



September 22, 2021

Ms. Hillary Salo
Technical Director
File Reference No. 2021-004
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

By email: director@fasb.org

Re: File Reference No. 2021-004

Dear Ms. Salo,

Foundry Digital LLC is a financing and advisory company focused on digital asset mining and staking. Foundry was created to meet the institutional demand for better capital access, efficiency, and transparency in the digital currency mining and staking industry. As a Digital Currency Group company, Foundry taps unparalleled institutional expertise, capital, and market intelligence to provide North American bitcoin miners and global manufacturers with the resources to build, maintain, and secure decentralized networks.

Foundry empowers miners with the tools they need to build tomorrow's decentralized infrastructure. We are protocol-agnostic and seek to support like-minded blockchain entrepreneurs who share our mission to advance the industry. Foundry provides financing for bitcoin and other mining equipment and access to equipment manufacturers. Mining businesses have historically had few financing options available to them, despite the compelling returns they can generate. Our program is designed to address this problem in a reliable and scalable way.

We support the mining and staking of new and existing blockchain infrastructures and projects. Foundry Labs is interested in working with innovative blockchain protocols and new industry-advancing technology as a trusted partner.

As noted in the ITC, there is currently no specific topical authoritative accounting guidance related to digital assets. The lack of authoritative guidance (generally accepted accounting principles ("GAAP")) often results in accounting for transactions in digital asset that do not necessarily reflect the underlying economics of those transactions and disclosures related to the digital assets themselves that does not reflect the value of the assets.

Due to the lack of authoritative guidance most digital assets currently meet the definition of an intangible asset and are accounted for under Accounting Standards Codification ("ASC") ASC 350, *Intangibles—Goodwill and Other*. Stakeholders often refer to the AICPA Practice Aid, *Accounting for and Auditing of Digital Assets*, when determining the appropriate accounting treatment of digital assets. The Practice Aid states that certain digital assets would meet the definition of intangible assets and would generally be accounted for under ASC 350; and asserted that certain digital assets did not meet the definitions for cash or cash equivalents, financial instruments or financial assets, or inventory. Under the Practice Aid (and ASC 350), digital assets would be initially measured at cost, then tested for impairment. However, if the reporting entity is within the specialized guidance for investment companies or broker dealers, the assets would be accounted for at fair value though still be subject to existing GAAP given the intangible asset classification, most notably, stakeholders are unable to apply existing GAAP related to financial instruments or financial assets.



Accounting for digital assets as an intangible under ASC 350 is currently an issue for many market participants who treat digital assets as a means of investment, receive payment in such assets, or participate in active trading of the assets, as it does not appropriately reflect the economics. For example, there are already multiple public companies that are not allowed to measure their digital assets at fair value and therefore continuously write down to the asset to its lowest reported price in each reporting period. These entities have GAAP reporting that does not accurately capture the performance of their investment and investors must look to their Non-GAAP disclosures to understand the impact these investments have on their results of operations.

With the growing number of large institutions and public companies that are either investing in the digital assets or investing in entities that hold digital assets, the accounting related issues are only going to become more pervasive. While we believe the Financial Accounting Standards Board (“FASB”) should develop a fulsome set of accounting guidance model intended to properly reflect the nature, liquidity and value of digital assets that is consistent with the economic reality we believe immediate steps can be taken by the FASB to address the fundamental accounting and disclosure issues outlined above.

Fair Value Accounting and the Fair Value Option

Companies who hold digital assets with a readily determinable fair value should fair value those assets at the end of each reporting period. At minimum, entities should have the opportunity to elect the Fair Value Option (“FVO”) pursuant to ASC 825, *Financial Instruments*, in these circumstances, the entity would apply the fair value measurement guidance contained within ASC 820, *Fair Value Measurement*. Digital assets such as Bitcoin and Ethereum should be considered a financial instrument or financial asset because they are a “contract that conveys to one entity a right to...exchange other financial instruments on potentially favourable terms with the second entity” (definition of a financial asset pursuant to the FASB Codification – Master Glossary).

It is possible to obtain the information necessary to fair value digital assets despite its volatility and, in some cases, market fragmentation. Many stakeholders, if required to fair value or to evaluate impairment, already make a determination of their principal market and reference transaction prices in their principal market to determine the fair value of an asset or liability. Additionally, stakeholders do not carry the assets at fair value and have not impaired the assets already make disclosures as to the fair value of the assets. ASC 825-10-45-4 states that the changes in fair value of an item for which the FVO is elected should be recognized in net income (or another performance indicator if an entity does not report net income). By allowing the FVO election and associated classification of digital assets, investors will benefit from the disclosures in existing GAAP for assets within this reporting framework and will ultimately allow for the comparability between periods of the issuer investing in the assets as well as the comparability across entities that invest and/or hold similar types of digital assets and follow the same accounting treatment.

Average Cost Method

As investment companies dispose of digital assets, an appropriate cost relief methodology is selected. Investment companies should have the opportunity to select the average cost method when selling digital assets such as Bitcoin and Ethereum. Investment companies look to ASC 946, *Financial Services – Investment Companies* for authoritative accounting and reporting guidance. In accordance with ASC 946-320-40-1, “the cost of investment securities held in the portfolio of an investment company and the net realized gains or losses thereon shall be determined on the specific identification or average-cost methods. An investment company shall use only one method for all of its investments.”



In closing, an appropriate framework should be developed that will either mandate entities to fair value digital assets or allows entities to elect the fair value option to account for digital assets and utilize the average cost method to calculate realized gains/losses. Accounting for digital assets at fair value would better reflect the reality and economics of digital assets and provide greater transparency to investors.

We appreciate the opportunity to present our point of view on this topic and FASB's consideration of these pervasive issues. We would welcome the prospect of discussing these matters further. Should you have any questions or desire further clarification on the topics discussed in this letter please do not hesitate to contact us.

Thank you

A handwritten signature in blue ink that reads "Leticia Barra".

Leticia Barra

Controller

Foundry Digital LLC