (together SDX), SIX offers issuance, listing, trading, settlement, servicing, and custody of digital securities[1]. SDX is authorised by FINMA, to operate a stock exchange and a central securities depository (CSD), under the same measures that would apply to the traditional authorised businesses, which went live in Q4 2021. SDX continues to work with partners, its current and potential future members[2], to promote and build a new market infrastructure for digital assets globally.

SIX acknowledges the work undertaken by the BCBS to develop a prudential treatment for cryptoassets and welcomes the opportunity to participate in this second BCBS´s consultation.

SIX shares the Basel Committee's approach to follow the general principles set out in the first consultative document of **"same risk, same activity, same treatment"**, which provides simplicity, level playing field and technical neutrality.

SIX also welcomes the Committee's proposal in the second consultative document on the classification between Group 1 (a/b) and Group 2 cryptoassets. However, we see the introduction of an add-on to risk-weighted assets (RWA) to cover unforeseen infrastructure risk (SCO60.57) for all Group 1 assets as disproportionate, as it does not consider the operators' regulatory status and oversight nor its control over the infrastructure which also implies appropriate operational

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[1] Tokenised traditional assets within the meaning of SCO60.

[2] Our members are regulated entities, e.g. banks in accordance with the Swiss Banking Act or securities firms in accordance with the Swiss Federal Act on Financial Institutions.

resilience and IT security. It could also be argued that the proposed “infrastructure risk add-on” is not technically neutral since it would only focus on DLT and not on any other technology used within banks (neither new nor old). Hence, we do not concur with the committee’s basic concern that the distributed ledger technology (DLT) infrastructure on which cryptoassets are based may pose various unforeseen risks which need to be addressed by a general additional risk add-on.

While every technology bears a risk, which operational risk (regulatory) frameworks must manage appropriately, we do not see a justification or the need for an infrastructure risk add-on to Group 1 cryptoassets.

Additionally, the scope as outlined in SCO60 (60.2), is unclear to where the boundaries would fall in relation to DLT operated by centralised market infrastructures. The proposal suggests that dematerialised securities which are issued through DLT or similar technologies are considered to fall within scope whereas “dematerialised securities that use electronic versions of traditional registers and databases which are centrally administered” fall out of scope.

In the case of SDX we operate a fully authorised business based on DLT with the same control mechanisms (in line with SCO60.22 and SCO60.23) in place as the traditional business. This is within a permissioned environment which is centrally administered, and which is not dissimilar to the exemption outlined above. Where the DLT infrastructure, on which cryptoassets are based, is owned or operated and managed by a regulated entity (such as SDX), there is no reason to apply an additional capital surcharge via the banks. Subsequently, such measures should be excluded from the scope of SCO60 (60.2).

SIX looks forward to any further consultative proposals on potential climate related financial risks or the prudential treatment of central bank digital currencies (CBDCs).

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