

THE NATIONAL LAW REVIEW

Basel Committee Statement on Crypto-Assets

Monday, March 25, 2019

The Basel Committee on Banking Supervision has released a statement setting out its position on crypto-assets, becoming the latest in a line of supervisory and regulatory bodies to consider these assets.

Its [statement](#), considering the BCBS's prudential expectations for banks' exposure to crypto-assets echoes a number of themes set out last year by the PRA in its Dear CEO letter. We previously [reported on that letter](#) back in July 2018.

The BCBS, like the PRA and FCA, does not consider it appropriate to refer to these assets as cryptocurrencies as they're not fulfilling the criteria expected of money. The BCBS highlights that these assets are "unsafe" to rely on as a medium of exchange or as a store of value.

The BCBS considers that, where jurisdictions do not prohibit exposures to crypto-assets and linked services banks should adopt, at least, the following:

- Exposure to these assets should not be taken on before a comprehensive risk analysis has been conducted. Banks should ensure they have the necessary expertise to carry out that analysis. In particular the BCBS highlights liquidity risks, credit risks, market risks, operational risks, financial crime and legal risks and the potential for reputational harm, all posed by crypto-assets.
- In order to mitigate these risks a clear and robust risk management framework is required that is sufficient given the bank's exposure to crypto-assets and related services. Such risk assessment should be included within existing risk management processes, but with awareness of the particular risks (considered high) of crypto-assets. As highlighted by the PRA as well as the BCBS, the risks of crypto-asset exposure ought to be considered at board and senior management level.
- Where material exposures are taken on, banks should be including these as part of their regular financial disclosures.
- The BCBS urges an open and timely dialogue between banks with actual or planned crypto-asset exposure and the relevant supervisory authority, something the PRA also sought in its letter.

Developing themes

The BCBS statement follows similar comments from UK regulators and governmental bodies involved in the financial sector. Trends are therefore beginning to emerge:

- Do your due diligence - The BCBS and others have highlighted the need for financial institutions to know their crypto-asset exposure and the risk profile this creates within the firm.
- Financial crime continues to be a risk within this asset class.
- Whilst they're not there yet, crypto-assets have the potential to disrupt the existing financial system and therefore create financial stability concerns. The current risk of this however remains low in the eyes of these bodies given volumes of crypto-asset trading compared to the global financial system.

Given its remit, the BCBS's cautious approach to crypto-assets is understandable and in line with previous statements from the PRA, FCA and Treasury. We can expect more by way of guidance or commentary from all of these bodies whilst the crypto-asset landscape becomes clearer and before decisions are made on the most appropriate mechanism to regulate (or not) this emerging asset class.



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