

Capital and risk management at crypto banks

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A bank that holds crypto-assets on its own balance sheet or in custody for clients faces specific risks. The market risk of volatile crypto-assets can be large. The operational risks of custody include the loss or theft of private keys, the failure of the technology and errors in transactions that cannot be reversed. The counterparty risks of crypto exchanges and other intermediaries have proved significant, as the collapse of FTX showed. FINMA has required banks with crypto activities to address these risks in their capital planning and risk management.

FINMA's practice has been to apply a high capital charge to unbacked crypto-assets held by banks for their own account. It requires banks to keep custody assets separate from their own assets and to document the attribution of assets to clients. Custody of this kind also calls for the secure generation and storage of private keys, controls on the signing of transactions such as the approval of several persons, and an assessment of the risks of the blockchains concerned, including the risk that a network changes its rules or splits into two chains.¹ These requirements explain why only a limited number of banks offer crypto services. Because the cost of meeting them is high, the business must reach a certain size to cover it.

1 Notes

1. swissinfo.ch, "FINMA sets tough restrictions on bank bitcoin trading", 15 October 2018: FINMA guidance assigns crypto-asset positions of banks a flat risk weight of 800 per cent in the banking and the trading book. FINMA, press release on Guidance 01/2026, 12 January 2026, finma.ch: custody of crypto-based assets, bankruptcy segregation and technology risks (addressed to portfolio managers and trustees). The key-management and network risks listed in the body text are stated as practical requirements of secure custody. ↩

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