

**To:**

European Banking Authority  
Tour Europlaza  
20 avenue André Prothin  
CS 30154  
92927 Paris La Défense CEDEX  
France

**8 April, 2025****Re: The Calculation and Aggregation of Crypto Exposure Values - CRR Article 501d(5)**

Coinbase Global, Inc. (together with its subsidiaries, **Coinbase**) appreciates the opportunity to respond to this consultation by the European Banking Authority (**EBA**) on the Calculation and Aggregation of Crypto Exposure Values - CRR Article 501d(5) (**Consultation**).

Coinbase is the most trusted crypto trading and custody platform in the world. Founded in 2012 in the United States and publicly listed on the NASDAQ in 2021, we have grown to serve millions of verified retail and institutional investors across over 100 countries, offering a secure and user-friendly interface for both. We are committed to building an open financial system for the world and operate with strong regulatory compliance, security protocols, and innovative features to ensure a seamless and trustworthy user experience.

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

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 our earlier letters should be more fully reflected in the BCBS's actions and in related standards such as those being considered by the EBA in this Consultation. We most recently responded to the BCBS's publication of its Working Paper 44, regarding its interpretative position that permissionless digital ledger technology (**DLT**) systems justify a 1250% risk weight.<sup>3</sup> While we agree with how the BCBS characterized potential risks, we disagree with this outcome.

The EBA is now proposing regulatory technical standards (**RTS**) in response to the transitional prudential treatment for cryptoassets contemplated by EU Regulations and BCBS members' agreement that the final Basel Standard should be implemented by January 1, 2026. Nevertheless, Coinbase continues to believe that the Basel Standard employs an approach to bank capital requirements for cryptoassets that is fundamentally flawed and inconsistent with past practices of the BCBS. Many of the requirements are not based on the risk of cryptoassets to a bank, but rather reflect other policy objectives which the BCBS normally does not incorporate in capital requirements. Accordingly, application of the Basel Standard without adjustment would deviate from established principles of proportionality and risk sensitivity, which may lead to overcapitalization and hinder banks' ability to engage responsibly with cryptoasset markets.

When developing these transitional standards, Regulation (EU) 2024/1623 amending Regulation (EU) No 575/2013 (**CRR 3**) requires the EBA to develop the draft RTS while

<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).

taking into account both (1) relevant internationally agreed prudential standards, and (2) the existing legal requirements introduced in Regulation (EU) 2023/1114 (**MiCAR**). In light of our observation that much of the Basel Standard is based on BCBS policy objectives rather than the risk of cryptoassets to a bank, this CRR 3 requirement creates a fundamental tension between the clearly policy influenced Basel Standard and the more risk based legal requirements in MiCAR that must be reconciled by the EBA.

Our principal comment to the EBA is to recognize this tension and resolve it consistently in favor of the more risk based legal requirements in MiCAR. Such an approach will both ensure a sound prudential treatment of cryptoassets exposures in the EU and be more consistent with EU legal requirements in force during the transitional period in advance of the European Commission adopting final rules. It will also have the related benefit of not artificially restraining banks and other institutions subject to the RTS from continuing to participate in cryptoasset markets responsibly.

From a broader perspective, if Europe wants to avoid falling behind the curve in digital asset markets and instead follow the emerging leadership of other countries, bodies like the EBA must consciously work to strike the right balance between innovation and prudence in their rulemaking. Europe's financial system has grown in size and complexity in recent years but remains bank-centric compared with more market-oriented systems elsewhere, making the consequential effects of banking regulation all the more important to account for fully. As recently referenced by both the Letta<sup>4</sup> and Draghi<sup>5</sup> reports, Europe continues to grapple with a fragmented banking system and inconsistent regulatory enforcement across Member States, among several other factors which collectively challenge its ability to meet its stated goals of green and digital transformation.

This type of transitional rulemaking, which leaves significant discretion to the EBA to account for existing and proposed standards for a period of time, is exactly the situation in which more decisive action by the EBA favoring innovation can be most impactful. The Basel Standard is clearly unreasonably restrictive and wholly inconsistent with wider EU ambitions in digital asset markets. Some of the principal proponents of the Basel Standard from the United States have also signaled their intention to depart from the standard in practice, with the exact details still to be determined. Given that backdrop, any deference to the Basel Standard compared to MiCAR is very difficult to justify, as it no longer reflects full international consensus. It also provides the EBA with a sound basis to use all discretion available to it legally to interpret MiCAR in ways that support digital innovation by banks, to account for the changed international regulatory landscape and signal the EU will not unilaterally adopt backward looking standards to its detriment.

Our detailed comments on the Consultation are set forth below.

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<sup>4</sup><https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>

<sup>5</sup> [https://commission.europa.eu/topics/eu-competitiveness/draghi-report\\_en](https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en)

## Permissionless DLT systems

Coinbase was disappointed that the BCBS articulated an interpretive position maintaining that cryptoassets using permissionless DLT systems would not be eligible to qualify for treatment as Group 1 assets despite that not being specified in the text of SCO60 itself. The great majority of cryptoassets are currently in permissionless networks because of the many advantages they offer. Even if one is convinced that permissionless systems are inherently riskier, applying a 1250% risk weight to bank holdings of cryptoassets on these networks - regardless of the specific characteristics or the mitigating tools used to address the underlying risks - is vastly disproportionate to the risk differentials that might exist between permissionless and permissioned systems.

No MiCAR requirements are premised on the use or non-use of permissionless DLT systems, nor does the Consultation reference them as an element of its proposal. We believe this is an appropriately prudent position fully consistent with MiCAR and the text of the Basel Standard that should both apply during the transitional period covered by the draft RTS and be reflected in any legislative proposal submitted by the European Commission to introduce a dedicated prudential treatment for cryptoasset exposures.

## Risk based capital requirements; distorting effects of the Basel Standard

The BCBS has historically been publicly committed to tying risk weights for capital calculations to the level of underlying risk to a bank holding an asset, and we agree with this position. We consider the BCBS's departure from its established practices in the case of the Basel Standard to be a fundamental flaw that can be expected to produce significant distorting effects should the standard begin to be followed and enforced.

The Consultation recognizes that one of the challenges while developing the draft RTS is to ensure that the EU MiCAR-based classification of cryptoasset-exposures as specified in Article 501d of CRR 3 is adhered to, while also taking into consideration the Basel Standard and aligning the technical requirements for different cryptoassets. It also notes that the Basel classification conditions for cryptoasset exposures might result in a different classification for some of these exposures compared to the transitional CRR 3 regime which incorporates elements of MiCAR and the BCBS regime.<sup>6</sup> While a useful statement in principle, the draft RTS does not apply this observation consistently. Among other things:

- a. The EBA proposes to apply a 250% risk weight to Group 1b stablecoins in line with the wording of Article 501d(2) point (c) CRR 3 that requires the assignment of the 250% risk weight without further specifying the details of such an approach. However, this proposal ignores both the Basel Standard of a look through approach and the fact that the issuer of the respective asset-referenced token (**ART**) will be

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<sup>6</sup> Consultation Section 3.1.1, para. 11.

subject to own funds requirements (Article 35 MiCAR) and the requirement to maintain a reserve of underlying assets (Articles 36 – 38 MiCAR), rendering the risk weight of 250% inappropriately high given the true inherent risk.

- b. Article 3(1) of the draft RTS nominally differentiates between cryptoassets that serve as benchmarks/references for exchange-traded financial products and/or derivatives – subject to a risk-sensitive approach and with a limited possibility to recognize netting and hedging – and those that do not. However, given Article 501d(2) point (c) of CRR 3, under both approaches a risk weight of 1250% is applied in practice, so there appears to be no substantive effect of distinguishing between exchange traded and other cryptoassets in this way. If adopted in this form, the requirement would again be worse than both the Basel Standard and a fair application of the pre-existing MiCAR regime.

In order to achieve the beneficial effects of considering both the Basel Standard and the more risk based legal requirements in MiCAR, the EBA must itself adhere to a risk based approach when establishing the transitional rules. While we generally believe the existing legal requirements in MiCAR are more risk based than the Basel Standard, the EBA should guard against the possibility of creating new or additional distorting effects through its rulemaking.

## Responses to specific questions posed in the Consultation

**Q7: For ARTs subject to the calculation of own fund requirements for market risk in this paragraph, do you agree that the risk of default of the issuer is relevant in certain specific circumstances and therefore should be considered within the scope of these draft RTS during the transitional period as per Article 3(4)(d) or do you believe that the 250% RW for direct credit risk is sufficient to capture for this risk during the transition period? Please briefly justify your assessment.**

No. As noted above, a risk weight of 250% for issuers of stablecoins both ignores the Basel Standard of a look through approach and is particularly high given the own funds requirement and the requirement to maintain a reserve of underlying assets. For ARTs subject to the own funds requirement but not the reserve requirement, raising the risk weight above 250% for certain ARTs but not others would be inconsistent with both the Basel Standard and MiCAR. This would abuse the discretion granted to consider and fairly apply elements of both referenced standards during the transition period as per Article 3(4)(d).