

**To:**

Monetary Authority of Singapore  
10 Shenton Way,  
MAS Building,  
Singapore 079117

**28 April 2025****Re: Consultation Paper on the Prudential Treatment of Cryptoasset Exposures and Requirements for Additional Tier 1 and Tier 2 Capital Instruments for Banks – P003-2025 (Consultation)**

Coinbase Global, Inc. (together with Coinbase Singapore, Pte Ltd. and its other subsidiaries, **Coinbase**) appreciates the opportunity to respond to this Consultation by the Monetary Authority of Singapore (**MAS**).

Coinbase is the most trusted service provider of crypto trading, custody, and infrastructure in the world. Founded in 2012 and publicly listed on the NASDAQ, we offer a secure and user-friendly interface for millions of verified retail and institutional investors globally. We are committed to building an open financial system and are doing so with the strongest regulatory compliance and security protocols available.

At Coinbase, we believe that banks should be permitted to actively participate in the crypto ecosystem and broaden the application of blockchain technology in financial markets. Banks play multiple critical roles in the financial system, but realizing the benefits that banks can derive from being allowed to engage in new technology will depend on striking the right balance between innovation and prudence.

We appreciate MAS's continued consideration of these issues and its commitment to update relevant regulations to account for the Basel cryptoasset standards. We look forward to continuing to work with and discuss these issues with MAS.

Yours sincerely,



Faryar Shirzad,  
Chief Policy Officer

## Introduction

While Coinbase is not a bank and will not be subject to the standards set forth in the Consultation, we nonetheless believe in the importance of promoting an inclusive digital asset ecosystem, which includes banks. Since 2022 we have submitted three comment letters to the Basel Committee on Banking Supervision (**BCBS**)<sup>1</sup> on their standard for the capitalization of banks' exposures to cryptoassets (**Basel Standard**).<sup>2</sup> We continue to believe points made in these letters should be more fully reflected in the BCBS's actions and in related standards such as those being considered by MAS in this Consultation.

We most recently responded to the BCBS's publication of its Working Paper 44 ("**WP44**"), regarding its interpretative position that permissionless digital ledger technology (**DLT**) systems justify a 1250% risk weight.<sup>3</sup> As we have previously written, we disagree with this treatment of identified risks; it will leave banks in adopting jurisdictions on the sidelines of a global movement towards digitally-native financial markets.

For this reason, we are concerned that MAS is moving to implement the Basel Standard largely as promulgated by the BCBS with only limited departures from the original text. As we have expressed in our past letters to the BCBS, we believe this will lead to overcapitalization and hinder banks' willingness and ability to engage with cryptoasset markets as they are being developed today. Such an outcome would be inconsistent with the Singapore Government's long-stated intention to develop an innovative and responsible digital asset ecosystem.

Our concern notwithstanding, we commend the instances where the draft amendments to relevant MAS notices (**Draft Amendments**) make specific proposals to clarify the Basel Standard, such as those relating to the reserve asset requirements and due diligence requirements for Group 1b cryptoassets, where the proposals are appropriately risk based

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<sup>1</sup> Coinbase International *Re Cryptoasset Standard Amendments* (March 28, 2024), [https://assets.ctfassets.net/c5bd0wqjc7v0/7dNHb9PP7o9EkP93HegfeJ/98b5bce94c71e0384d14676e502f1bfe/Coinbase-letter\\_BCBS-cryptoasset-standard-amendments\\_28-March-2024.pdf](https://assets.ctfassets.net/c5bd0wqjc7v0/7dNHb9PP7o9EkP93HegfeJ/98b5bce94c71e0384d14676e502f1bfe/Coinbase-letter_BCBS-cryptoasset-standard-amendments_28-March-2024.pdf);

Coinbase International *Re: Second public consultation on the prudential treatment of banks' cryptoasset exposures* (September 30, 2022), [https://assets.ctfassets.net/c5bd0wqjc7v0/1vyEjyVXwYlcW4DghZStGp/c35ad30b3db35f30deca6a2126878d5b/Coinbase\\_Response\\_-\\_BCBS\\_Second\\_Consultation\\_-\\_Prudential\\_Treatment\\_of\\_Bank\\_Cryptoasset\\_Exposures.pdf](https://assets.ctfassets.net/c5bd0wqjc7v0/1vyEjyVXwYlcW4DghZStGp/c35ad30b3db35f30deca6a2126878d5b/Coinbase_Response_-_BCBS_Second_Consultation_-_Prudential_Treatment_of_Bank_Cryptoasset_Exposures.pdf);

Coinbase International *Re: Comments in Response to the Consultative Document on the Prudential Treatment of Cryptoasset Exposures* (September 10, 2021), <https://www.bis.org/bcbs/publ/comments/d519/coinbase.pdf>.

<sup>2</sup> Bank for International Settlements *SCO60 – Cryptoasset exposures* (November 27, 2024), [https://www.bis.org/basel\\_framework/chapter/SCO/60.htm?inforce=20260101&published=20241127](https://www.bis.org/basel_framework/chapter/SCO/60.htm?inforce=20260101&published=20241127).

<sup>3</sup> Coinbase International *Re: BCBS Working Paper 44 – Novel risks, mitigants and uncertainties with permissionless distributed ledger technologies* (February 3, 2025), [https://assets.ctfassets.net/o10es7wu5gm1/5kYnW2N9TsqTW1u0WaHN3O/d872899677865a19dd50a2216664e247/1.A\\_Coinbase\\_Submission\\_-\\_BCBS\\_WP44\\_Response\\_-\\_FINAL\\_02.03.2025.pdf](https://assets.ctfassets.net/o10es7wu5gm1/5kYnW2N9TsqTW1u0WaHN3O/d872899677865a19dd50a2216664e247/1.A_Coinbase_Submission_-_BCBS_WP44_Response_-_FINAL_02.03.2025.pdf).

and consistent with established past practices of MAS and the BCBS. Similarly, technical differences between the Draft Amendments and the Basel Standards in select areas, such as the supervisory standards for reviewing cryptoasset technology risk, allow the characteristics of individual digital ledger technology systems to be assessed freely based on their use and implementation.

Our principal recommendation to MAS is to expand upon these risk-based adjustments to further support responsible innovation. The following are examples of additional steps MAS may consider taking in this respect.

### **Capital treatment and prudential requirements for cryptoassets**

We remain concerned about the blanket application of a 1250% risk weight to Group 2 cryptoassets. This represents a severe misalignment of capital requirements relative to actual risks borne by banks, as outlined in the BCBS and MAS proposals.

A fundamental principle underpinning capital requirements is their proportionality to the actual risk involved in holding an asset. Applying a 1250% risk weight universally to cryptoassets disregards this principle by requiring banks to hold capital far exceeding the total possible loss. This not only inhibits banks from safely participating in the crypto ecosystem but also undermines effective risk management by disconnecting capital requirements from genuine financial risk.

Coinbase urges MAS to adopt a more nuanced approach to capital weighting, reflecting the unique characteristics and varied risk profiles of different cryptoassets. Specifically, we recommend employing a risk-based classification system aligned with banks' traditional capital allocation strategies, permitting banks to effectively manage cryptoasset risks using proven financial risk management tools.

### **Classification and risk weighting of stablecoins (Group 1b cryptoassets)**

The proposed classification conditions for stablecoins (Group 1b cryptoassets) include overly restrictive criteria around eligible reserve assets, redemption mechanisms, and collateralization practices.

While we agree with the importance of ensuring stability and customer protection, the stringency of the requirements may inadvertently create arbitrary cliff effects. For instance, minor deviations in asset composition – such as holding 1% of reserves in assets marginally outside the proposed scope – could shift a stablecoin from a manageable risk category into one with disproportionately punitive capital charges (1250% risk weight). This scenario would artificially inflate perceived risks and significantly limit banks' practical engagement with stablecoins, despite their relatively lower risk profiles compared to other cryptoassets.

We recommend adjusting the classification criteria to allow a reasonable margin for operational realities, such as minimal deviations in asset composition, without triggering excessive capital penalties. Such adjustments would better reflect the true economic risks stablecoins present to banks, support innovation, and ensure that stablecoins remain a viable option within the regulated financial landscape.

## Answers to specific questions

### **Question 8: MAS seeks comments on the proposed amendments to MAS Notices 637, 649, 651, 652, 653 and 656 to incorporate the prudential treatment and disclosure framework for cryptoasset exposures in Annex B.**

As noted above, we continue to have fundamental concerns with the proposed amendments to MAS Notices 637, 649, 651, 652, 653, and 656 as outlined in Annex B. The treatment of cryptoasset exposures – especially the application of a 1250% risk weight and strict classification conditions – appears misaligned with the actual risk these exposures pose to banks. We reiterate that capital requirements should reflect economic substance, not formalistic criteria. Without recalibration, the current approach risks creating disincentives for responsible bank engagement with cryptoassets, undermining the goal of integrating sound digital innovation into the financial system.

## Conclusion

It is important that banks are able to responsibly participate in the digital asset ecosystem, and jurisdictions globally are reassessing their approaches. This is particularly true in the U.S., where bank regulators are affirmatively acknowledging the need to “ensure that bank activities will be treated consistently, regardless of the underlying technology.”<sup>4</sup> This recognition signals a shift in views that will ultimately depart from the existing BCBS standard in practice, with the exact details still to be determined. Given that backdrop, further risk-based adjustments to the Basel Standard are critical for Singapore to maintain its position as a responsible leader in fintech and digital innovation.

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<sup>4</sup> Office of the Comptroller of the Currency, "OCC Clarifies Bank Authority to Engage in Certain Cryptocurrency Activities," *News Release 2025-16*, March 7, 2025, [https://www.occ.gov/news-issuances/news-releases/2025/nr-occ-2025-16.html](https://www OCC.gov/news-issuances/news-releases/2025/nr-occ-2025-16.html).