Executive summary

Deutsche Börse Group welcomes the opportunity to comment on EBA's Consultation Paper on the Draft RTS on the calculation and aggregation of crypto exposure values under Article 501d(5) of the Capital Requirements Regulation (CRR). As a financial market infrastructure provider, we see a risk of misaligned implementation of global standards leading to an uneven playing field between major jurisdictions that could negatively affect competitiveness of European markets and disincentivize innovation.

We therefore urge EBA to ask the Commission to extend the transitional regime covering prudential treatment of crypto asset exposures for at least another year, until January 2027, in alignment with developments in other major jurisdictions. Furthermore, we suggest EBA postpones finalization of the RTS on prudential treatment of crypto asset exposure as the current transitional regime has so far proven to be resilient, with no systemic risks nor excessive leverage identified in the banking sector pertaining to crypto assets, and until there is more clarity on whether and to which extent other major jurisdictions will implement the reforms (e.g., US, UK, Singapore, etc.).

Prudential treatment of crypto asset exposures

Application of the Basel III standards, including credit institutions' prudential treatment of exposures to crypto assets, has been delayed by the European Commission's decision since July 2024. Such a decision has been made following delays in other major jurisdictions and due to the international competitiveness and level playing field concerns. Instead, the EU has set up a transitional regime for the prudential treatment of crypto asset exposures under the CRR that postpones the implementation of the market risk framework.

The transitional regime is set to govern prudential treatment of crypto assets' exposures until 1 January 2026, by when the EU should transpose Basel standards into its *acquis communautaire*. However, recent international developments indicate that hurried implementation of Basel standards might put European credit institutions at a competitive disadvantage compared to their peers in other jurisdictions. For example, there is a widespread belief in the markets that the new US administration will take a lighter approach when implementing prudential requirements for credit institutions and will have an especially favorable approach to crypto assets. Likewise, the Bank of England has already announced that the implementation of Basel reforms will be delayed in the UK for another year, until 1 January 2027, due to the uncertainty over whether the US will implement these rules and to what extent.

Whilst we understand the necessity of having clear rules and legal clarity that would allow credit institutions to prepare in advance and remain compliant, being a first mover would be misaligned with broader, global implementation efforts and would negatively affect competitiveness of European banks and utilization of innovative solution such as tokenization of assets. Tokenization itself holds vast promises of unlocking new efficiencies and liquidity through fractionalization 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 decentralized 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 disincentivize larger uptake in tokenization and further reduce attractiveness of European markets.

Deutsche Börse Group therefore urges EBA to acknowledge concerns of the industry regarding the competitiveness and innovation concerns and consult the Commission to extend the transitional regime postponing any regulatory action for at least another year. In our view, adopting a "*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 finalization of the RTS on prudential treatment of crypto asset exposure until there is more clarity on how such prudential regimes will shape in other jurisdictions (e.g., US, UK, Singapore, etc.).