



September 22, 2021

Ms. Hillary Salo
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-51161

Via email: director@fasb.org

File Reference No. 2021-004

RE: Agenda consultation ITC - accounting for digital assets

Dear Ms. Salo,

We appreciate the opportunity to provide feedback on FASB's Invitation to Comment (ITC) Agenda Consultation with respect to digital assets. We support the mission of the FASB to improve financial accounting and reporting standards and the ongoing effort it takes to achieve that mission. Seeking feedback from stakeholders to help shape the forward looking standard setting agenda is commendable and appreciated.

About Paxos

Paxos is a regulated blockchain infrastructure platform, building a new, open financial system. Paxos uses technology to tokenize, custody, trade and settle assets for enterprise clients. We enable fintechs and financial institutions to offer crypto capabilities to their users through Paxos Crypto Brokerage. Paxos is passionate about digital assets, including crypto assets, because they are core to our business. We are also passionate about ensuring the financial information produced by Paxos and others in the industry is reflective of the economic reality of this asset class. We do not believe that the current accounting guidance enables financial statement preparers to reflect this reality, and we strongly support the FASB in pursuing this topic as a future project.



Paxos' view

We believe financial statement users would benefit from specific accounting guidance related to the recognition, measurement, and presentation of digital assets, including cryptocurrency. Adopting an accounting model where digital assets are recognized and reported at their fair value is a better reflection of economic reality for this asset class. This model could be aligned with how investment companies and broker dealers currently account for digital assets. This approach would provide users of financial statements with better and more accurate information with which to make decisions.

Paxos Response to Digital Asset Questions within the Invitation to Comment

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?

Paxos holds digital assets, including cryptocurrency such as Bitcoin and Ethereum, for corporate purposes. In addition, Paxos offers trading and custodial services, to retail and institutional investors, and crypto brokerage services that allow enterprises to offer crypto to their end users via an API connection.

Through our experience in the industry, we have observed an increasing number of financial institutions offering digital asset related products and services, and more companies are incorporating digital assets into their business transactions. Additionally, regulatory agencies are recognizing the importance of digital assets. We believe as the use of digital assets quickly becomes prevalent and pervasive, there is an urgent need for the FASB to provide authoritative guidance around digital 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?

Under current available authoritative guidance, digital assets, such as crypto assets, generally do not meet the definitions of cash, inventory or financial asset. Since there is no authoritative accounting guidance that directly addresses the accounting for digital assets, most companies are required to account for digital assets and cryptocurrency as intangible assets under Topic



350, Intangibles—Goodwill and Other. This means that, generally, digital assets would be initially measured at cost and then tested for impairment. When accounted for as intangible assets, the carrying amount of digital assets does not reflect increases in price.

We believe that this accounting treatment does not reflect the underlying economics, the financial condition or the results of operations of entities with significant digital asset holdings. Under this accounting model, there is a significant disconnect between the carrying value presented in the balance sheet and the fair market value of the digital assets. We believe that this disconnect will continue to grow over time given the volatility in digital assets prices. As a result, we believe fair value would provide more meaningful information to users of the financial statements.

Conclusion

With the rapid growth and adoption of digital assets, it is crucial that entities apply accounting guidance that better reflects the economic realities and provides more accurate and meaningful information to investors and users of financial statements. We believe this is a topic worthy of consideration by the Board.

We appreciate the opportunity to share our perspectives on digital assets and welcome future opportunities to provide additional resources and be involved in any conversation that would help in the Board's decision-making process.

Respectfully,

A handwritten signature in black ink that reads "Daniel Burstein".

Daniel Burstein
General Counsel and Chief Compliance Officer
[Paxos](#)