

# VOYAGER

September 22, 2021

Technical Director  
Chair Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5516  
Norwalk, CT 06856-5116

*Submitted electronically to FASB via email correspondence to: [director@fasb.org](mailto:director@fasb.org)*

***Subject: Response to the Financial Accounting Standards Board Invitation to Comment on the Agenda Consultation – File Reference No. 2021-004, Digital Assets***

Dear Technical Director:

Voyager Digital Ltd. (“Voyager”) greatly appreciates the opportunity to provide a response to FASB’s invitation to comment on the future standard setting agenda.

Voyager, through its United States operating subsidiaries, operates a crypto-asset broker that provides retail investors with a secure way to invest and trade in over 60 different crypto assets, through its mobile application. Voyager was founded by established Wall Street and Silicon Valley entrepreneurs who teamed to bring a better, more transparent, and cost-efficient alternative for trading crypto assets to the marketplace. Through its subsidiary Coinify ApS, Voyager provides crypto payment solutions for both consumers and merchants around the globe. Voyager's common shares are traded on the Toronto Stock Exchange (under the trading symbol of “VOYG”). Voyager's common shares are also listed for trading under the symbol “VYGVF” on the OTCQB market and “UCD2” on the Frankfurt Stock Exchange.

As of September 7, 2021, Voyager had over 2 million verified users. Voyager prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”). As Voyager acts as a broker-trader who buys and sells crypto assets principally for the purpose of execution of customer crypto asset trades, Voyager applies broker-trader exception under IAS 2, Inventories, which requires broker-traders to measure crypto asset inventory *at fair value less cost to sell*. As of March 31, 2021, Voyager had over \$2 billion in crypto assets held which were recorded on Voyager’s balance sheet.

Voyager anticipates an eventual adoption of US GAAP which would have significant financial implications for crypto assets held. Under current US GAAP, crypto assets held generally would meet the definition of intangible assets and would be accounted for under Topic 350, Intangibles—Goodwill and Other. As a result, crypto assets held would be initially measured at cost and then tested for impairment under US GAAP. As mentioned above, this would be a significant departure of how Voyager currently accounts for crypto assets

held under broker-dealer exception, IAS 2, Inventories, whereby crypto assets are accounted at fair value less cost to sell.

### **Why there is a pervasive need to change US GAAP?**

- ⇒ Unlike most commonly known intangible assets (e.g. software, intellectual property, customer relationships), crypto assets have financial instrument properties akin to tradable commodities which include but are not limited to:
  - actively traded in liquid and observable markets
  - subject to privately negotiated purchases and sales transactions
  - held for trading purpose with the intent to sell within a short period of time and generate profits
  - held for investment purposes
  - lent/ borrowed under various lending/ borrowing arrangements
  - are used to pay for a service
- ⇒ Active and liquid markets exist for a vast majority of crypto assets with observable inputs (contrary to intangible assets). Multiple exchanges and trading venues offer readily observable quotations and significant liquidity. The liquidity is available at all times whereby crypto assets can be purchased using fiat currencies or other crypto assets such as stable coins.
- ⇒ When accounted for as intangible assets, the carrying amount of crypto assets does not reflect increases in price and therefore is not reflective of the underlying economics of how crypto assets are employed within the crypto economy.
  - The impairment valuation methodology under ASC 350 is limiting since once the assets are initially recorded at cost, their value can only be written down when impairment exists. The accounting treatment doesn't allow for recording of the appreciation when the asset experiences a recovery in value, which can be observed in a liquid public market for majority of crypto assets, until the asset is sold. Under this methodology, the carrying value of crypto assets held does not provide a true representation of their fair value.
- ⇒ When the entity holds digital assets and has corresponding liabilities, liabilities are accounted as hybrid instruments with a liability contract containing an embedded derivative based on the changes in the fair value of the underlying crypto asset. As embedded derivative is accounted at fair value and corresponding digital assets is accounted at cost less impairment, the accounting results in a fundamental mismatch between assets and liabilities distorting transparency of the financial performance of the entity.

### **How should the Board address this topic?**

The accounting for crypto assets under fair value measurement under US GAAP would provide stakeholders with a financial presentation that is more reflective of the underlying economics and a better representation of how these assets are employed within the crypto economy. The following are potential solutions:

- ⇒ Expanding the definition of inventory to include crypto assets accounted under intangible model and improving the comparability with IAS 2, whereby a commodity broker-trader measures inventory at fair value less costs to sell

- ⇒ Expanding the scope of ASC 940, Financial Services – Broker and Dealers, to be applied by financial institutions within the crypto economy utilizing the definition of a broker comparable with IAS 2, “broker-traders are those who buy or sell commodities for others or on their own account” which would allow a broker to apply the fair value accounting
- ⇒ Allowing the application of fair value valuation methodology for intangibles with **publicly observable markets** and aligning the valuation methodology with ASC 820 guidelines with regards to the fair value hierarchy and the classification of the asset into an appropriate level (Level 1, Level2, and Level 3)

**What the urgency is of the Board completing a project on this topic?**

Voyager appreciates the opportunity to provide comments to FASB on the agenda consultation with regard to the accounting treatment for crypto assets. Voyager looks forward to seeing the crypto asset accounting added to the Boards agenda as one of the highest priority topics. The crypto economy is scaling at an exponential rate and significant improvements are necessitated to align accounting treatment for crypto assets to be reflective of the underlying economics of crypto assets and providing more decision-useful information to users of the financial statements.

Sincerely,

Migle Bukauskaite

Director of External Reporting & Technical Accounting