

Basel Committee
on Banking Supervision



Basel Committee work on crypto-assets

World Bank Financial Sector Advisory Center conference on fintech
23 May 2019, Vienna

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- 1) High-level supervisory expectations
- 2) Quantification of banks' exposures to crypto-assets
- 3) Potential specification / clarification of prudential treatment

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High-level supervisory expectations

- BCBS newsletter published 13 March 2019
- Crypto-assets do not reliably provide standard functions of money
- Crypto-assets present a number of risks for banks
 - Liquidity risk
 - Credit risk
 - Market risk
 - Operational risk (including fraud and cyber risks)
 - Money laundering and terrorist financing risk
 - Legal and reputation risk

High-level supervisory expectations

- Expectations for banks that are authorised and decide to acquire crypto-asset exposures or provide related services
- **Due diligence:** comprehensive analysis of risks
- **Governance and risk management:** Clear and robust framework, including oversight by board and senior management
- **Disclosure:** material exposures should be disclosed and accounting treatment specified
- **Supervisory dialogue:** inform supervisor of actual and planned exposures in timely manner

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Quantifying banks' exposures to crypto-assets

- Examples of potential direct and indirect exposure channels:
 - Outright holdings
 - Lending to individuals / corporates / financial institutions that invest in crypto-assets
 - Crypto-asset collateral
 - Lending to entities dealing directly with crypto-assets (eg exchanges)
 - Proprietary trading
 - Trading on client accounts
 - Clearing of crypto-asset futures / derivatives
 - Underwriting initial coin offerings
 - Providing custody / wallet services for crypto-assets
 - Provision of insurance against theft/loss of crypto-assets
 - Use of crypto-assets for internal / inter-bank operational processes

Quantifying banks' exposures to crypto-assets

- BCBS collecting data based as part of end-2018 Basel III monitoring exercises
- Results to be discussed by the BCBS at its meeting in October 2019.

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Prudential treatment of crypto-assets

- Current Basel framework does not set out explicit treatment of banks' exposures to crypto-assets
- Stocktake among BCBS members on how such exposures treated domestically
- Consider whether to formally clarify prudential treatment of crypto-assets
 - Credit risk
 - Counterparty credit risk
 - Market risk
 - Liquidity risk

Questions?