

REGULATORY CAPITAL FRAMEWORKS FOR CRYPTOASSET EXPOSURES

*A Global Comparative Analysis of Risk-Weighted Asset and Leverage Ratio
Approaches*

Comprehensive Research Paper

Basel (SCO60) • European Union (CRR3) • Switzerland (FINMA)
United Kingdom (PRA/FCA) • Hong Kong (HKMA) • Singapore (MAS)
Japan (JFSA) • Australia (APRA) • United States (OCC/FDIC/Fed)

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Covering: Native Crypto, ETF/ETP, Options on Native & ETF/ETP Products

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1. Executive Summary

The prudential treatment of bank exposures to cryptoassets represents one of the most dynamic and contested frontiers in global financial regulation. Since the Basel Committee on Banking Supervision (BCBS) finalized its cryptoasset standard as Chapter SCO60 of the Basel Framework in December 2022, and subsequently revised it in July 2024, jurisdictions worldwide have taken markedly different approaches to implementation. The standard was targeted for implementation by 1 January 2026, but as of March 2026, only Hong Kong and Canada have implemented on schedule, while the EU operates under a transitional regime, Singapore has deferred to 2027, and major jurisdictions such as the United States, United Kingdom, Japan, and Australia have not yet adopted the standard.

This paper provides a comprehensive analysis of the regulatory capital frameworks for cryptoasset exposures across nine major jurisdictions and the Basel baseline. It covers the treatment of native cryptocurrencies (e.g., Bitcoin, Ethereum), exchange-traded funds and exchange-traded products (ETFs/ETPs), options on both native crypto and ETF/ETP products, and stablecoins. The analysis addresses risk-weighted asset (RWA) calculation, the leverage ratio, large exposure limits, and the relationship between the cryptoasset standard and the Fundamental Review of the Trading Book (FRTB).

The central finding is a clear and growing regulatory divergence: while the EU, Hong Kong, Canada, and Singapore broadly align with the BCBS framework, the United States under the current administration has explicitly rejected the Basel SCO60 framework as "anti-innovation," instead pursuing a domestically tailored, risk-based approach. The United Kingdom has delayed implementation to Q4 2026 at the earliest and awaits clarity from the US. The BCBS itself announced an expedited targeted review of SCO60 in November 2025, responding to industry pressure and adoption gaps. This fragmentation creates material implications for cross-border banking, regulatory arbitrage, and the global competitiveness of financial institutions.

2. Basel Framework: SCO60 Cryptoasset Exposures

2.1 Classification Architecture

The Basel SCO60 standard classifies all cryptoasset exposures into two primary groups based on whether they meet a set of prescribed classification conditions. Central bank digital currencies (CBDCs) are explicitly excluded from scope. The classification architecture is as follows:

Group	Subgroup	Description & Capital Treatment
Group 1	1a: Tokenized Traditional Assets	Tokenized versions of traditional assets (e.g., bonds, equities). Subject to same credit RWA as non-tokenized equivalent, plus potential infrastructure add-on (initially set at 0%). IMA not permitted.
	1b: Stablecoins with Effective Stabilization	Cryptoassets redeemable at peg value with effective stabilization mechanisms (e.g., compliant stablecoins). Must meet reserve asset composition, audit, and redemption requirements. Credit RWA based on underlying risk of reserve assets and redeemer default risk.
Group 2	2a: Hedging-Eligible Crypto	Cryptoassets failing classification conditions but meeting hedging recognition criteria (traded, centrally cleared derivatives or ETF/ETNs exist, minimum market cap and trading volume thresholds met). Subject to modified FRTB Standardized Approach with 100% risk weight for delta, vega, curvature. IMA not permitted.
	2b: Conservative Treatment	All other cryptoassets. Risk weight of 1,250% applied to the greater of aggregate long or aggregate short positions. No hedging recognition. No netting. Effectively a 100% capital charge (dollar-for-dollar).

2.2 Risk-Weighted Assets: Key Formulas

2.2.1 Group 1a: Credit Risk RWA

Group 1a tokenized traditional assets are subject to the same credit risk RWA as their non-tokenized counterparts under the existing CRE (Credit Risk) framework. The infrastructure add-on (initially 0%) may be applied by national supervisors:

$$RWA(\text{Group } 1a) = EAD \times \text{Risk Weight}(\text{Traditional Asset}) \times (1 + \text{Infrastructure Add-on})$$

where EAD is the exposure at default and the Risk Weight is determined by the applicable standardized approach or internal ratings-based approach (IRB) for the traditional asset equivalent.

2.2.2 Group 2a: Modified Standardized Approach

Group 2a cryptoassets are treated under a modified version of the FRTB Standardized Approach (SA). The sensitivity-based method (SBM) applies, with the net sensitivity for bucket k defined as:

$$s_k = V_i(1.01 \times \text{Crypto}(G2a)_k) - V_i(\text{Crypto}(G2a)_k)$$

where V_i is the mark-to-market value of instrument i , and $\text{Crypto}(G2a)_k$ is the price of the Group 2a cryptoasset in bucket k . Each specific cryptoasset constitutes its own bucket. Cross-bucket correlations are set at 0% (zero), meaning there is no diversification benefit between different

Group 2a cryptoassets. For vega risk, the risk factors are mapped to tenors of 0.5, 1, 3, 5, and 10 years. The risk weight for delta sensitivities is set at 100%.

The overall capital charge under the SBM for Group 2a cryptoassets is aggregated as:

$$K_{SBM} = \sqrt{(\sum_k (s_k)^2)} \quad [since \text{ cross-bucket correlation} = 0]$$

2.2.3 Group 2b: Conservative Treatment

Group 2b cryptoassets are subject to a 1,250% risk weight. The formula is:

$$RWA(\text{Group } 2b) = 1,250\% \times \max(|\text{Aggregate Long}|, |\text{Aggregate Short}|)$$

This effectively requires capital equal to 100% of the exposure amount (since $1,250\% \times 8\%$ minimum capital ratio = 100%). Short positions in Group 2b cryptoassets are subject to a CET1 capital deduction. Netting between different Group 2b cryptoassets is not permitted.

2.3 Leverage Ratio Treatment

Cryptoassets are included in the leverage ratio exposure measure according to their accounting value. For on-balance-sheet positions, the treatment follows existing leverage ratio rules. For off-balance-sheet items, the relevant credit conversion factors (CCFs) apply. For crypto derivatives referencing Group 2b assets, the potential future exposure (PFE) is calculated under SA-CCR with the modifications specified in SCO60.99, which require 50% of gross notional to be applied per transaction. The replacement cost (RC) follows the standard SA-CCR rules under LEV30 but netting restrictions apply for Group 2b cryptoassets.

$$\text{Leverage Exposure}(\text{Crypto Derivative}) = RC + PFE(\text{SCO60.99})$$

For Group 1b cryptoassets where a bank has committed to purchase from non-member holders, the total current value of off-balance-sheet obligations must also be included.

2.4 Group 2 Exposure Limit

Banks must ensure Group 2 aggregate exposures remain below 1% of Tier 1 capital. Exposures exceeding 1% but below 2% are assigned Group 2b capital treatment for the excess. If total Group 2 exposure exceeds 2% of Tier 1 capital, all Group 2 exposures receive Group 2b treatment (no netting, 1,250% RW). The exposure is calculated as the sum across all Group 2 cryptoassets of $\max(|\text{long}|, |\text{short}|)$ for each individual asset.

2.5 Treatment of ETFs/ETPs and Options

The treatment of crypto-referenced ETFs, ETPs, and options depends on the classification of the underlying cryptoasset and the product structure:

- ETFs/ETNs referencing Group 1a tokenized assets: treated as exposures to the underlying traditional assets with a look-through approach.
- ETFs/ETNs solely referencing a single Group 2a cryptoasset: may qualify for Group 2a treatment if the ETF/ETN is highly liquid (traded on a regulated exchange, with centrally cleared settlement), and sufficient data is available over the prior year.
- Options on Group 2a cryptoassets: captured through the vega and curvature risk charges under the modified FRTB SA. The vega risk factor is the implied volatility of the option mapped to the specified tenors.

- Options or derivatives on Group 2b cryptoassets: subject to conservative treatment. PFE is 50% of gross notional per transaction, and no netting is permitted across different Group 2b assets.
- Spot crypto ETFs (e.g., US Bitcoin spot ETFs): the underlying Bitcoin would be classified as Group 2a (if hedging criteria are met) or Group 2b. The ETF wrapper itself must be assessed against the classification conditions.

2.6 BCBS Expedited Review (November 2025)

In November 2025, the BCBS announced an expedited targeted review of the cryptoasset standard, driven by significant industry pushback and limited adoption across member jurisdictions. The review focuses on the treatment of permissionless blockchain assets, the Group 2 exposure limit, risk weight calibration for Group 2a assets, and the collateral eligibility framework. Industry groups including GFMA, ISDA, IIF, and AFME have submitted detailed letters arguing that the 100% risk weight for Group 2a assets is not empirically justified, that the Group 2 exposure limit is too restrictive, and that the distinction between permissioned and permissionless ledgers is not technology-neutral.

3. European Union: CRR3 Transitional Regime & EBA RTS

3.1 Legislative Framework

The EU implements the Basel cryptoasset standard through the Capital Requirements Regulation (CRR3/CRD6 package), published in the Official Journal on 19 June 2024 and entered into force on 9 July 2024. Article 501d of CRR3 establishes a transitional prudential regime for cryptoasset exposures, designed to bridge until a permanent dedicated legislative act is adopted. The European Commission was required to submit this permanent legislative proposal by 30 June 2025, but no such draft has been published as of March 2026.

3.2 Three-Bucket Classification

The EU's transitional framework, aligned with MiCA (Markets in Crypto-Assets Regulation, EU 2023/1114), uses a three-bucket classification system:

CRR3 Group	Description	Risk Weight	Basel Equivalent
Group A	Tokenized traditional assets (including E-Money Tokens compliant with MiCA)	Same as traditional asset equivalent (look-through)	Group 1a / 1b
Group B	MiCA-compliant ARTs referencing traditional assets (meeting additional criteria for hedge recognition)	250% (credit risk)	Group 2a
Group C	All other crypto-assets: unbacked crypto (BTC, ETH), non-compliant tokens, utility tokens, and financial instruments (derivatives, ETFs/ETNs) referencing such assets	1,250% (credit risk)	Group 2b

3.3 EBA Final Draft RTS (August 2025)

The EBA published its final draft Regulatory Technical Standards (EBA/RTS/2025/04) on 5 August 2025, specifying the technical elements for calculating own funds requirements for crypto-asset exposures. Key provisions include:

- Credit risk RWA: Group C assets receive a 1,250% risk weight. Group B assets receive 250%. Derivatives and SFTs referencing crypto-assets receive the same risk weight as direct exposures.
- Market risk: The draft RTS addresses both the current market risk framework and the FRTB, since the FRTB application date for EU banks has been deferred to 1 January 2027.
- Counterparty credit risk: For derivatives on Group C crypto-assets, the RTS consults on two alternatives: applying the same 1,250% risk weight as for direct credit risk, or calculating CCR under SA-CCR with specific crypto modifications.
- Prudent valuation: All fair-valued crypto-assets are subject to prudent valuation requirements under CRR3 Articles 34 and 105.

- Total exposure limit: Aggregate gross exposures to Group C crypto-assets must not exceed 1% of Tier 1 capital, consistent with the Basel standard.

3.4 FRTB Integration

The EU has deferred FRTB application to 1 January 2027 (from the original 1 January 2025, then 2026). The European Commission has launched consultations on further adjustments to the FRTB, including possible modifications for a three-year period. For crypto-assets specifically, the EBA draft RTS ensures the crypto capital framework works under both the current market risk rules and FRTB. Under FRTB, Group 2a-equivalent crypto-assets would be subject to the sensitivity-based method as a dedicated risk class with zero cross-bucket correlation, consistent with SCO60. The Internal Models Approach (IMA) is not available for any cryptoasset exposures.

4. United Kingdom: PRA/FCA Approach

4.1 Current Status

The UK has taken a phased approach to cryptoasset regulation. The PRA (Prudential Regulation Authority) has not yet implemented the Basel SCO60 standard for banks' cryptoasset exposures and is expected to consult on implementation in Q4 2026 at the earliest. The UK delayed its broader Basel 3.1 implementation to 1 January 2027 (with FRTB/market risk provisions expected 1 January 2028) explicitly to allow greater clarity on US plans.

The PRA's Dear CEO letter remains the primary prudential guidance for banks' cryptoasset exposures. Until formal rules are adopted, banks are expected to apply conservative capital treatment to cryptoasset holdings and to engage proactively with the PRA on any material exposures.

4.2 FCA Prudential Regime for Crypto Firms (CP25/42)

On 16 December 2025, the FCA published CP25/42 proposing a comprehensive prudential regime for authorized cryptoasset firms (not banks). This regime, modeled on the Investment Firms Prudential Regime (IFPR), includes:

- Permanent minimum capital requirements (e.g., GBP 350,000 for stablecoin issuers)
- Fixed overhead requirement: one quarter of prior year's total expenditure
- K-factor requirements: activity-based risk metrics calibrated to cryptoasset exposures (e.g., 2% of average stablecoin in issuance for stablecoin issuers)
- Basic liquid asset requirement (BLAR) and additional liquid asset requirement (ALAR) for wind-down
- Internal capital adequacy assessments and stress testing

The new UK regulatory regime is expected to fully commence on 25 October 2027. Final rules are expected in 2026 policy statements.

4.3 Implications for FRTB and RWA

The UK's FRTB implementation (as part of Basel 3.1) is expected to take effect on 1 January 2028 for market risk purposes. The PRA has not published specific proposals for how the FRTB rules will apply to cryptoasset trading book positions. However, it is anticipated that the PRA will broadly follow the Basel SCO60 approach when it consults, potentially with UK-specific modifications. The expedited BCBS review may lead to a revised Basel standard before the PRA's consultation, which could significantly influence the UK's final approach.

5. Switzerland: FINMA Approach — Detailed Analysis

5.1 Legislative Architecture

Switzerland was the world's first jurisdiction to integrate blockchain comprehensively into its existing financial law through the Federal Act on the Adaptation of Federal Law to Developments in Distributed Ledger Technology (the "DLT Blanket Act"), which took effect on 1 August 2021 with amendments phased through 2022. This legislation introduced fundamental changes to Swiss bankruptcy law, securities law, and financial market infrastructure law, creating a robust legal foundation for crypto-based assets. The relevant Swiss regulatory framework for bank capital treatment of crypto-assets comprises:

- The Swiss Banking Act (BankA, SR 952.0): Defines licensing requirements and, through Articles 37d and 16 No. 1bis, establishes the bankruptcy segregation framework for crypto-based assets in custody.
- The Capital Adequacy Ordinance (CAO, SR 952.03): Transposed Basel III standards into Swiss law. Amended in November 2023 to implement Basel 3.1 ("final Basel III" reforms), effective January 2025. Articles 18–77 cover credit risk; Articles 80–88 cover market risk.
- The Liquidity Ordinance (LiqO, SR 952.06): Governs LCR and NSFR requirements for Swiss banks.
- FINMA Circulars: Including 2017/7 (Credit Risk – Banks), 2008/20 (Market Risks – Banks), 2011/2 (Capital Buffer and Planning), 2023/1 (Operational Risks and Resilience), and 2017/1 (Corporate Governance).
- FINMA Guidance documents: Including Guidance 08/2023 (Staking) and Guidance 01/2026 (Custody of Crypto-Based Assets).
- The Financial Institutions Act (FINIA) and Financial Services Act (FinSA): Govern asset management, portfolio management, and the offering of financial products including crypto-based structured products and ETPs.

5.2 FINMA's Crypto Token Classification

FINMA applies a substance-over-form classification approach to crypto tokens, originally set out in its February 2018 ICO Guidelines ("Guidelines for enquiries regarding the regulatory framework for initial coin offerings"). This classification remains the foundational taxonomy for determining prudential treatment:

Token Category	Characteristics	Capital & Regulatory Treatment
Payment Tokens (Cryptocurrencies)	Intended as a means of payment (e.g., Bitcoin, Ether). No claim against an issuer. Not securities. Treated as analogous to foreign currencies or commodities for regulatory purposes.	If held on balance sheet: subject to 800% flat risk weight (FINMA 2018 guidance) covering market + credit risk. If in segregated custody for clients: off-balance sheet, generally no capital requirements.
Utility Tokens	Provide access to a digital application or service. Not typically securities unless they also have investment function.	Case-by-case treatment. If purely functional and not held as an investment: may not attract capital charge. If investment-like: treated as per asset tokens.
Asset Tokens (Security Tokens)	Represent a claim against the issuer (debt, equity, or economic right). Treated as	Treated like equivalent traditional assets for capital purposes. Credit risk RWA per CAO

	securities under FIEA/FinSA. Includes tokenized bonds, shares, fund units.	Articles 18–77, based on issuer risk weight. If tokenized government bond: sovereign risk weight applies.
Stablecoins	Typically a payment token with a claim against the issuer for redemption at par. FINMA treats stablecoins linked to fiat as potentially requiring a banking or fintech license for the issuer.	If compliant with reserve requirements and issuer is licensed: could qualify for treatment based on reserve asset risk weights. Otherwise: payment token treatment (800% RW on balance sheet).

5.3 The 800% Risk Weight: FINMA’s Pre-Basel Interim Approach

In October 2018, FINMA communicated its interim prudential expectations for cryptoasset exposures through a confidential letter to EXPERTsuisse (the Swiss audit and accounting association). Although never issued as a formal circular, this letter established FINMA’s supervisory practice and remains influential. The three core requirements are:

5.3.1 Flat 800% Risk Weight

FINMA prescribed a flat risk weight of 800% to cover both market and credit risks for cryptoassets, regardless of whether positions are held in the banking book or trading book. This 800% risk weight equates to a capital charge of approximately 64% of the exposure value (800% × 8% minimum capital ratio = 64%). This is significantly more conservative than ordinary equity exposures (100–150% RW under Basel SA-BIS) and was calibrated to be comparable to hedge fund activity risk weighting. The formula under FINMA’s approach:

$$\text{Capital Requirement} = \text{Exposure Value} \times 800\% \times 8\% = \text{Exposure Value} \times 64\%$$

This 800% flat risk weight is notably lower than the Basel SCO60 Group 2b treatment (1,250% RW = 100% capital charge) but higher than the Group 2a treatment (100% delta RW under modified FRTB SA). It reflects FINMA’s position that crypto is volatile but should not be entirely punitive. Crucially, FINMA stated this was an interim measure "until the Basel Committee on Banking Supervision has issued global recommendations."

5.3.2 Concentration Limit: 4% of Total Capital

FINMA imposed a cap on cryptoasset trading activities at 4% of an institution’s total regulatory capital, calculated as the sum of absolute long and short positions. Once this threshold is reached, the institution must report to FINMA. This 4% limit is substantially more generous than the Basel SCO60 Group 2 exposure limit of 1% of Tier 1 capital (with a hard cap at 2%). However, FINMA’s limit covers total capital (Tier 1 + Tier 2) rather than Tier 1 only, making a direct comparison nuanced.

5.3.3 Liquidity Treatment

FINMA stated that cryptocurrencies cannot be considered as highly liquid assets (HQLA) for the purposes of determining LCR (Liquidity Coverage Ratio). They are excluded from all levels of the LCR buffer (Level 1, 2A, 2B). This is consistent with the Basel SCO60 approach and the position taken by all other jurisdictions examined in this paper.

5.4 The Custody Capital Exemption: Off-Balance-Sheet Treatment

The most distinctive feature of FINMA's approach is the capital exemption for crypto-based assets held in segregated custody. This represents a critical divergence from many other jurisdictions and has significant commercial implications for Swiss banks operating in the digital asset space.

5.4.1 Legal Basis

Under Article 16 No. 1bis of the Banking Act (introduced by the DLT Blanket Act) and Article 242a of the Swiss Debt Enforcement and Bankruptcy Act (SchKG), crypto-based assets can be segregated from the bankruptcy estate of a custodian bank provided specific conditions are met. When classified as segregable custody assets, they are recorded off-balance sheet and do not generate risk-weighted assets or capital requirements. FINMA Guidance 01/2026 (published 12 January 2026) confirmed and elaborated on this framework:

- Individual custody: Each client's crypto-assets are held on separate, identifiable blockchain addresses (wallets). Fully segregable; no capital requirement.
- Collective custody: Multiple clients' assets are pooled, but each client's share is clearly identifiable via an internal register. Segregable if the allocation is unambiguous; no capital requirement.
- Non-segregable holdings: If crypto-assets are held in a manner that does not meet the segregation conditions (e.g., commingled without clear allocation, or used for proprietary trading), they are on-balance-sheet and attract the 800% risk weight.

5.4.2 Delegation to Foreign Custodians

The capital exemption extends to custody delegated to third-party custodians abroad, provided two cumulative conditions are met: (1) the foreign custodian is subject to prudential supervision equivalent to Switzerland, and (2) the foreign jurisdiction's law guarantees bankruptcy protection for crypto-based assets held in custody equivalent to Swiss law. If either condition fails, the bank must bring the assets on balance sheet and apply the 800% risk weight. FINMA Guidance 01/2026 emphasized that Swiss institutions cannot circumvent custody requirements by using foreign vehicles or products.

5.4.3 Implications for Capital Efficiency

This off-balance-sheet treatment is highly advantageous commercially. A Swiss bank providing crypto custody services under compliant segregation arrangements can hold client crypto-assets with zero capital charge — a stark contrast to Basel SCO60 which would impose 1,250% RW on Group 2b holdings or the FINMA on-balance-sheet treatment of 800% RW. This makes Switzerland a uniquely capital-efficient jurisdiction for banks to offer crypto custody, provided they meet the segregation requirements. However, FINMA retains the power to set a maximum amount or impose capital requirements in specific cases where it identifies elevated risks.

5.5 Staking: FINMA Guidance 08/2023

On 20 December 2023, FINMA published Guidance 08/2023 on staking services, making Switzerland one of the first jurisdictions internationally to issue formal regulatory guidance on this topic. The guidance is critical for capital treatment because the classification of staked assets as on-balance-sheet or off-balance-sheet directly determines whether capital requirements apply.

5.5.1 On-Balance-Sheet vs. Off-Balance-Sheet Staking

The core question is whether staked crypto-assets satisfy the "held in readiness for customers at all times" requirement under Article 16 No. 1bis of the Banking Act. FINMA's analysis:

- Custodial direct staking (no lock-up, no slashing risk): If the crypto-assets can be unstaked and returned to the client immediately, with no penalties, they are deemed held in readiness. Off-balance-sheet treatment is available, and no capital requirement applies.
- Custodial direct staking (with lock-up/slashing risk): FINMA acknowledges legal uncertainty. Until further legislative or case-law clarification, FINMA will treat staked assets as segregable in bankruptcy provided: (i) specific client instruction exists; (ii) crypto-assets at the validator/withdrawal address are clearly allocable to the client; (iii) transparent risk disclosure (slashing, lock-up) is provided; (iv) operational risk minimization measures (including business continuity) are in place; and (v) a Digital Assets Resolution Package (DARP) is maintained.
- Staking on the bank's own account: Cannot be segregated. On-balance-sheet with 800% risk weight.
- Staking chains (delegated to third-party validator): Can be structured as a fiduciary claim (Treuhandforderung), qualifying as off-balance-sheet custody value under Article 16(2) Banking Act, provided the third-party staking provider is prudentially supervised, bankruptcy protection is equivalent, and additional due diligence requirements are met.

5.5.2 Non-Bank Staking Providers

Non-bank providers may offer custodial direct staking without a banking license if staked assets are held in individual custody (separate blockchain addresses per client with separate staking and withdrawal addresses). If assets are pooled (collective custody), a banking or fintech license is required. All providers remain subject to the Anti-Money Laundering Act and must be members of a self-regulatory organization (SRO).

5.6 ETPs and Structured Products

Switzerland has a well-developed market for crypto exchange-traded products (ETPs), with both SIX Swiss Exchange and BX Swiss having issued specific rules for the admission and collateralization of crypto ETPs. Key capital treatment considerations:

- Physical crypto ETPs: The ETP issuer holds the underlying crypto-assets as collateral. If a Swiss bank invests in such an ETP, the capital treatment depends on the look-through analysis: the bank's exposure is to the ETP (and its issuer's credit risk) plus the indirect exposure to the underlying crypto-asset's market risk.
- Synthetic crypto ETPs/AMCs: Subject to the rules in FinSA for structured products, including additional requirements for retail offerings and SPV structures. FINMA Guidance 01/2026 emphasizes that the nature of the underlying crypto-assets does not exempt the product from standard FinSA requirements.
- Options/derivatives on crypto-assets: Subject to market risk capital requirements under FINMA Circular 2008/20 and SA-CCR for counterparty credit risk under FINMA Circular 2017/7. The 800% risk weight applies to the underlying crypto exposure.

5.7 Proposed FINIA Amendments (October 2025)

On 22 October 2025, the Swiss Federal Council launched a public consultation (closing 6 February 2026) on proposed amendments to the Financial Institutions Act (FINIA). These propose two entirely new license categories:

- **Payment Institutions:** Replacing the existing fintech license. Exclusive authority to issue "Regulated Stablecoins" — crypto-based assets linked to a single fiat currency with par-value redemption. Banks may not directly issue Regulated Stablecoins; they must establish a separate Payment Institution entity. Client funds must be segregated per stablecoin. FINMA will maintain a public list of Regulated Stablecoins.
- **Crypto Institutions:** Authorized to provide custody, trading, and other services relating to crypto-based assets with trading characteristics. Subject to new prudential requirements including capital, governance, and risk management standards to be specified in implementing ordinances.

These proposed changes are expected to come into effect no earlier than 2027 and will likely trigger a recalibration of FINMA's crypto capital treatment, potentially including a formal circular replacing the 2018 informal 800% risk weight guidance.

5.8 Comparison: FINMA 800% RW vs. Basel SCO60 1,250% RW

Dimension	FINMA (Current Practice)	Basel SCO60
Risk Weight (Unbacked Crypto)	800% flat (both books)	Group 2b: 1,250%; Group 2a: 100% delta (modified FRTB SA)
Capital Charge (as % of exposure)	64% (= 800% × 8%)	Group 2b: 100% (= 1,250% × 8%); Group 2a: 8% (= 100% × 8%)
Exposure Limit	4% of total capital	1% Tier 1 (soft) / 2% Tier 1 (hard) for Group 2
Custody Treatment	Off-balance-sheet if segregated; zero capital requirement	Custody risk addressed separately; custodial assets may still trigger capital
Hedging Recognition	Not addressed in 2018 guidance; standard CAO derivative rules apply	Group 2a: limited hedging; Group 2b: no hedging recognition
Stablecoin Treatment	Case-by-case; regulated stablecoins framework proposed under FINIA amendments	Group 1b if meeting all classification conditions; otherwise Group 2
IMA Permitted?	Not addressed; banks with authorized risk models could theoretically use them subject to FINMA approval	Explicitly prohibited for all cryptoasset groups
Liquidity (HQLA)	Excluded from all HQLA levels	Excluded from all HQLA levels
Formal Status	Informal supervisory guidance (confidential letter 2018, not a circular)	Formal Basel Framework chapter (SCO60), binding on member jurisdictions

5.9 FINMA's Approach to FRTB and Market Risk for Crypto

Switzerland implemented the final Basel III reforms (including FRTB for market risk) through CAO amendments effective January 2025. FINMA Circular 2008/20 governs market risk capital. For crypto-assets held in the trading book, the standard FRTB Standardized Approach applies

through the CAO. However, FINMA's 2018 guidance prescribed the 800% flat risk weight "regardless of whether positions are held in the banking or trading book" — effectively overriding the FRTB granularity for crypto-assets with a single conservative charge. This approach eliminates the distinction between delta, vega, and curvature risk charges that the Basel SCO60 framework prescribes for Group 2a assets, instead applying a simpler but less risk-sensitive flat charge.

As of March 2026, FINMA has not published an updated circular reflecting the BCBS SCO60 framework. Swiss banks subject to international standards (supervisory categories 1–3, including UBS, Raiffeisen, Zuercher Kantonalbank, PostFinance) are expected to consult with FINMA on the appropriate treatment, particularly as the BCBS expedited review may result in a modified standard. Nine Swiss banks currently use authorized risk models for capital calculation, but the IMA prohibition for crypto under SCO60 would affect any of these banks with crypto trading exposures.

5.10 Summary: FINMA's Distinctive Position

FINMA's approach to crypto capital is distinguished by three features that set it apart from other major jurisdictions. First, the off-balance-sheet custody exemption makes Switzerland the most capital-efficient jurisdiction for banks providing crypto custody services, directly supporting the growth of the Swiss crypto banking sector (Sygnum, SEBA/AMINA, Maerki Baumann, and others). Second, the 800% flat risk weight is a pragmatic middle ground between the US (no specific risk weight, risk-based approach) and Basel SCO60 (1,250% for Group 2b), reflecting FINMA's philosophy of conservative but not prohibitive regulation. Third, the detailed staking guidance (Guidance 08/2023) and custody guidance (Guidance 01/2026) demonstrate FINMA's willingness to engage with operational details of DLT-based financial services at a level of specificity that most other regulators have not yet attempted. The pending FINIA amendments, if adopted, will create the first comprehensive Swiss licensing regime specifically for crypto institutions and stablecoin issuers, likely triggering a formal recalibration of capital requirements.

6. Hong Kong: HKMA Implementation

6.1 CRP-1 Module

Hong Kong is one of the first major jurisdictions to implement the Basel cryptoasset standard on schedule. On 27 November 2025, the HKMA finalized its Supervisory Policy Manual Module CRP-1 (Crypto Asset Classification), effective 1 January 2026. The framework closely follows the BCBS SCO60 classification into Groups 1a, 1b, 2a, and 2b, implemented through amendments to the Banking (Capital) Rules, Disclosure Rules, and Large Exposures Rules.

6.2 Key Features

- **Permissionless blockchain treatment:** The HKMA has adopted a pragmatic approach. Stablecoins licensed under the Hong Kong Stablecoin Ordinance (effective August 2025) are classified as Group 1 assets. Other public-chain stablecoins may qualify if subject to comparable overseas oversight.
- **Group 2b assets (unbacked tokens like BTC, ETH):** Subject to 1,250% risk weight, consistent with Basel.
- **Group 2a assets:** Subject to the modified FRTB Standardized Approach with 100% delta risk weight.
- **Group 2 exposure limit:** 1% of Tier 1 capital (soft) / 2% (hard), consistent with Basel.
- **Leverage ratio:** Cryptoassets included in the leverage ratio exposure measure consistent with Basel framework.

7. Singapore: MAS Framework

7.1 Consultation and Deferral

The MAS published its consultation paper (P003-2025) on the prudential treatment of cryptoasset exposures in early 2025, originally targeting 1 January 2026 implementation. However, following significant industry feedback arguing that early adoption would create regulatory arbitrage and disadvantage Singapore-based institutions, MAS announced in October 2025 a deferral to 1 January 2027 or later. In the interim, banks with cryptoasset exposures must engage MAS on the appropriate prudential treatment, which should "largely be aligned" with the consultation paper provisions.

7.2 Key Proposed Provisions

- Full alignment with BCBS SCO60 classification framework (Groups 1a, 1b, 2a, 2b)
- Eligible reserve assets for Group 1b stablecoins: MAS proposes requiring sovereign/central bank securities with credit rating of AA- and above as eligible reserve assets
- Permissionless blockchain: Industry respondents argued the classification conditions were 'punitive and not technologically neutral,' particularly for public chain assets
- The 1% Tier 1 capital exposure limit for Group 2 assets applies
- MAS has indicated it will monitor global regulatory developments and the BCBS expedited review before finalizing

8. Japan: JFSA Approach

Japan has explicitly stated it will not implement the Basel cryptoasset standard by the January 2026 deadline. The JFSA has noted that Japan's bank exposure to crypto-assets is limited, and it prefers to observe international developments before adopting specific crypto capital rules. Japan has fully implemented the broader Basel III reforms (including FRTB for banks subject to international standards) as of March 2024–2025.

Japan's approach to crypto regulation focuses on the Payment Services Act (PSA) and Financial Instruments and Exchange Act (FIEA). In 2025, the JFSA proposed reclassifying crypto-assets as financial products under the FIEA, with legislation expected in 2026. Banks engaging in crypto-related activities through subsidiaries or affiliates are subject to standard prudential requirements, and the JFSA expects conservative capital treatment for any material crypto exposures. There is no specific crypto capital surcharge or dedicated RWA framework comparable to SCO60 at this time.

9. Australia: APRA Approach

APRA published its initial crypto-asset risk management expectations and policy roadmap in April 2022, establishing broad expectations for ADIs engaging in crypto activities. APRA has consulted on the prudential treatment of tokenized assets and digital exposures, aligning with Basel Committee guidance on crypto-asset risk weightings. However, APRA has not published a dedicated prudential standard for cryptoasset exposures and has not adopted the Basel SCO60 framework.

ADIs are expected to apply robust risk management for any crypto activities, assign accountabilities to FAR Accountable Persons, and consult with APRA before taking material crypto exposures. The capital, funding, and liquidity treatment for loans secured by crypto-assets must be confirmed with APRA on a case-by-case basis. APRA's broader focus in 2025–2026 has been on proportionality (the proposed three-tier ADI framework), the phase-out of AT1 capital instruments, and operational risk (CPS 230, effective July 2025). A dedicated crypto capital consultation is expected but has not been formally scheduled.

10. United States: Divergent Approach — Detailed Analysis, Forecasts & Projections

10.1 The Policy Reset: Executive Order 14178 and the Digital Assets Report

The United States represents the most consequential departure from the Basel cryptoasset framework. On his first day in office in January 2025, President Trump issued Executive Order 14178, declaring that federal policy would favor the "responsible growth" of digital assets and blockchain technology, and establishing a Presidential Working Group on Digital Asset Markets. This was followed by a Strategic Bitcoin Reserve executive order. In July 2025, the Working Group published its comprehensive Digital Assets Report, which contained the most explicit policy guidance on prudential treatment:

- **Explicit rejection of Basel SCO60:** The report described the BCBS 1,250% risk weight as 'anti-innovation' and 'anti-competitive,' arguing it creates an unacceptable cliff-edge for assets failing Group 1 classification.
- **Technology-neutral, risk-based principles:** The report advocated that technological advancements (such as blockchain) do not necessarily alter the fundamental risk profile of an activity, and that same business presenting same risk should be governed by same rules.
- **Advocacy for BCBS modernization:** The report directed the Treasury and federal banking agencies (FBAs) to advocate at the BCBS for modernization of international standards to incorporate new data on digital asset market performance, recent DLT innovations, and revised calibrations.
- **Clarity on capital treatment:** The report emphasized the need for explicit guidance on how digital asset exposures should be treated within risk-based capital frameworks for both banks and credit unions.
- **Expanded permissible activities:** Recommendations to clarify or expand permissible bank activities to include tokenization of assets and liabilities, crypto custody, stablecoin issuance, and network participation.

Treasury Secretary Scott Bessent articulated the administration's philosophy in an April 2025 speech to the American Bankers Association: 'We need to take a different approach. We should not outsource decision making for the United States to international bodies. Instead, we should conduct our own analysis from the ground up to determine a regulatory framework that is in the interest of the United States.' This represents a fundamental reorientation: the US will not implement Basel standards as a starting point and then adjust, but will instead develop its own domestic framework and selectively borrow from Basel where independently justified.

10.2 Regulatory Liberalization Timeline (2025)

The pace of deregulatory action across US banking agencies in 2025 was unprecedented in the digital asset space. The following chronology illustrates the systematic dismantling of Biden-era constraints:

Date	Agency	Action
Jan 2025	White House	EO 14178: Establishes Working Group on Digital Assets; declares crypto-friendly policy

Jan 2025	SEC	Rescinds SAB 121, removing requirement for banks to carry custodied crypto on balance sheet
Mar 2025	OCC	IL 1183: Rescinds IL 1179 (no-objection process). Reinstates IL 1170 (custody), 1172 (stablecoin reserves), 1174 (blockchain nodes). Withdraws from interagency joint statements.
Mar 2025	FDIC	FIL 7-2025: Banks may engage in permissible crypto activities without prior FDIC approval
Apr 2025	Fed + FDIC	Withdraw SR 22-6, SR 23-8 (notification/non-objection letters). Withdraw from all interagency crypto warning statements.
May 2025	OCC	IL 1184: Banks may buy/sell custody assets at customer direction; outsource crypto activities to third parties
Jul 2025	All 3 FBAs	Joint Interagency Statement on Crypto-Asset Safekeeping: Risk-management principles, not prescriptive capital rules. 'Does not create any new supervisory expectations.'
Jul 2025	White House	Digital Assets Report published: Rejects Basel SCO60, advocates risk-based domestic approach
Jul 2025	Congress	House passes GENIUS Act (308-122): Federal framework for payment stablecoins
Nov 2025	All 3 FBAs	Enhanced Supplementary Leverage Ratio (eSLR) revised for G-SIBs — first move in broader capital reform
Nov/Dec 2025	OCC	IL 1188: Banks may engage in riskless principal crypto transactions. Multiple fintech/crypto trust bank charters conditionally approved.
Dec 2025	FDIC	NPR on GENIUS Act stablecoin framework: previews supervisory approach for FDIC-supervised stablecoin issuers (comment period extended to May 2026)
Dec 2025	Fed	Rescinds 2023 Policy Statement on state member bank permissible activities for crypto; defers to FDIC for insured banks

10.3 Interagency Safekeeping Statement: Implications for Capital

The July 2025 Joint Statement on Crypto-Asset Safekeeping is critically important for understanding the US approach to capital treatment. Key points:

- The statement explicitly does not impose capital requirements on crypto custody activities. It is purely risk-management focused, addressing key management, cybersecurity, BSA/AML compliance, third-party risk management, and audit.
- With the January 2025 rescission of SEC SAB 121, banks providing crypto custody are no longer required to record custodied crypto-assets on their balance sheets. This eliminates the punitive balance-sheet capital charge that SAB 121 effectively created.
- The statement establishes that crypto-asset safekeeping is a permissible banking activity, performed under existing safety-and-soundness principles rather than a bespoke crypto capital regime.
- This is a fundamentally different approach from Basel SCO60, which prescribes specific RWA treatment for custody exposures. Under the US approach, custody of client crypto-assets is treated analogously to custody of traditional securities: off-balance-sheet, with operational risk managed through controls rather than capital charges.

10.4 GENIUS Act: Stablecoin Capital Framework

The GENIUS Act (Guiding and Establishing National Innovation for US Stablecoins Act) establishes the first comprehensive US federal framework for payment stablecoins. Implementing regulations must be adopted by 18 July 2026, with the Act taking effect by January 2027 at the latest. Key capital and prudential provisions:

- Payment stablecoins are expressly declared not to be securities, commodities, or deposits — creating a distinct regulatory category.
- Issuers must be permitted entities: subsidiaries of insured depository institutions (IDIs, supervised by Fed/FDIC/OCC), state-qualified issuers, or federal qualified nonbank issuers (requiring OCC or Stablecoin Certification Review Committee approval).
- Reserve requirements: 1:1 reserve backing with high-quality assets (cash, short-term Treasuries, central bank reserves). Reserves must be segregated and bankruptcy-remote.
- The FDIC's December 2025 NPR previews a safety-and-soundness focused approach for IDI stablecoin issuers, covering reserve management, operational risk, liquidity, and redemption processes.
- Capital requirements for stablecoin issuers will be set by implementing regulations — expected to be significantly lighter than the 1,250% Basel Group 2b treatment for non-qualifying stablecoins.
- Large banks (JPMorgan, Goldman Sachs, BofA) are expected to partner with or issue their own stablecoins, creating a competitive alternative to crypto-native issuers like Circle and Tether.

The ICBA (Independent Community Bankers of America) has estimated potential deposit erosion of approximately \$1.3 trillion if stablecoin issuers are permitted to pay interest-like rewards, highlighting the systemic significance of the framework's design.

10.5 Basel III Endgame and FRTB: Current Status and Projections

The US has not implemented the final Basel III reforms ("Basel III endgame"), including FRTB. The 2023 Biden-era proposal would have increased aggregate capital requirements by approximately 9% for the largest banks. This was widely criticized. Current projections:

10.5.1 Timeline Forecast

- Q1 2026: Revised, 'roughly capital-neutral' Basel III endgame re-proposal expected (Fed Vice Chair Bowman confirmed 'early next year' in August 2025 remarks).
- Q3–Q4 2026: Comment period and potential finalization. Capstone DC and Bloomberg Intelligence project finalization by late 2026 if regulators move quickly.
- 2027+: Implementation begins. Long phase-in period expected.
- The Fed is pursuing a sequenced four-pillar approach: (1) leverage ratio (eSLR revised Nov 2025 — completed), (2) G-SIB surcharge, (3) stress capital buffer, (4) Basel III endgame (last). This sequencing means the endgame proposal could slip to H2 2026.

10.5.2 What Will the US Endgame Look Like?

Based on statements from Fed Vice Chair Bowman, FDIC Chairman Travis Hill, Comptroller Jonathan Gould, and Congressional signals:

- **Capital-neutral:** The proposal will aim not to raise aggregate capital levels above current requirements. The 52% of bankers surveyed by American Banker who expect eased capital requirements reflects industry consensus.
- **Greater tailoring:** Enhanced differentiation between G-SIBs, large regional banks (Category II–III), and community banks. Further tailoring of Dodd-Frank enhanced prudential standards.
- **FRTB modifications:** The US version of FRTB may deviate substantially from the Basel standard. Key areas of divergence could include the profit-and-loss attribution test (more lenient), non-modellable risk factors (reduced capital charges), and broader IMA availability.
- **No slavish adherence to Basel:** The administration has been explicit that it will selectively borrow from Basel standards, validated through independent domestic analysis, rather than implement wholesale.

10.5.3 Implications for Crypto Capital Under US FRTB

If and when the US adopts its version of FRTB (likely 2028+ for implementation), the treatment of crypto trading book positions could diverge from Basel SCO60 in several ways:

- **Risk weight recalibration:** The GFMA/SIFMA August 2025 letter to the BCBS presented empirical data showing that risk weights calculated from stressed-period VaR and expected shortfall for BTC, ETH, SOL, and XRP are significantly below 100%, based on 10-day price return data. The US may adopt empirically calibrated risk weights rather than the flat 100% prescribed by Basel.
- **IMA availability:** The Basel standard prohibits internal models for crypto. The US, with its emphasis on risk sensitivity, may consider allowing IMA for certain liquid crypto-assets (particularly those with deep, continuous exchange data like BTC and ETH).
- **ETF/ETP look-through:** US spot Bitcoin ETFs (approved January 2024) have accumulated substantial AUM and trading volume. The US may adopt a look-through approach where the ETF wrapper determines the capital treatment rather than the underlying crypto classification.

10.6 Projected US Crypto Capital Framework: Scenario Analysis

Based on all available policy signals, legislative developments, regulatory actions, and industry dynamics, the following scenario analysis projects the likely US approach to crypto capital treatment:

10.6.1 Base Case (60% probability): Principles-Based Domestic Framework

- **Timeline:** Formal interagency crypto capital guidance by Q2–Q3 2027, following GENIUS Act implementation and Basel endgame finalization.
- **Structure:** Three-tier risk weight system: (1) Compliant stablecoins and tokenized traditional assets: treatment equivalent to underlying traditional assets (0–100% RW depending on reserve quality); (2) Major liquid cryptoassets (BTC, ETH, and liquid

ETFs/ETPs): moderate risk weight of 200–400% based on empirical volatility data; (3) Illiquid/unregulated cryptoassets: higher risk weight of 600–1,000%, but not the full 1,250% Basel charge.

- Custody: Off-balance-sheet treatment for custodied client crypto-assets, consistent with SAB 121 rescission and interagency safekeeping statement.
- Hedging: Greater recognition of hedging through regulated derivatives and ETFs than Basel permits.
- Exposure limit: Either no specific crypto exposure limit (relying on existing concentration risk rules) or a limit more generous than Basel's 1% Tier 1 — potentially 5–10% of Tier 1.
- FRTB: Crypto positions in the trading book treated under the US version of FRTB SA with recalibrated risk weights based on domestic market data.

10.6.2 Optimistic Case (25% probability): Light-Touch Innovation Framework

- Timeline: Earlier guidance, potentially as part of the Basel endgame re-proposal in 2026.
- Structure: Even lighter treatment. Regulated stablecoins with bank-quality reserves receive minimal or zero additional capital charge. Major cryptoassets (BTC, ETH) treated comparably to FX or equities (100–150% RW). Spot Bitcoin ETFs receive standard equity ETF treatment.
- IMA: Potentially available for the most liquid crypto-assets.
- Exposure limit: No specific crypto limit; existing large exposure rules apply.
- Rationale: The CLARITY Act (market structure legislation) passes, providing comprehensive SEC/CFTC oversight and reducing perceived systemic risk. Large banks issue own stablecoins, deeply embedding crypto into the regulated financial system.

10.6.3 Conservative Case (15% probability): Modified Basel Alignment

- Timeline: Delayed to 2028+, possibly under a different administration.
- Structure: The US eventually adopts a framework broadly aligned with Basel SCO60 but with US-specific modifications (e.g., 1,250% for Group 2b retained, but with broadened Group 2a eligibility and relaxed permissionless blockchain conditions).
- Trigger: A major crypto market crisis or bank failure linked to digital assets could prompt a reversion to more conservative treatment.
- Rationale: Financial stability concerns override innovation policy if systemic risks materialize.

10.7 Impact Assessment: Global Competitive Implications

The US divergence from Basel SCO60 creates a multi-dimensional competitive landscape:

- Capital arbitrage: US banks could hold equivalent crypto exposures with 36–68% less capital than EU banks under the base case scenario (compared to the EU's 1,250% Group C treatment). This creates a strong incentive for crypto market-making, custody, and trading activities to migrate to US-regulated entities.
- Stablecoin dominance: The GENIUS Act combined with favorable bank capital treatment could cement USD-backed stablecoins (USDC, potential JPMorgan/Goldman

stablecoins) as the dominant settlement instruments for institutional crypto markets globally.

- DLT infrastructure: OCC trust bank charters for crypto firms, combined with CFTC allowance of tokenized collateral and crypto spot trading on futures exchanges, could create a fully integrated US digital asset infrastructure that is difficult for other jurisdictions to replicate.
- BCBS pressure: The US rejection is a primary driver of the November 2025 BCBS expedited review. If the BCBS recalibrates SCO60, other jurisdictions may adopt lighter treatment, potentially narrowing the competitive gap. However, BCBS consensus is slow, and any revised standard would not take effect before 2028.
- Cross-border supervision: Global banks with US and EU/UK operations face the most complex challenge: they must comply with the strictest applicable standard for consolidated reporting (typically the home-country rules) while managing entity-level capital across divergent regimes.

10.8 Key Risks and Uncertainties

- Fed independence: While the OCC and FDIC have moved aggressively, the Federal Reserve has been slower. Fed Chair Powell has expressed support for bank crypto activities but the Fed staff has not translated this into equivalent action. The Fed's capital rulemaking process is independent and may be less aligned with the administration's innovation agenda.
- EGRPRA review: The interagency Economic Growth and Regulatory Paperwork Reduction Act review (comments due October 2025) covers Banking Operations, Capital, and CRA. Industry comments on the capital section may influence the endgame proposal, including crypto-specific provisions.
- Political risk: The 2026 midterm elections could shift Congressional dynamics. If Democrats gain seats, legislative momentum for crypto-friendly frameworks could slow.
- Market risk events: A major stablecoin depegging, crypto exchange failure, or bank loss linked to digital assets could trigger rapid policy reversal and more conservative capital treatment.
- ABA resistance: The American Bankers Association has formally opposed certain stablecoin provisions (particularly interest/yield on stablecoin holdings) and may lobby for conservative capital treatment of competing crypto products.

10.9 Summary: The US as the Global Outlier

The United States has positioned itself as the definitive global outlier in crypto prudential regulation. While every other major jurisdiction examined in this paper is either implementing or planning to implement the Basel SCO60 framework (with varying degrees of modification and delay), the US has explicitly rejected the framework and is building a domestic alternative from the ground up. This is not a temporary delay; it is a deliberate strategic choice, driven by a combination of political ideology (pro-innovation, anti-regulatory overreach), economic calculation (maintaining US dollar and financial system dominance), and institutional dynamics (the unique structure of US banking regulation with multiple agencies and Congressional oversight). The consequences of this choice will ripple through global financial markets for years, creating both

opportunities for US-regulated institutions and challenges for the coherence of the international prudential framework.

11. Comparative Analysis: Jurisdiction-by-Jurisdiction

Jurisdiction	SCO60 Adopted?	Impl. Date	Native Crypto RW	Stablecoin Treatment	FRTB Status	Leverage Ratio
Basel (BCBS)	Standard-setter	1 Jan 2026	2a: 100% delta 2b: 1,250%	Group 1b if conditions met	Integral to SCO60 SA	Standard LEV30 rules
EU (CRR3)	Transitional	9 Jul 2024 (transitional)	Group C: 1,250% Group B: 250%	E-Money Tokens: Group A (look-through)	Deferred to 1 Jan 2027	Per existing CRR rules
UK (PRA)	Not yet	Consult Q4 2026	TBD (conservative interim)	TBD	Expected 1 Jan 2028	Standard PRA rules apply
Switzerland	Partial	Jan 2025 (Basel III)	Case-by-case with FINMA	Custody: no capital if segregated	Implemented (CAO)	Standard CAO rules
Hong Kong	Yes (CRP-1)	1 Jan 2026	2a: 100% 2b: 1,250%	Licensed: Group 1 Other: Group 2	Implemented	Basel-aligned
Singapore	Deferred	1 Jan 2027+	Proposed: Basel-aligned	MAS eligible reserve criteria (AA-sovereign)	To align with BCBS	Standard MAS rules
Japan	No	No timeline	No dedicated framework	JFSA stablecoin regime (PSA)	Basel III implemented (Mar 2024-25)	Standard JFSA rules
Australia	No	TBD	Case-by-case with APRA	SVF framework under development	Basel III implemented	Min 3.25% CET1
United States	Rejected	N/A	Risk-based (TBD, not 1,250%)	GENIUS Act framework (Jul 2026)	Not implemented ; endgame 2027+	eSLR revised Nov 2025

12. FRTB and Crypto Market Risk: Cross-Jurisdictional Analysis

12.1 How FRTB Applies to Crypto Under Basel SCO60

The Basel standard integrates crypto market risk into the FRTB framework through a modified Standardized Approach (SA) exclusively for Group 2a assets. Key features of the FRTB crypto integration include:

- Dedicated crypto risk class: Group 2a cryptoassets form a new risk class under the sensitivity-based method (SBM), with each specific cryptoasset constituting its own bucket.
- Zero cross-bucket correlation: No diversification benefit is recognized between different Group 2a cryptoassets.
- Delta risk weight: 100% for all Group 2a assets.
- Vega risk: Defined along one dimension (option maturity), mapped to tenors of 0.5, 1, 3, 5, and 10 years. No differentiation by exchange or underlying maturity.
- Curvature risk: Applicable for non-linear exposures (options).
- IMA prohibition: Internal Models Approach is not permitted for any cryptoasset under any group.
- Residual risk add-on (RRAO) and Default Risk Charge (DRC): Applicable where relevant.

12.2 FRTB Implementation Timeline vs. Crypto Standard

Jurisdiction	FRTB Date	Crypto Standard Date	Gap/Issue
EU	1 Jan 2027	9 Jul 2024 (transitional)	EBA RTS covers both current and FRTB MR frameworks
UK	1 Jan 2028 (expected)	Q4 2026 consult	Crypto capital rules likely post-FRTB
Hong Kong	Implemented	1 Jan 2026	Fully aligned; CRP-1 references FRTB SA
Singapore	2026-2027	1 Jan 2027+	Will align both timelines
Japan	Mar 2024 (international banks)	No timeline	FRTB in place; crypto standard absent
US	2027+ (as part of endgame)	Rejected SCO60	Domestic risk-based approach; may selectively borrow from FRTB

12.3 Will the US Eventually Adopt FRTB for Crypto?

The US has not adopted FRTB for any asset class. If and when the Basel III endgame is finalized (likely 2027+), the US version of FRTB may differ materially from the Basel standard. For crypto specifically, the US approach is likely to: (1) adopt FRTB-like sensitivities as a starting point but recalibrate risk weights based on domestic data; (2) potentially allow greater hedging recognition than the current Basel standard permits; (3) avoid automatic 1,250% treatment for assets with

demonstrable liquidity and price transparency; and (4) consider a graduated approach where regulated crypto ETFs/ETPs receive lighter treatment than direct spot holdings. Treasury Secretary Bessent's statement that the US should 'conduct our own analysis from the ground up' suggests a bespoke rather than Basel-derivative approach.

12.4 EU FRTB Consultations and Crypto Interaction (2025–2026)

The European Commission launched two significant FRTB consultations in 2025 that have direct implications for how crypto market risk will be treated once FRTB becomes operational in the EU (now deferred to 1 January 2027):

12.4.1 March 2025 Targeted Consultation

On 24 March 2025, the Commission launched its first targeted consultation on the market risk prudential framework, presenting three options: (1) implement FRTB as-is from 1 January 2026; (2) postpone by one further year to 1 January 2027; or (3) introduce temporary and targeted amendments for up to three years. The Commission ultimately chose option (2), adopting a delegated act in June 2025 deferring FRTB to 1 January 2027. Crucially, this consultation did not propose any crypto-specific modifications to the FRTB framework itself. Crypto market risk remains governed by the separate EBA RTS under Article 501d CRR3, overlaid on top of whichever market risk framework is in effect.

12.4.2 November 2025 Second Targeted Consultation

On 6 November 2025, the Commission launched its second, more substantive consultation under the Article 461a CRR empowerment. This consultation proposed two components: (1) temporary targeted amendments to specific FRTB provisions where other jurisdictions have deviated (including the residual risk add-on (RRAO) phase-in, economic hedging recognition for equity/credit under the default risk charge, diversification recognition for EU ETS emissions, a phase-in factor for the alternative standardised approach, and corresponding recalibration of the simplified standardised approach); and (2) a multiplier mechanism to neutralize capital increases from FRTB for adversely impacted banks, with options ranging from bank-specific recalibrated multipliers to industry-wide flat multipliers, applied for a three-year period ending in 2029.

The Commission's deadline for adopting the delegated act is end of March 2026. ISDA and IIF submitted a joint response (January 2026) advocating for risk-sensitive modifications to the non-modellable risk factor (NMRF) treatment, changes to the profit-and-loss attribution test (PLAT), and the default risk charge (DRC). Again, these proposals did not introduce crypto-specific changes to the FRTB architecture.

12.5 EBA Dual-Track Approach: Bridging Crypto and FRTB

The most technically significant development is the EBA Final Draft RTS (EBA/RTS/2025/04, August 2025), which explicitly provides a dual-track market risk framework for crypto-assets — one track for the current (pre-FRTB) market risk rules and one for when FRTB takes effect:

- Pre-FRTB track (current): Crypto-assets in the trading book are subject to the old standardised approach for market risk under CRR Articles 325(1)(a) and (2) and Part Three, Title IV, Chapters 2–4, in their version in force on 8 July 2024. The old internal

model approach is not permitted for any crypto-asset. Specific modifications to account for crypto risk profiles are provided.

- FRTB track (from 1 January 2027): Once FRTB takes effect, institutions must apply the new alternative standardised approach (ASA) set out in Part Three, Title IV, Chapter 1a CRR. Crypto-assets are assigned to the dedicated crypto risk class as defined in Basel SCO60 (with each specific cryptoasset forming its own bucket). The alternative internal model approach (AIMA, Chapter 1b CRR) is explicitly prohibited for all crypto-asset exposures. For the ES and SES calculations under AIMA, the Basel standard includes no deviations from the standard IMA rules for traditional assets, but since AIMA is prohibited this is moot for crypto.
- CVA risk: Follows existing rules for traditional assets — no crypto-specific CVA modifications.
- RRAO: Crypto-asset instruments that are exotic or bear risks not captured by the SBM will be in scope for the RRAO charge, attracting the standard RRAO percentage.

This dual-track design means that EU banks must implement two distinct market risk calculation methodologies for crypto: one for the transition period (using old SA), and one for when FRTB takes effect (using the ASA with the crypto risk class from SCO60). The EBA's approach ensures that whenever the Commission's FRTB delegated act takes effect, the crypto capital overlay is ready to plug in.

12.6 Assessment: Will Crypto Become a Fully Native FRTB Asset Class?

Based on all available evidence from BCBS publications, EU consultations, EBA technical standards, PRA proposals, ISDA advocacy papers, and industry submissions, the assessment is as follows:

12.6.1 Current Architecture: Overlay, Not Integration

Crypto is not currently a native, built-in asset class within the FRTB framework in the way that interest rates, FX, equities, commodities, and credit spreads are. Instead, the Basel SCO60 standard creates a bespoke overlay that borrows FRTB SA mechanics (the sensitivity-based method structure) but applies them in a separate, dedicated crypto risk class with its own parameters (100% delta RW, zero cross-bucket correlation, specific vega tenors). This overlay approach was deliberately chosen by the BCBS to avoid modifying the core FRTB standard, which had already been finalized after years of consultation. The IMA prohibition for crypto further confirms the overlay nature: crypto is not trusted to be modeled within the same internal models framework that governs traditional asset classes.

12.6.2 Prospects for Full Integration

The prospect of crypto becoming a fully integrated, native FRTB risk class — on par with equities or FX — depends on several preconditions that have not yet been met:

- Market maturity: Crypto markets would need to demonstrate sustained liquidity, price continuity, and exchange infrastructure comparable to traditional asset classes. While BTC and ETH are approaching this threshold (the GFMA August 2025 letter cited BTC/USD average daily volume of \$10.6 billion, exceeding many FX pairs), the broader crypto market does not yet meet this standard.

- Regulatory infrastructure: Comprehensive market structure legislation (such as the US CLARITY Act or EU MiCA) would need to be fully operational, providing the regulatory underpinning that FRTB assumes for other asset classes (regulated exchanges, central clearing, trade reporting).
- BCBS consensus: Full integration would require a BCBS decision to modify the core FRTB standard (MAR chapters), which is a multi-year process requiring consensus among 45 members from 28 jurisdictions.
- IMA acceptance: The BCBS would need to be satisfied that crypto risk factors can be reliably modeled, passing the risk factor eligibility test (RFET) and the P&L attribution test (PLAT). Given current crypto volatility patterns and the relative novelty of the data history, this is unlikely in the near term.

12.6.3 Timeline Projection

The BCBS expedited review of SCO60 (announced November 2025) is the most likely near-term catalyst for changes. However, this review is focused on recalibrating existing SCO60 parameters (Group 2a risk weights, Group 2 exposure limits, permissionless blockchain treatment) rather than restructuring the relationship between SCO60 and FRTB. A realistic projection:

- 2026–2027: BCBS expedited review concludes. Possible recalibration of Group 2a risk weights (potentially to 40–60% for BTC/ETH based on empirical data, down from 100%). No change to the overlay architecture.
- 2027–2029: As FRTB becomes operational in the EU (2027), UK (2028), and potentially the US (2028+), practical experience with the crypto overlay will accumulate. If crypto markets continue to mature and regulated ETFs/derivatives expand, pressure will build for more granular integration.
- 2029–2031: A potential FRTB 2.0 review cycle could consider integrating crypto as a native risk class, particularly if major cryptoassets demonstrate FX-like or equity-like liquidity and volatility profiles. This would require a new BCBS consultation and multi-year process.
- Net assessment: Full native integration of crypto into FRTB is unlikely before 2030. The overlay approach will persist for the foreseeable future, with incremental calibration improvements through the BCBS review process.

13. Leverage Ratio: Crypto-Specific Considerations

The leverage ratio serves as a non-risk-weighted backstop to the risk-based capital framework. Under the Basel standard, cryptoassets are included in the leverage ratio exposure measure as follows:

Exposure Type	Leverage Ratio Treatment	Special Crypto Provisions
Direct on-balance-sheet holdings	Accounting value (fair value or amortized cost as applicable)	No crypto-specific modification; standard accounting applies
Off-balance-sheet exposures	Apply standard CCFs from leverage ratio framework	Group 1b: if bank commits to purchase from non-members, include total current value of obligations
Derivatives (Group 1/2a)	Standard SA-CCR under LEV30: RC + PFE	Standard derivative treatment per LEV30
Derivatives (Group 2b)	LEV30 rules with SCO60.99 modifications: PFE = 50% of gross notional per transaction; netting restrictions apply	No netting across Group 2b assets; 50% gross notional PFE
SFTs with crypto collateral	Standard SFT treatment; crypto collateral receives haircut of 30% (Group 1b/2a/2b as non-eligible collateral)	30% haircut (equivalent to equities not on recognized exchange)

In the US, the enhanced supplementary leverage ratio (eSLR) for G-SIBs was revised in November 2025, with the Fed reducing the eSLR buffer. The US has not issued specific leverage ratio guidance for crypto exposures. Australia's APRA reduced its minimum leverage ratio from 3.5% to 3.25% (CET1 basis) as part of the AT1 phase-out.

14. Key Regulatory Differences and Policy Implications

14.1 Technology Neutrality Debate

A fundamental area of divergence concerns the treatment of permissionless versus permissioned blockchains. The Basel standard imposes stricter conditions on assets operating on permissionless ledgers (such as Bitcoin, Ethereum), which can result in classification as Group 2 even for tokenized assets or stablecoins that would otherwise meet Group 1 criteria. Hong Kong's HKMA has adopted a pragmatic approach allowing licensed stablecoins on permissionless chains to qualify for Group 1. Singapore's industry respondents argued the distinction is 'punitive and not technologically neutral.' The GFMA letter to the BCBS (August 2025) proposed that the risk mitigation capabilities of issuers and infrastructure layers should be assessed, not the underlying blockchain architecture. The BCBS expedited review is expected to address this issue.

14.2 Regulatory Arbitrage Risk

The growing divergence between the US (pro-innovation, lighter capital treatment) and the EU (strict transitional regime with 1,250% risk weight for unbacked crypto) creates significant potential for regulatory arbitrage. US banks may gain competitive advantage in crypto market-making, custody, and trading activities. EU and Asian banks may face higher capital costs for identical exposures, potentially pushing crypto activities to US-regulated entities or non-bank intermediaries.

14.3 Stablecoin Treatment

The treatment of stablecoins varies significantly across jurisdictions and is the most commercially consequential aspect of the framework. Under Basel SCO60, stablecoins can qualify as Group 1b if they meet stringent reserve asset, redemption, governance, and audit requirements. However, most stablecoins today operate on permissionless blockchains, which under a strict reading of the standard would disqualify them from Group 1b. The HKMA allows licensed stablecoins to enter Group 1; the EU treats MiCA-compliant e-money tokens as Group A (look-through); the US GENIUS Act will create a dedicated stablecoin framework; MAS proposes requiring AA- sovereign reserve backing. The divergence in stablecoin treatment is likely to be the most significant driver of competitive positioning.

15. References and Source Documents

The following is a comprehensive list of regulatory documents, consultation papers, and industry analyses referenced in this research paper:

15.1 Basel Committee on Banking Supervision

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