



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

**Re: File Reference No. 2021-004**

Dear Ms. Salo,

The Blockchain Association (the “Association”) appreciates the opportunity to respond to the Financial Accounting Standard Board’s (“FASB”) invitation to comment (“ITC”) on how accounting standards can be crafted for and applied to the cryptocurrency and blockchain ecosystem.

The Blockchain Association is a not-for-profit organization dedicated to improving the public policy environment for public blockchain networks to allow them to develop and prosper in the United States. The Association endeavors to educate policymakers, courts, law enforcement, and the public about decentralized networks and the need for regulatory clarity to make way for a more secure, competitive, and innovative digital marketplace. The Association is comprised of industry leaders who are committed to responsibly developing and supporting public blockchain networks fueled by cryptocurrencies. Its diverse membership reflects the range of this dynamic market and includes projects that contribute to distributed networks, cryptocurrency exchanges, and early stage investors that support the entire ecosystem. Additionally, many of our member organizations either hold or use crypto, and a number of our organizations provide crypto-related services including software, accounting, tax, consulting, etc. In light of its mission and membership, the Association is well positioned to provide FASB with high-level insights around the creation of accounting standards that will help foster the development of the cryptocurrency and blockchain industry in the United States.

Although digital assets were on FASB’s radar in October 2020, the board ultimately voted not to add digital assets to its technical agenda due to the size and scope of industry.<sup>1</sup> As a result, there

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<sup>1</sup> Financial Accounting Standards Board, “Invitation to Comment: Agenda Consultation.” (May 11, 2021): 15, [https://www.fasb.org/jsp/FASB/Document\\_C/DocumentPage?cid=1176176828145&acceptedDisclaimer=true](https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176176828145&acceptedDisclaimer=true)

currently is no specific topical authoritative accounting guidance related to digital assets.<sup>2</sup> The lack of generally accepted accounting principles (“GAAP”) has created practices for digital asset transactions that do not adequately reflect the underlying economics of those transactions. Additionally, required disclosures related to digital assets do not always indicate the value of the actual assets. In the context of this discontinuity, the Blockchain Association respectfully requests that the FASB add and approve a topic to its Technical Agenda to address the accounting issues associated with digital assets. Indeed, the monumental growth of industry in the past year suggests that there is a growing and significant need for the FASB to provide more tailored guidance regarding the accounting of digital assets.<sup>3</sup>

Should FASB vote to pursue a project on digital assets, the Association recommends that FASB develop a holistic accounting guidance model intended to properly reflect the nature, liquidity and value of digital assets. There are several issues with current accounting standards, however, that must be addressed before this burgeoning asset class grows even larger.

At present, there are multiple public companies that are not allowed to measure their digital assets at fair value and therefore continuously write down the asset at its lowest reported. As a result, these entities have reporting practices that do not accurately capture the performance of their investment, forcing investors to read non-GAAP and non-standardized disclosures to understand the impact these investments have on their results of operations. In order to ameliorate these investor hurdles, the Association urges FASB to develop an accounting standard that allows entities the option to elect to mark digital assets to fair value and utilize the average cost method to calculate realized gains/losses. By providing companies that facilitate transactions/investments in digital assets with an option to mark digital assets at fair value, accounting for digital assets would better reflect the reality and economics of digital assets and provide greater transparency to investors.

In conclusion, the Association appreciates the opportunity to present its insights on this topic, and we applaud FASB’s initiative to potentially include digital assets in its agenda. Additionally, the Association would like to offer itself as a resource that FASB can leverage when crafting appropriate and effective accounting standards to the cryptocurrency and blockchain industry.

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<sup>2</sup> Shehan Chandrasekera, “How Are Cryptocurrencies Classified In GAAP Financials?” *Forbes*, May 21, 2020.

<https://www.forbes.com/sites/shehanchandrasekera/2020/05/21/how-are-cryptocurrencies-classified-in-gaap-financials/?sh=5adfcc0e65b2>

<sup>3</sup> In 2021 alone, venture capitalists have invested more than \$17 billion into digital asset companies, and there are currently more than 30 publicly traded companies holding Bitcoin on their balance sheets, with a dozen of those filing in the US. Additionally, the global crypto market cap of the cryptocurrency and blockchain industry is currently \$1.91T.

Sincerely,

A handwritten signature in cursive script that reads "Kristin Smith". The ink is a light grey color.

Kristin Smith  
Executive Director