

POSITION PAPER



ESBG response to the BCBS second consultation on the prudential treatment of cryptoasset exposures

ESBG (European Savings and Retail Banking Group)

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Dear Sir/Madam,

Thank you for the opportunity to comment on the Basel Committee on Banking Supervision (BCBS) second consultation on the prudential treatment of banks' crypto asset exposures. In addition to the response that WSBI-ESBG has provided to the first consultation on topic in 2021, we would like to share with you some further reflections that we hope will be considered by the BCBS.

ESBG's comments on the consultation paper:

The European Savings and Retail Banking Group (ESBG) believes that the technological risk add-on should be avoided in the prudential treatment of crypto assets framework.

There are several arguments that justify its non-inclusion:

- **The first one is the principle of technological neutrality.** The regulation should focus on regulating the services but not the applicable technology. Several international regulators and supervisors have positioned themselves in favor of this principle, which basically consists in not inadvertently preferring or preventing the adoption of a specific technology and to neither prefer nor prejudice a specific business model or service provider for using a specific technology.
- **Technological risk exists in all class of assets.** There are inherent risk mitigation mechanisms and, the residual risk does not have to be the same for all institutions. If persistent technological risks are detected in a regular supervisory activity the supervisor has the ability to require actions for their mitigation or, eventually, apply a Pillar 2 Requirement (P2R) surcharge.
- **A common surcharge of capital reduces institutions' incentives to mitigate inherent risk.**



About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 900 banks, which together employ more than 650,000 people driven to innovate at roughly 50,000 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion in corporate loans (including to SMEs), and serve 163 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking. Our transparency ID is 8765978796-80.



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