Bank of International Settlements/ Basel Committee
Centralbahnplatz 2
4051 Basel, Switzerland
SUBMITTED via www.bis.org

Date: 8 September 2021
Subject: **Comments to Consultative Document Prudential treatment of crypto asset exposures**

Dear Sir, Madam,

The Dutch Association of Proprietary Traders appreciates the opportunity to provide comments on the Consultative Document Prudential treatment of crypto asset exposures.

APT represents 24 independent proprietary trading firms based in the Netherlands, trading professionally in financial instruments for own account and risk, contributing to price discovery and providing continuous liquidity on exchanges and trading platforms across the EU, US and APAC, often in the capacity of designated *market makers*.

We believe that financial markets should be fair, transparent and resilient and welcome coordinated initiatives to regulate trading platforms, issuers, infrastructure providers and market participants to further mature the digital asset class and markets, such as the European Union's legislative proposal on Markets in Crypto-Assets (MICA), which deserves global following. Furthermore, addressing the issue of market abuse and promoting resilience are essential to reduce (operational) risk and foster trust in the markets for digital assets. Such a long-term view on the future functioning and usability of crypto assets in our financial system is not clearly pronounced in this Consultative Document.

Taking that starting point into account, it does not become clear if the proposed approach should be also be applied to investment firms under the European IFR/D regime. If that is the case, we do believe that on the following items, the approach does not reflect the actual risks involved and needs to be re-assessed:

- Capitalizing net positions in crypto assets seems appropriate, as market makers providing liquidity trade the price differences between different types of crypto products on different f exchanges, while keeping the net exposures in the crypto assets flat, f.e. by long positions in Bitcoin while hedging the market risk with short positions in ETP's tracking Bitcoin.
- A more granular methodology would be appropriate with regard to crypto assets classified in "Group 2". These assets are very different and subject to different risks (volatility, liquidity thresholds, maturity level, operational risk control mechanisms), but would face the same capital requirement.

- A separate treatment of trading book and banking book for Group 2 capital requirements, as opposed to the proposed approach, would be consistent with the current Basel Framework and would also ensure one comprehensive framework based upon proportionality in relation to the risks.

- The proposed risk weight of 1250% would have to be re-assessed and aligned with current Basel Framework risk weights for other, equivalent, assets, as it is not proportionate to the underlying risk and does not reflect the overall impact of crypto assets on the global financial markets and of crypto assets that are matured, established, traded on liquid markets and have internal governance controls.

We are happy to provide you with further information with regard to these comments and answer any questions you might have in more detail.

Best regards,

Matthijs Pars,
Director APT