

January 31, 2024

Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel, Switzerland



Japanese Bankers Association

JBA comments on the BCBS Consultative Document: “Disclosure of cryptoasset exposures”

Dear Basel Committee members:

The Japanese Bankers Association¹ (JBA) appreciates the opportunity to provide our comments on the Basel Committee on Banking Supervision’s (BCBS) Consultative Document: “*Disclosure of cryptoasset exposures*” released on October 17, 2023.

The JBA supports the BCBS's efforts to address the risks associated with cryptoassets. However, regarding the disclosure of cryptoasset exposures, we believe certain aspects should be reconsidered.

We hope that our comments will contribute to further discussions at the BCBS.

Materiality

The document illustrates that an exposure exceeding 5% of the bank’s total cryptoasset exposures is considered material. However, since cryptoasset exposures may be relatively insignificant for banks², with limited impact on risk profiles, it is not rational to mandate disclosure solely based on the proportion of individual cryptoasset exposures to the total cryptoasset exposures. In light of this, it is desirable to define materiality by considering the proportion not only to the total cryptoasset exposures but also to all exposures, including non-cryptoasset exposures.

Group 1a cryptoasset exposures

We recognise the potential for additional risks linked to the infrastructures of cryptoassets due to their novelty. However, as set out in the BCBS “Prudential treatment of cryptoasset exposures,” Group 1a cryptoassets, tokenised traditional assets, have the same level of credit and market risk as the traditional (non-tokenised) form of the asset³. Furthermore, we understand that additional risks linked to the infrastructures are being

¹ The Japanese Bankers Association is the leading trade association for banks, bank holding companies and bankers associations in Japan. As of October 1, 2023, JBA has 114 Full Members (banks), 3 Bank Holding Company Members (bank holding companies), 76 Associate Members (banks & bank holding companies), 50 Special Members (regionally-based bankers associations) and one Sub-Associate Member for a total of 244 members.

² In the BCBS “Banks’ exposures to cryptoassets – a novel dataset,” a part of Basel III Monitoring Report (September 2022), it is shown that total cryptoasset exposures make up only 0.05% of total exposures on a weighted average basis across the sample of banks. (https://www.bis.org/bcbs/publ/d541_crypto.pdf)

³ <https://www.bis.org/bcbs/publ/d545.pdf> (Please refer to 60.9(2).)

addressed by the infrastructure risk add-on. Therefore, we would like to propose that Group 1a cryptoasset exposures should be subject to disclosure only when weakness is observed in the infrastructure used for the Group 1a cryptoassets, and the infrastructure is subject to the infrastructure risk add-on.

Technical change

The title of column (g) in Template CAE 1 should be revised from "Cryptoassets under custody" to "Market value of cryptoassets under custody" since column (g) is to report the market value of cryptoassets under custody by the annotation.

* * *

We thank again the BCBS for the opportunity to comment on the Consultative Document and hope our comments will contribute to further consideration in the BCBS.

Yours faithfully,

Japanese Bankers Association