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Hillary Salo
Technical Director
Financial Accounting Standards Board
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PO Box 5116
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Dear Ms. Salo:

Thank you for the opportunity to provide input regarding future agenda items to be addressed by the Financial Accounting Standards Board, specifically with regards to *Chapter 2 – Emerging Areas in Financial Reporting, Digital Assets*.

Fold, Inc. Background

Fold, Inc. is a privately held company offering Bitcoin rewards for a variety of traditional consumer financial behaviors. Our primary products currently include third-party gift cards and a Fold-issued consumer debit card. By using our products our customers earn Bitcoin rewards rather than points, cash-back, or miles commonly offered in traditional consumer financial products. We plan to launch additional consumer financial products offering Bitcoin rewards, including a credit card, in the near future. Our exposure to digital assets is limited to Bitcoin, which we acquire and hold both as a treasury asset and as an operational requirement to fund customer rewards.

Current Challenges in Accounting for Digital Assets

The digital asset industry, kickstarted by the release of Bitcoin in early 2009, is fast-growing and ever evolving. The rules and regulations around digital assets are still playing catch-up across all regulatory categories. As of the date of this letter, the Financial Accounting Standards Board has not issued any authoritative guidance specific to digital assets, specifically Bitcoin. Despite the current absence of authoritative guidance, we have leveraged interpretative guidance from various sources, including the AICPA's Practice Aid for Accounting for Digital Assets as well as various public-filer SEC filings, including those of Tesla, Inc. (Nasdaq: TSLA) and MicroStrategy Incorporated (Nasdaq: MSTR), among other resources.

Based on those interpretive sources, digital assets are currently accounted for using the indefinite-lived intangible asset model outlined in ASC 350. This model requires that assets be held on an entity's balance sheet at cost with regular impairment analysis performed. If impairment occurs, the asset is written down with impairment losses reflected in the income statement. If that asset later recovers value (as supported by Level 1 market price data), preparers are not allowed to recognize the recovered value in their financial statements, with limited exceptions. Similarly, if a company acquires a digital asset whose value appreciates and never falls below cost, that company is unable to reflect the true market value of that asset in their financial statements.

This treatment has and will continue to result in understatement of digital assets on balance sheets and prohibits companies from reporting the true value of their digital assets on the financial statements. Among other issues, this can have direct negative impacts on a company’s ability to maintain adequate balance sheet ratios for debt financing or other capital needs.

Proposed Accounting Treatment

In response to Question 12 of your ITC, we believe the most urgent improvement needed around accounting for digital assets, specifically Bitcoin, relates to their subsequent measurement post-acquisition. Specifically, rather than being measured under ASC 350, we believe that Bitcoin and similar digital assets should be measured at fair value at the end of each reporting period in accordance with ASC 820, Fair Value Measurements. Like any financial investment, Bitcoin trades on active markets with known Level 1 price information, and the value of Bitcoin is subject to market fluctuations that do not necessarily indicate impairment. In this way, Bitcoin is most like a financial asset and would be more accurately presented via a mark-to-market fair value adjustment at each period end reporting date, with unrealized gains and losses reported through “other income / (loss)” in the income statement.

Accounting for Bitcoin via a fair value methodology achieves all three primary reasons for change as outlined within your Invitation to Comment:

1. **It provides investors with better, more useful information that will directly influence their decisions and behavior**: Treating Bitcoin as an intangible asset provides no meaningful information to shareholders and serves only to increase the burden of management in accounting for and disclosing the true value of their assets to shareholders. Alternatively, accounting for Bitcoin at fair value provides meaningful, understandable, real-time information to shareholders that will directly influence their decisions and behaviors.

2. **It removes unnecessary cost and complexity from the system**: To convey the true value of assets held, companies are resorting to non-GAAP disclosures to clarify the true market value of their digital assets, which further convolutes critical information for

investors and requires unnecessary costs and effort on behalf of financial statement preparers.

3. **It improves the FASB Accounting Standards Codification**: As of the date of this letter, the Financial Accounting Standards Board has not issued any authoritative guidance specific to digital assets, specifically Bitcoin. The complexity of the digital asset industry will only continue to grow, and rapidly. To "remain relevant to current transactions" and "narrow unacceptable diversity in practice", the FASB should consider issuing authoritative guidance around accounting for digital assets.

Our proposal acknowledges that fair value treatment may not be appropriate for all digital assets, especially emerging digital assets with less available market data, and that separate guidance may be necessary for those assets.

Responses to your questions:

Question 10: Investors—How significant are holdings in digital assets, such as crypto assets, in the companies you analyze? What type of financial reporting information about holdings in digital assets do you use in your analysis of a company? How does that information influence your decisions and behaviors? If there is other financial reporting information about digital assets that would be decision useful, what is that information and why would it be decision useful?

Fold Response: While we cannot be sure of the exact value of digital assets held by institutions, whether publicly or privately held, we are sure that the institutional adoption of digital assets and their underlying technologies has and will continue to progress rapidly over the near term. Apart from disclosing the specific digital asset holdings and their fair value at any given period, we support disclosures around the market risks involved with such assets as well as disclosures around the purpose of those holdings and how they contribute to a company's overall business strategy.

Question 11: Preparers and practitioners—Does your company (or companies that you are involved with) hold significant digital assets, such as crypto assets? What is the purpose of those holdings?

Fold Response: Our exposure to digital assets is limited to Bitcoin, which we acquire and hold both as a treasury asset and as an operational requirement to fund customer rewards. Bitcoin makes up a significant portion of our total assets.

Question 12: If the Board were to pursue a project on digital assets, which improvements are most important, what types of digital assets should be included within the scope, and should this guidance apply to other nonfinancial assets?

Fold Response: See response under 'Proposed Accounting Treatment' section, above.

We appreciate your consideration of our comments and encourage you to contact us if you have any further questions.

Respectfully,

Wolfe Repass
Finance & Operations Manager
Fold, Inc.