

# FESE response to the EBA consultation on RTS on the calculation and aggregation of crypto exposure values under Article 501d(5) of the CRR

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FESE welcomes the opportunity to submit its response to the EBA consultation on the Draft RTS on the calculation and aggregation of crypto exposure values under Article 501d(5) of the Capital Requirements Regulation. As an association representing the views of financial market infrastructures in Europe, we are concerned about the risk of misaligned implementation of the Basel standards on Prudential treatment of crypto asset exposures, which could lead to an uneven playing field between key jurisdictions. This misalignment might harm the competitiveness of European markets and discourage innovation.

To address this, **we strongly encourage the EBA to recommend that the Commission extend the transitional regime for the prudential treatment of crypto asset exposures for at least another year, until January 2027.** This extension would align with current developments in other major jurisdictions. Furthermore, we propose that the EBA postpones the finalisation of the RTS on the prudential treatment of crypto asset exposures. The current transitional framework has proven to be resilient, with no systemic risks or excessive leverage observed in the banking sector related to crypto assets. It would be a more prudent approach to delay finalisation until there is greater clarity on whether and to what extent other major jurisdictions (e.g., the US, UK, Singapore, etc.) will implement these reforms.

## **Prudential treatment of crypto asset exposures**

The implementation of Basel III standards, which includes the prudential treatment of credit institutions' crypto asset exposures, has been postponed by the European Commission since July 2024. This decision was driven by delays in other key jurisdictions and concerns regarding maintaining a level playing field and global competitiveness. In the meantime, the EU has introduced a transitional regime under the CRR to address the prudential treatment of crypto asset exposures, postponing the implementation of the market risk framework.

The transitional framework for the prudential treatment of crypto asset exposures is set to remain in place until 1 January 2026, by which time the EU is expected to incorporate Basel III standards into its *acquis communautaire*. However, recent international developments suggest that rushing to implement these standards could leave European credit institutions at a competitive disadvantage compared to those in other jurisdictions. For instance, it is widely anticipated in the markets that the new US administration will take a lighter approach on prudential requirements for credit institutions, with a particularly favourable approach toward crypto assets. Similarly, the Bank of England has confirmed that it will postpone the implementation of Basel reforms in the UK for an additional year, until 1 January 2027, citing uncertainty around whether and how the US will adopt these reforms.

While we recognise the importance of having well-defined rules and legal clarity to enable credit institutions to adequately prepare and ensure compliance, taking the lead in implementing these standards would be misaligned with broader, global implementation

efforts. It would negatively affect competitiveness of European banks and hinder the adoption of innovative technologies like asset tokenisation.

Tokenisation holds immense potential for unlocking efficiencies and enhancing liquidity through fractionalisation of tokens representing traditional assets and use of traditionally illiquid assets as collateral. These tier 1 crypto assets in the meaning of MiCA, exhibit different and substantially smaller risks than tier 2 crypto assets that are completely decentralised and unbacked by traditional assets; however, introducing market risk factor to prudential treatment at early stages of new technology application, when no other jurisdiction is doing so, would disincentivise larger uptake in tokenisation and further reduce attractiveness of European markets.

Additionally, we would like to stress that a technology-neutral approach to the regulation of tokenised traditional crypto-assets is essential for innovation and fair competition. The current discrimination against permissionless blockchains in the Basel Standard must be reconsidered in order to ensure sustainable and risk-oriented banking regulation. For example, the bond on a permissionless blockchain is classified as a Group 2 crypto-asset as it does not meet the stricter requirements for Group 1. A significantly higher risk weighting of 1250% applies to Group 2 crypto-assets as compared to Group 1 with a risk weight of 20% for high-quality bonds. The drastic difference in capital requirements shows the significantly higher regulatory burden for crypto-assets on permissionless blockchains according to the SCO60 standard. As a result, this leads to a significant disadvantage for tokenised traditional crypto-assets issued on a permissionless blockchain, hampering their potential to drive innovation and deliver transformative financial solutions.

Considering the above, we urge the EBA to take into account the industry's concerns regarding competitiveness and innovation and to recommend that the Commission extend the transitional framework, delaying any regulatory action for at least one more year. In our view, a cautious *'wait-and-see'* approach would be the most prudent way forward until there is international consensus on how to implement the reforms. This does not, however, pertain to Basel disclosure standards but rather only to prudential rules. Going a step further, we suggest EBA postpones finalisation of the RTS on prudential treatment of crypto asset exposure until there is greater clarity on how similar frameworks will be developed and implemented in other major jurisdictions (e.g., the US, the UK, Singapore, etc.).