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To:
Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton
HM12

July 16, 2024

Re: Digital Asset Business Single Currency Pegged Stablecoins

Coinbase Global, Inc. together with Coinbase Bermuda Limited, Coinbase Bermuda Services Limited and its other subsidiaries, (**Coinbase**) appreciates the opportunity to respond to Guidance on Digital Asset Business Single Currency Pegged Stablecoins (**Guidance**) published by the Bermuda Monetary Authority (the **BMA**).

Coinbase started in 2012 with the idea that anyone, anywhere, should be able to send and receive Bitcoin easily and securely. Today, we are publicly listed in the United States and provide a trusted and easy-to-use platform that millions of verified users in over 100 countries rely on to access the digital asset economy.

Stablecoins are a digitally native settlement instrument that is essential to the digital asset economy; it cannot operate without them. The Guidance is therefore a necessary component of the broader regulatory framework under the Digital Asset Business Act (**DABA**).

The BMA continues to be a leader in digital asset regulation, as evidenced by the Guidance's thoughtful approach to Single Currency Pegged Stablecoin (**SCPS**). Coinbase appreciates to opportunity to comment on the Guidance and we stand ready to support the BMA in this important work

Yours sincerely,

Tom Duff Gordon, Vice President
International Policy, Coinbase

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Introduction

Coinbase welcomes the opportunity to respond to the Guidance. While stablecoins are already widely used, an appropriate regulatory framework for SCPS Issuers will further encourage their adoption and accelerate the inevitable growth of the digital asset economy.

Industry operators are seeking regulatory harmonization across jurisdictions, and the BMA could play an important part in this process by establishing a regime that is attractive to SCPS Issuers with global ambitions. Mirroring its success in the reinsurance industry, Bermuda has the opportunity to attract a critical mass of SCPS Issuers. Not only would this help drive global practices and future regulation, it would also create synergies within Bermuda across traditional finance and its increasing digitization. By setting out a principles based framework that would apply to issuers of SCPS, the BMA avoids a one-size-fits-all approach that could unnecessarily inhibit innovation in the digital asset economy.

Moreover, we agree with the BMA that permitting a wider range of backing assets is appropriate, subject to safeguards that are proportionate to the risks presented by those backing assets. But, to the extent that an issuer selects high quality liquid assets (**HQLA**) for its reserve that do not entail material financial risks, the risk of depegging in a way that could adversely impact SCPS holders should be minimal. Where this is the case, the BMA should be comfortable that a more limited set of safeguards are necessary to protect SCPS holders.

We also encourage the BMA to take an incremental approach to the Guidance, to use experience and evolution of practices as the basis for updates to the Guidance, and continue to engage stakeholders through a public consultative process.

Although we are not an SCPS Issuer, our comments are informed by our experience in digital asset markets and a conviction that appropriately regulated stablecoins will help to bring digital assets and the promise of economic freedom to the mainstream. We have sought to provide specific responses to the questions posed by the BMA. In addition, we provide a few general observations about the Guidance, below.

Ensuring 1:1 redemption is the bedrock of sound stablecoin regulation

One of the overarching principles that a SCPS Issuer must adhere to is that backing assets must be sufficient in quantity and quality to ensure 1:1 redemption. We note that this is not the same as ensuring a 1:1 peg, which depends on the market's assessment of the value of the reserve – not the 'actual' value of the reserves. Ensuring 1:1 redemption should be the regulatory objective, and to this end, the redemption value of the backing assets in totality should be equal to or higher than the total value of SCPSs in circulation.

If there is any risk associated with this likelihood, it should be appropriately accounted for and disclosed by the SCPS Issuer.

Safeguards should reflect the risk posed by a stablecoin's reserve assets

Coinbase agrees that there should be no strict limiting principle to the set of backing assets permitted and that SCPS Issuers should have in place risk management measures that are appropriate to account for the risks posed by the SCPS's reserve assets. To the extent that an SCPS Issuer plans to include backing assets that are riskier than HQLA or bank deposits, which is the standard that many jurisdictions are seeking to impose, the BMA should make clear that additional measures including appropriate capital requirements should be considered.

Conversely, where backing assets are limited to cash and cash equivalents, the need for financial risk management guardrails, stress testing, recovery and resolution planning, and detailed disclosure requirements decreases significantly. For example, if a SCPS Issuer plans to limit backing assets to HQLA, where financial risk is minimal, our analysis supports lower capital requirements, focused almost exclusively on operational risks. Moreover, when backing assets are limited to HQLA, cash, and cash equivalents, the need for extensive resolution planning is greatly reduced; winding down a SCPS that is backed with such assets should be purely an operational exercise with sufficient capital to complete that operation while ensuring 1:1 redemptions for SCPS holders.

This approach is in line with the principle of proportionality. The BMA's principles-based framework is particularly attractive because it would allow a SCPS Issuer to implement a compliance and risk management framework that reflects the unique aspects and risks presented by its business. However, if there are any specific elements of an SCPS Issuer's business that would result in heightened scrutiny or risk management expectations, the BMA should make this clear so that SCPS Issuers can understand the potential consequences of stablecoin design choices.

SCPS Issuers should be able to earn and pay interest on backing assets

Because the Guidance does not prohibit it, we assume that the BMA intends to permit SCPS Issuers to earn and pay interest on backing assets, or foster a regime that otherwise permits the sharing of rewards associated with the reserve assets. We urge the BMA to make this intent clear. Many jurisdictions are unnecessarily banning or limiting this possibility out of deference to incumbent banking rules and practices. However, this is short-sighted and incompatible with a digitally native financial system. As banks move towards tokenizing deposits, allowing SCPS Issuers to earn and pay interest on backing assets is critical to ensuring a level playing field across like instruments.

The BMA should clarify the scope of the Guidance

The BMA should further clarify that only entities that are registered with the BMA under DABA and issue stablecoins in connection with that registration would be required to comply with the Guidance. The obligations of the Guidance do not by their terms apply to market participants that use SCPS in their business, such as exchanges, brokers or dealers.

Moreover, the application of rules to overseas issuers should be guided by a deference approach. Overseas stablecoins should be permitted to operate in the BMA provided they are subject to sound home country regulation.

Governance and risk management

Question 3 - Are there any specific challenges you anticipate in defining and implementing risk appetite thresholds and actions (including as pertains to depegging and elevated redemption risks)?

Please see our response to Question 5, below.

Question 4 - How important do you think it is for Single Currency Pegged Stablecoins Issuers (SCPS Issuers) to establish an appropriate risk tolerance that is adequately documented and communicated to all relevant business lines? Do you foresee any challenges in implementing this requirement?

We agree that it is important for SCPS Issuers to establish an appropriate risk tolerance that is accurately communicated to all relevant business lines. These risk tolerances will need to be inextricably tied to the type and quality of the backing assets.

An SCPS Issuer that limits backing assets to HQLA operates a relatively simple business and requires a less complex risk management program. As such, some aspects of the proposed guidance may not be relevant or necessary for many or even most issuers, depending on the context. For example, there may be no need for detailed “risk tolerance requirements that are communicated to relevant business lines, defining a business plan and funding sources”.

Question 5 - Are there any additional comments or suggestions you would like to provide regarding the governance expectations and risk management framework outlined in the Guidance?

As we note above, the Guidance should be read through the lens of ensuring 1:1 redemption. Accordingly, we would propose that the BMA stay focused on operational risks associated with a SCPS, such as cyber risk.

Many jurisdictions and standard setters[1] have focused attention on depegging risk. They often cite the impact of the SVB bank failure and on USDC losing its 1:1 peg to the US dollar. What this episode demonstrated, however, is the fragility that can come from reliance on bank deposits as reserve assets, because they entail credit risk that is otherwise absent from a well-structured SCPS.

As SCPS Issuers adopt risk management frameworks we recommend that any BMA guidance or requirements that address depegging focus exclusively on the specific practices that can lead to a potential depegging event. The BMA should resist any temptation to put requirements or expectations on the peg itself, which is outside the control of an SCPS Issuer. The primary focus of a regulator should be to ensure that, in the event of a SCPS Issuer winddown, holders of the SCPS are able to recover the underlying fiat currency on a 1:1 basis – full redemption – and not the market's expectation that will happen.

We reiterate that, as with ETFs, market fluctuations relative to the intrinsic value of backing assets can be influenced by factors unrelated to the ability of an issuer to meet redemptions, and should therefore be considered in that context. Fluctuations in market value may, of course, be indicative of other SCPS Issuer risks, e.g. an likelihood or realization of an operational incident. This should be recognized, but not the primary focus of risk management practices.

Backing assets

Question 6 - Do you agree with the Authority's approach as it pertains to backing assets? In particular, do you agree with limiting acceptable backing assets to government treasury debt instruments (with maturities of one year or less) and short-term cash deposits? If not, please provide relevant details in your response.

We agree that a SCPS backed exclusively by short duration HQLA and appropriately considered bank deposits minimizes the amount of financial risk, and consequently reduces the need for overcollateralization to always ensure 1:1 redemption. BMA should make clear that the Guidance should be read with this principle in mind.

We also agree in principle with the BMA that there can be a benefit to the diversification of commercial bank deposits. In practice, however, many SCPS Issuers face challenges in securing bank relationships, particularly at this early stage of development of the digital asset ecosystem. The choice to be banked is not exclusively with the SCPS Issuer, and

[1] See e.g., Basel Committee on Banking Supervision, Consultative Document: Cryptoasset standard amendments, (Dec. 2023) at https://www.bis.org/bcbs/publ/d567.pdf.

extensive requirements on this front could have an unnecessarily adverse effect on issuers. Securing diverse bank relationships will of course improve as regulatory frameworks are established globally, but imposing strict requirements today could impair a SCPS Issuer's operations.

As a technical point, which could be read as inconsistent with the question, we note that paragraph 24 doesn't limit backing assets to government treasury debt instruments (with maturities of one year or less) and short-term cash deposits. We support this flexibility, conditional on imposing appropriate safeguards to address any attendant financial risk, as we discussed above.

Question 7 - Should the assets backing a SCPS be held in the same currency to which the SCPS is pegged, or are there benefits to partial backing in another currency? What risks may be presented in both business-as-usual or firm failure scenarios if multiple currencies are used?

We think in the ordinary course it will generally be advantageous for SCPS Issuers to maintain backing assets in the same currency as the SCPS. Using a backing asset denominated in a different currency will necessarily introduce a certain amount of basis risk. Still, for some currencies, using backing assets denominated in a different currency may be warranted depending on, for example, the availability of a sufficient quantity of HQLAs in that currency as well as the ability to hedge the currency risk through derivative contracts.

Permitting backing assets of a different currency will make it easier for issuers to launch stablecoins in smaller currencies. For example an SCPS Issuer could issue stablecoins denominated in emerging market currencies fully backed with US Treasuries, using swaps to hedge foreign exchange risk. To the extent that a SCPS Issuer uses backing assets denominated in different currencies, there should be a sufficiently mature foreign exchange market to manage the fiat peg, and any residual basis risk that cannot be accounted for in a hedging strategy appropriately accounted for is the SCPS Issuer's risk management strategy.

Question 8 - Does the Authority's criteria for determining the quality of backing assets adequately address considerations such as liquidity, credit risk, counterparty risk and market risk?

The Guidance sets out appropriate criteria for determining the quality of backing assets.

Question 9 - What challenges, if any, do you foresee in ensuring that backing assets are sufficiently liquid to meet reasonably foreseeable redemptions, especially regarding the requirement for a certain percentage to be invested in assets providing daily liquidity?

Bank deposits are primarily used by stablecoin issuers to manage liquidity, but need not form a greater percentage of the reserves structure than what is required to manage the redemption process. They are primarily used to allow for mints and burns, and as an on or off ramp between the stablecoin and fiat. These are critical functions that require liquid assets and banking services.

Importantly, the BMA should not mandate that an issuer hold a significant percentage of backing assets in bank deposits for the purpose of managing financial risk. As we noted above, the lack of regulatory clarity in certain jurisdictions has made it difficult for SCPS Issuers to obtain banking relationships.

Question 10 - Do you agree with the Authority's expectation for over collateralisation of claims by longer-term backing assets? Further, how do you determine the appropriate level of over collateralisation to cover potential declines in asset values during stress periods?

Coinbase agrees that a minimal amount over collateralization should be required to address interest rate risk, which can be present in even short duration assets. A minimal amount of overcollateralization should be sufficient to cover potential decline in value even during periods of stress or volatile markets.

In cases where backing assets are limited to HQLA, any over collateralization or capital buffer should be limited as these assets do not entail credit or liquidity risk. Further, in the ordinary course, the requirement to hold backing assets 1:1 should prevent shortfalls from occurring intraday, even if market prices deviate from a 1:1 peg. A market stress event, provided that it doesn't not impact the intrinsic value of the reserve assets beyond any impact on the fiat currency itself, should not have an impact on the solvency of the SCPS Issuer.

Disclosures

Question 12 - How effective do you believe regular attestations and external audits are in ensuring transparency and trust in SCPS Issuers reserve management practices? Are there any specific challenges that you anticipate?

While we are not a SCPS Issuer ourselves, we are a public company subject to strict auditing requirements that gives confidence to markets on the efficacy of our practices.

Similarly, as a general principle, we think it is important that reserve assets are subject to periodic third party audits to ensure confidence in the SCPS Issuers practices.

Question 13 - Do you agree with the proposed indicative list of information that SCPS Issuers should include in their disclosures to their clients? Are there any additional disclosures that SCPS Issuers should make available to their clients?

Disclosures should focus on any risk that a SCPS may not be redeemable on a 1:1 basis and the BMA should allow an SCPS Issuer to tailor disclosures to the risks presented by its business. As mentioned previously, where an SCPS Issuer uses only HQLA as backing assets, this risk is greatly reduced which should, in turn, limit the information that the SCPS Issuer needs to disclose. Disclosures that are not pertinent may be confusing to SCPS holders and may make it harder for SCPS holders to discern which information is important to understanding the risks posed by a given stablecoin. Likewise, where a SCPS Issuer's business presents unique risks, due to its choice of backing assets or otherwise, those risks should be disclosed to holders.

Moreover, holders' rights and the SCPS Issuer's obligations should be clearly disclosed to SCPS holders.

As a technical point, we note that the Guidance refers to "clients" of the SCPS Issuer. However, where a stablecoin is widely held, the SCPS Issuer may not have a direct relationship with the holder, making some of the disclosures challenging to provide unless the information is made publicly available to all. Given the absence of a client relationship, in the traditional sense, we suggest that a SCPS Issuer make certain information available to the public at all times. Information that is not suitable for public disclosure should be provided to the BMA.

Question 15 - In your opinion, what should be the minimum frequency of attestations and the timing of their disclosure to clients?

Disclosures should be updated when there is a material change to the information provided. SCPS Issuers should confirm at least annually the absence of any undisclosed material changes to information already provided. If disclosures relate to information that is regularly verified by the SCPS Issuer, disclosures should be refreshed on the same timing that the underlying information is required to be verified.

Question 16 - Do you agree with the proposed minimum information for an SCPS Issuer whitepaper? Is there any other relevant information that should also be included in the whitepaper?

Please see response to Question 13, above.

Question 17 - Should additional information be included in the proposed disclosures associated with investment policy and invested backing assets? If so, please elaborate further.

Please see response to Question 13, above.

Question 18 - Should minimum information be made available to clients where a SCPS Issuer (i) does not guarantee redemptions at par or (ii) wishes to impose any conditions or restrictions on redemptions? If so, please elaborate further.

Please see response to Question 13, above.

Stress testing

Question 20 - How important do you think stress testing is in assessing the resilience of SCPS Issuers to various risk scenarios?

Coinbase is not an issuer of stablecoins; accordingly, we have limited thoughts to add on the importance of stress testing. However, as with other risk mitigation requirements, a SCPS Issuer that only has HQLA as backing assets may not need to rely on stress testing to assess its resilience, given the relatively simple nature of that business. Moreover any stress testing should be focused on meeting 1:1 redemption and not maintaining a strict peg. Stress testing should not include separate consideration of management events such as a capital raise, which, in the context of a well structured stablecoin, is not a relevant course of action.

Bankruptcy remoteness

Question 27 - What measures do you believe are essential for achieving bankruptcy remoteness in the context of SCPS Issuers?

We assume this question refers to the bankruptcy remoteness of backing assets from the insolvency estate of the SCPS Issuer.

At a high-level, bankruptcy remoteness is driven by contractual arrangements and insolvency law, the particulars of which will vary based on the type of asset(s), the laws of jurisdiction(s) in which the relevant assets are held, as well as the jurisdiction of incorporation of the issuer. Seeking legal advice is critical to understanding how assets can be held in a bankruptcy remote manner, and internal processes and controls are required to ensure that assets are actually held in a bankruptcy remote manner. Coinbase recommends requiring SCPS Issuers to obtain such legal advice and to establish

arrangements to support the argument that backing assets are not available to creditors of the SCPS Issuer (both before and after insolvency). These may include, for example, a requirement for separate identification of backing assets from those of the SCPS Issuer on its own books and records, and, where assets are held with/recorded in a third party system, a minimum requirement for separate identification of the SCPS Issuer's own assets from any backing assets.

Coinbase also recommends that the legal advice be updated regularly, but BMA should only expect legal advice to be updated when there is a material change to the law or underlying facts.

Question 28 - What challenges do you foresee in implementing effective bankruptcy remote structures for SCPS Issuers?

Please see Question 27, above.

Question 29 - What key contractual arrangements do you think should govern the operations of SCPS Issuers, particularly regarding the management of backing assets and clients' funds?

Please see Question 27, above.

Interoperability

Question 34 - How important do you believe consensus mechanisms are when considering the operationalisation of SCPS on different blockchains?

A strong consensus mechanism is critical to the integrity of a blockchain and in certain circumstances, attacks on a consensus mechanism could, in theory, compromise the integrity of the chain. This is often a theoretical concern as an attack that comprises the integrity of the ledger would require tremendous resources.

Provided that the consensus mechanism itself is strong and resilient, the type of consensus mechanism, whether Proof of Work, Proof of Stake or something else should not matter. As a case in point, neither Bitcoin or Ethereum have ever been maliciously attacked and had their chain overwritten in their 15 and 9 years of operations, respectively.

Question 35 - What impact do you think gas fees have on the viability of business models utilising SCPS on various blockchains?

We do not believe this to be a regulatory issue, but a market competition issue as the digital asset ecosystem eveloves. A notable innovation for user transaction (gas) fees on Layer 1 blockchains is the rapid rise of Layer 2 solutions that batch transactions and

record on the Layer 1 at far reduced fees. With time, we believe that transaction costs will be de minimis, as they already are in certain contexts (i.e. Coinbase already offers certain stablecoin transactions and transfers for free on platform as well as on Base, a Layer 2 solution).

Question 36 - How do you think congestion on blockchains affects the feasibility of business models utilising SCPS?

See response to question 35 – congestion on Layer 1 blockchains is already being solved through Layer 2 solutions, and eventually may also be solved through additional innovations (and protocol upgrades) at Layer 1 blockchains.

Question 37 - What role do you think cross-chain governance mechanisms play in facilitating interoperability and collaboration between different blockchain networks for SCPS Issuers?

Minting and burning activity to transfer SCPSs across chains, and the innovations related to aggregation layers in roll up ecosystems that entail transactions spanning multiple chains, are all possible today with increasing frequency. Interoperability will continue to be a focus of the digital asset ecosystem for it to fulfill the promise of an updated financial system with far fewer frictions than exist today.

Recovery and resolution planning

Question 39 - In your opinion, how does the existence of a recovery and resolution plan enhance the resilience of SCPS Issuers and instill confidence in their ability to function effectively in extreme circumstances?

An SCPS Issuer with backing assets limited to HQLA does not require extensive recovery planning. The recovery planning is, essentially, already hardwired into the SCPS' design, insofar as the reserves consist entirely of assets that would maintain their value and ability to be quickly liquidated even through periods of severe market stress. Nevertheless, Coinbase supports the idea of a limited resolution regime, complemented by tailored resolution planning as appropriate, to minimize the risk of any disruption to SCPS holders' ability to access their funds in the event of an issuer's insolvency.

Question 40 - What considerations should SCPS Issuers take into account when developing plans to cease operations in an orderly manner if their contingency funding plan proves ineffective?

As we have noted elsewhere in our responses, SCPS Issuers that hold reserves in highly safe, liquid backing assets operate a simple business. They would not need a contingency funding plan. Imposing a requirement to have such a plan would place unnecessary costs on the SCPS Issuer. In the context of most stablecoin issuers with backing assets limited to HQLA, recovery planning may be appropriately limited to a temporary liquidity facility.

Question 41 - What do you think should be the primary objectives of recovery and resolution planning for SCPS Issuers?

Recovery planning and resolution proceedings are discrete processes with somewhat differing objectives. As noted above, we do not believe that recovery planning is necessary or even beneficial for an SCPS Issuer, provided that the reserve assets backing the stablecoin are safe and liquid. The primary objective of resolution plans, and resolution proceedings (should the need arise), should be (1) to minimize disruption to SCPS holders' access to their funds, and (2) to maximize the total recovery for each SCPS holder, to the extent consistent with the first objective and solely to the extent that any haircuts may be necessary in the first place (which, again, we do not believe ever should be the case).

Own funds: liquidity requirements

Question 42 - What factors do you believe should be considered when determining the minimum liquidity requirements for SCPS Issuers?

Minimum liquidity requirements for SCPS Issuers should be considered conceptually different from capital requirements, and should focus on the fiat on ramps and off ramps provided via bank relationships.

Question 44 - Do you agree with the proposed list of core liquid assets included in the Guidance?

Yes, provided that the potentially different risk tradeoffs associated with each of the assets are appropriately recognized and accounted for. For example, as discussed above, bank deposits entail credit risk while money market funds may not, but each can introduce distinguishable risk during a stress period. A failed bank like SVB can propagate risks to depositors. A money market can 'break the buck' if it holds riskier instruments like commercial paper. But both offer tremendous liquidity outside of specific stress events.

Own funds: net assets requirements

Question 47 - How do you think the nature, scale, complexity and overall risk profile of a SCPS Issuer's operations should influence the determination of the required level of net assets?

Each of these factors is relevant to the determination of the required level of net assets. For example, as we have mentioned before, a SCPS Issuer that limits backing assets to HQLA avoids credit intermediations and minimal financial risk such that a lower level of net assets is required. In such a scenario, capital requirements should focus predominantly on operational risk. As we mentioned in our response to the UK's Financial Conduct Authority's Discussion Paper on non-systemic stablecoins[2], Coinbase has done an extensive analysis of the capital requirements for stablecoins:

> "We have undertaken a rigorous quantitative analysis to assess what levels of financial resources, including a capital buffer, the issuer of a fiat-backed stablecoin should maintain. The purpose of the exercise was to better understand and quantify the risks associated with stablecoins as it relates to our activities.
>
> The initial results of this analysis indicated that, if the stablecoin's reserves are composed entirely of highly safe, liquid assets – such as highly rated sovereign debt securities maturing in less than 90 days, and deposits at regulated financial institutions – then the stablecoin's exposure to financial risks can be minimal. Our initial estimates depended significantly on assumptions regarding the accounting treatment of reserve assets – i.e., approximately 20 basis points under held to maturity (HTM) assumptions, and 36 basis points under available for sale (AFS) assumptions. Given this composition of assets, a minimal capital buffer would be sufficient to fully protect stablecoin holders against all categories of financial risk, including credit risk and market risk.
>
> The stablecoin's remaining risk exposures are operational in nature. In our exercise of estimating operational risks we considered a bottom-up, scenario-based methodology that proceeded as follows. First, we identified all of the potential categories of operational risk events. This included, for example, activities related to minting, reserve reconciliation, illicit financial transactions, theft, loss, misuse of assets, cyber incursions, and data breaches.

[2] See Coinbase Response on 2/6/24 to the UK FCA paper titled "DP23/4: Regulating Crypto Assets Phase 1: Stablecoins": https://assets.ctfassets.net/c5bd0wqjc7v0/6BCKUrXEHMxIhGZkJy55j3/78c6e6134879862f94ac92f5afa2b91f/Coinbase_-_Feb_2024_Response_to_FCA_Stablecoin_Consultation.pdf

Then, for each category, we estimated the probability of an operational risk event occurring and the magnitude of financial losses that would be realized if it does. In the final phase of the analysis we calibrated and extrapolated the probability/loss distribution curves to ascertain the amount of capital necessary for sufficient certainty that all reasonably foreseeable losses are adequately addressed, with an additional margin for error.

As with any analysis of this nature, the results are sensitive to a wide range of factors, including expert judgments and assumptions regarding such matters as the likelihood of events that may range from 'vanishingly improbable' to 'not in a million years.' While the crypto asset industry does not have a long history with which to calibrate results, many aspects of operational risk can be extrapolated from the traditional financial system. Based on these assumptions, our estimates supported an operational risk capital buffer of between 39 and 76 basis points.

Hence our initial findings indicate that a capital buffer of a well-structured and properly regulated stablecoin on the order of one percent of the total amount of stablecoins outstanding should be sufficient to protect against financial and operational risks for an issuer that maintains a reasonably effective risk management program."

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