



June 5, 2023

VIA ELECTRONIC SUBMISSION

Technical Director
Financial Accounting Standards Board
801 Main Avenue
PO Box 5116, Norwalk, CT 06856-5116

Re: *File Reference No. 2023- ED200*

To Whom It May Concern:

We respectfully submit this letter on behalf of the Wall Street Blockchain Alliance (“WSBA”), in response to the Financial Accounting Standards Board (“FASB”) request for comment in connection with the Proposed Accounting Standards Update: “Intangibles—Goodwill and Other—Cryptoassets (Subtopic 350-60); Accounting for and Disclosure of Cryptoassets” (the “Proposal”). This letter reflects the views of select persons of our member-based organization, and only in our individual capacities, which may not reflect the views of our respective organizations.

The WSBA is an industry-leading non-profit trade association based in New York City, with a mission to guide and promote the comprehensive adoption of blockchain technology and digital assets across global markets in a manner that complies with all applicable laws and regulations. The WSBA is structured into Working Groups that, in turn, coordinate the collaboration of leaders across industries and professions to fulfill the WSBA’s mission. The WSBA membership encompasses a wide variety of organizations and roles, including, banks, broker-dealers, investment firms, law firms, accounting firms and compliance professionals, all of whom are deeply familiar with and appreciative of laws and regulations relating to blockchain technologies and digital assets.

Broadly, the WSBA applauds the efforts of the Board to develop and enact cryptoasset accounting standards. Despite prices significantly below prior all-time highs, the pace of adoption and utilization of cryptoassets by organizations across a multitude of industry segments continues to increase. To that end, the change in accounting standards to a fair-market-value approach will allow both more accurate financial statements, and a more accurate reflection of economic reality for organizations holding, and interacting with, cryptoassets. Further responses, delineated by section headers, are presented below.



Scope

The scope of this proposed rule seems understandable and operable at this time. No singular accounting standard can encapsulate what many believe is an entirely new asset class, especially one that is as quickly evolving cryptoassets. The principled nature of Accounting Standards Codification 820 (“ASC-820”) we believe allows for a good alignment for Fair Value Accounting for cryptoassets. By specifying and mentioning that financial instruments that will fall under the purview of this standard be secured by cryptographic means, be fungible, and operate on an underlying distributed blockchain ledger, practitioners and investors have sufficient context regarding the appropriate population.

Given the unique characteristics and accounting considerations that can be presented when examining non-fungible tokens or asset-back-tokens, setting these cryptoassets aside from this proposed guidance seems reasonable at this time

Applying this proposed guidance to all entities seems appropriate as it both creates a level reporting and disclosure environment for all market actors and eliminates opportunities for informational arbitrage that currently exist. In other words, by standardizing and codifying what specific information needs to be disclosed about cryptoasset holdings, regardless of entity status, all users of financial data will have equivalent data to work with.

Measurement

Given the widely understood and applied measurement techniques that are included the recommended accounting practices (Topic 820), in our view seems like an appropriate framework through which to value cryptoassets. Accounting for cryptoassets at fair-market-value we believe is the correct methodology, and leveraging existing standards and rules to do so makes sense for practitioners and users of financial information. Since the intent of this proposed rule is to communicate and present changes in the value of cryptoassets as they occur, it also seems reasonable that all gains and losses - realized and unrealized - will be reported as they occur on the face of the financial statements versus being deferred. Again, the purpose of this proposed change is to enable better transparency and access to cryptoasset information, not to simply obfuscate it by some other means. The application of Topic 946 to acquisition and other related fees seems appropriate in this proposed standard as well. Reflecting the reality that cryptoassets are widely traded and increasingly widely held financial assets, it seems logical to treat associated costs similarly to how they are treated for traditional financial assets.

Generally speaking, the valuation recommendations in this proposed guidance seem reasonable and appropriate for cryptoassets as identified in this proposal.

Presentation

Given the fact that, although cryptoassets are intangible in nature, they are differentiated and unique from other intangible assets such as goodwill, copyrights, and trademarks, the presentation guidelines suggested in this proposed standard seem reasonable. Categorizing and presenting intangible assets in a separate category on the balance sheet, as well as showing the unrealized gains and losses separately and distinct from amortization seems most likely to provide transparent, comparable, and understandable information. If cryptoassets remain classed as indefinite lived intangibles (ILI) for reporting, consideration will need to be given to subsequent accounting transactions such as lending and derivatives, amongst many other examples. Appropriate presentation and disclosures can help mitigate subsequent accounting and/or reporting confusion from the ILI classing of cryptoassets.

The additional recommendation change, recognizing cryptoassets that are converted immediately to cash as cash flows from operating activities, seems to be a reasonable option. Given the reality that non-cash consideration, crypto or otherwise, can be made in lieu of cash consideration (which would be categorized as cash flows from operating activities), cryptoassets that are received in this manner provide relevant and comparable information.

Disclosure

The disclosure recommendations that are outlined in this proposed rule appear to be making use of existing accounting codifications and rules and applying them effectively to the cryptoasset space. Specifically, the proposed rules that pertain to the determination of basis reflect the varied and global nature of the cryptoasset marketplace. Some cryptoassets are globally traded, have liquid global markets, and have a readily determinable fair-market-value (such as bitcoin). The vast majority of thinly traded cryptoassets require alternative methodologies. Basis should, of course, be able to be verified by an external third party, but seeking to implement a top-down approach would not be reflective of the marketplace.

Reconciling opening and closing balances, determination of fair-market-valuation, and a periodically reported methodology for how these values should be part of the periodic financial reporting process. Requiring disclosures around the changes in balances, including the acquisition and disposition of cryptoassets during the period in question, would provide relevant information for decision-makers. Given how quickly the cryptoasset marketplace does evolve and change, including the regulatory environment for many issuers of cryptoassets, we applaud the FASB's proactive approach in providing this valuable guidance for cryptoassets. Such guidance demonstrates that cryptoassets can in many cases be aligned and integrated with



existing accounting standards without the need for wholesale changes to such time-tested standards. This information will be relevant for investors, creditors, and other decision-makers seeking to understand the impact and implications of cryptoassets the financial and risk positions of the firms in question.

Thank you for your consideration and for the opportunity to submit this response to the Proposal.

Respectfully Submitted,

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Ron Quaranta — Chairperson and Chief Executive, *Wall Street Blockchain Alliance*

Dr. Sean Stein Smith — Chairperson, *WSBA Accounting Working Group*