



STAFF PAPER

June 2019

IFRS® Interpretations Committee meeting

Project	Holdings of Cryptocurrencies		
Paper topic	Comment letters		
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This paper has been prepared for discussion at a public meeting of the IFRS Interpretations Committee (Committee) and does not represent the views of the International Accounting Standards Board (Board), the Committee or any individual member of the Board or the Committee. Comments on the application of IFRS Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Decisions by the Board are made in public and reported in IASB® *Update*. Decisions by the Committee are made in public and reported in IFRIC® *Update*.

Introduction

1. This paper reproduces comment letters received on the tentative agenda decision published by the IFRS Interpretations Committee in March 2019 on ‘Holdings of Cryptocurrencies’.
2. Brane Inc includes its internal accounting policy for holdings of cryptocurrencies as an attachment to its comment letter. Because of its length we have not included that attachment in this paper. However, it is available on our [website](#).

Accounting Standards Board of Japan (ASBJ)

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26 April 2019

Ms. Sue Lloyd
Chair of the IFRS Interpretations Committee
International Accounting Standards Board
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Canary Wharf, London, E14 4HD
United Kingdom

Comments on the Tentative Agenda Decision Relating to the Holdings of Cryptocurrencies

1. The Accounting Standards Board of Japan (the “ASBJ” or “we”) welcome the opportunity to comment on the IFRS Interpretation Committee (the “Committee”)’s tentative agenda decision relating to the holdings of cryptocurrencies, proposed in the March 2019 IFRIC Update.
2. We agree with the interpretation provided in the tentative agenda decision regarding the application of existing IFRS Standards. However, we believe that the application of existing IFRS Standards, as stated, may result in inappropriate outcomes which do not provide the most relevant information, from the viewpoint of relevant financial reporting. Accordingly, considering the social impact of cryptocurrencies and the priority within the IASB’s standard-setting projects, we believe that IFRS Standards need to be amended in a timely manner.

Measurement of cryptocurrencies

3. When an entity holds cryptocurrencies with an active market, we believe that measuring such cryptocurrencies at fair value through profit or loss (FVTPL) generally would provide the most relevant information to users of financial statements.
4. In many cases, the price risk of cryptocurrencies is significant, and cryptocurrencies themselves do not have an inherent or underlying value. Therefore, in such cases, the only way an entity can generate cash flows is to sell them at the market.

5. As for the measurement of such cryptocurrencies, the IASB staff stated, in paragraph 50 of Agenda Paper 3 for discussions at the April 2018 Accounting Standards Advisory Forum (ASAF) meeting, that its informal outreach noted that FVTPL provides the most useful information. Consistent with this view, we believe that cryptocurrencies with an active market (such as Bitcoins) generally should be measured at FVTPL to provide the most relevant information.

Amending IFRS Standards

6. Our understanding is that, under the tentative agenda decision, an entity that does not hold cryptocurrencies for sale in its ordinary course of business would apply IAS 38 and thus would be required to measure its cryptocurrencies using either the cost model or the revaluation model. We believe that this may result in inappropriate outcomes which do not provide the most relevant information, from the viewpoint of relevant financial reporting.
7. We understand that, since the IASB Board meeting in January 2018, the IASB and the Committee have discussed various alternatives to account for cryptocurrencies, including the alternative to develop a new standard regarding investments, the alternative to amend existing IFRS Standards, and the alternative to consider how to apply IAS 8, but the IASB eventually concluded that it would be too early to amend IFRS Standards.
8. However, we believe that IFRS Standards need to be amended in a timely manner to measure certain cryptocurrencies with an active market at FVTPL, considering the social impact of cryptocurrencies and the priority of the IASB's standard-setting projects.
9. We hope our comments are helpful for the Committee's and the IASB's consideration in the future. If you have any questions, please feel free to contact us.

Yours sincerely,



Atsushi Kogasaka
Chair
Accounting Standards Board of Japan

2 May 2019

Submitted electronically via www.ifrs.org

Ms. Sue Lloyd
Chair of the IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
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RE: *Tentative Agenda Decision – Holdings of Cryptocurrencies*

Dear IFRS Interpretations Committee Members:

The Canadian Securities Administrators (CSA) is an organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants Committee is comprised of the Chief Accountants from the provinces of Alberta, British Columbia, Ontario and Quebec. The CSA Chief Accountants Committee appreciates the opportunity to provide our comments on the IFRS Interpretations Committee (IFRS IC) tentative agenda decision (TAD) on *Holdings of Cryptocurrencies*.

In Canada, we have approximately 41 IFRS reporters with cryptocurrency holdings and/or related activities. As can be seen in Appendix I, our research indicates that there are differing accounting practices applied to such holdings, with 76% of entities accounting for cryptocurrency holdings at fair value through profit and loss. In most cases, these entities are applying paragraph 11 of IAS 8, or they consider themselves to be commodity broker-traders in accordance with IAS 2.

We recognize that cryptocurrencies have the definitional elements of intangible assets as described in IAS 38 in that they are identifiable, non-monetary and without physical substance. However, we are concerned that the TAD does not consider IAS 38 in its entirety when analysing the accounting for holdings of cryptocurrencies, under existing IFRSs. Notwithstanding paragraph 5 of the Basis for Conclusion to IAS 38, we think that IAS 38 was not developed for intangible assets such as cryptocurrencies because cryptocurrencies inherently differ in nature from the types of intangible assets discussed in IAS 38 in significant ways:

- The types of intangible assets described in paragraph 9 of IAS 38 (i.e. new processes or systems, licences, intellectual property, etc.) are typically held for use in supporting an entity's operations. Cryptocurrencies, on the other hand, are generally obtained by the entity

for the purposes of generating future economic benefits from their subsequent sale. This contrasts with the examples of future economic benefits that flow from the *use* of an intangible asset in combination with other assets and resources listed in paragraph 17 of IAS 38 (i.e. revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity).

- Cryptocurrencies tend to be volatile – they are short-term assets that are often held for speculative purposes, and that can be used for exchange for goods or services. These characteristics are unique to cryptocurrencies and were not contemplated when developing IAS 38.

As such, we think IAS 38 produces information that may not be the most useful. Under IAS 38, cryptocurrencies are carried at either cost or a revalued amount. The cost model results in a historical measurement and does not provide current information. IAS 38 permits a revaluation approach when an active market exists, with revaluation changes (other than impairments) not being reflected in profit or loss. Consequently, even if it can be demonstrated an active market exists, profit and loss does not reflect the performance of the cryptocurrency asset.

We note that several IFRS IC members and IASB Board members have expressed significant concern in public meetings about whether IAS 38 provides the most useful information, if applied to holdings of cryptocurrencies. We share these concerns. If the IFRS IC ultimately believes that IAS 38 is not an appropriate standard, then in our view, the IFRS IC should not issue the TAD. Rather, the IASB should re-consider what is an appropriate course of action, such as a narrow scope amendment to IAS 38 by removing cryptocurrencies from its scope, while continuing to monitor the prevalence of cryptocurrency holdings by IFRS reporters in order to determine if more targeted standard setting is required.

If you have any questions about this letter, please do not hesitate to contact us.

Yours truly,

The CSA Chief Accountants Committee

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Appendix I – Canadian Cryptocurrency Landscape

<u>Standard Applied</u>	<u>Number of Entities</u>	<u>Percentage</u>
IAS 8.11 (to arrive at FVTPL)	16	39 %
IAS 2.3(b)*	11	27 %
IFRS 9 – FVTPL	4	10 %
IAS 38 – Cost Model	1	2 %
IAS 38 – Revaluation Model	4	10 %
Not determinable	5	12 %
Total	41	100%

* We note that over half of the entities in this category are cryptocurrency miners.

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8 May 2019

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Online submission: <https://www.ifrs.org/projects/work-plan/holdings-of-cryptocurrencies/comment-letters-projects/tad-holdings-of-cryptocurrencies/>

Dear Sue

Tentative Agenda Decision — Holdings of Cryptocurrencies

I am pleased to make this submission on the Tentative Agenda Decision (TAD) for Holdings of Cryptocurrencies.

I have extensive experience in accounting advice, across a wide range of clients, industries and issues in the for-profit, not-for-profit, private and public sectors.

My clients have included listed companies, unlisted and private companies, charitable and not-for-profit organisations, federal, state and local government departments and agencies in the public sector, and government owned corporations (government business enterprises). I also have some commercial, standard setting and academic experience.

I have comments in the following areas:

1. Tentative Agenda Decision contradicts earlier IFRIC Agenda Decision
2. Commodity broker-trader
3. Using the IAS 2 fair value exemptions as a precedent
4. Active market
5. Clarification requested for receivables of non-financial assets
6. Diversity for accounting for long-term prepayments
7. The nuclear option
8. Monitoring

Yours sincerely,

David Hardidge
<https://www.linkedin.com/in/davidhardidge/>

1 Tentative Agenda Decision contradicts earlier IFRIC Agenda Decision

The Tentative Agenda Decision appears to contradict IFRIC's Agenda Decision for Deposits Relating to Taxes other than Income Tax (Deposits Agenda Decision). Under the Deposits Agenda Decision IFRIC concluded that the deposit was a monetary asset¹.

While this conclusion was not stated specifically in the published agenda decision, it is critical to the IFRIC conclusion that the deposit was excluded from the scope of IAS 38 *Intangible assets*. As IFRIC concluded that the deposit was not within the scope of IAS 38, or any other IFRS standard, there was a need to consider IAS 8 and the two conceptual frameworks. If IFRIC had not concluded that the item was a monetary asset, it would seem that the asset would have been within the extremely broad scope of IAS 38, and the discussion under the conceptual frameworks would not have been required.

I find IFRIC's reasoning contradictory and illogical. Under the Deposits Agenda Decision, such a deposit is classified as a monetary item even though the holder does not control its use, does not control how the item is settled and does not know when it will be settled. Yet under the Tentative Agenda Decision, a cryptocurrency holding is not classified as a monetary item even though the holder can control how the asset is used, can choose whether the asset is converted into fiat currency or goods and services², can choose when that conversion occurs and has access to global exchanges.

Cryptocurrencies have more characteristics of cash than tax deposits. Consequently, if tax deposits are classified as monetary assets, so too should cryptocurrency holdings. The accounting, as outlined by the Tentative Agenda Decision, is nonsensical.

2 Commodity broker-trader

Preparers can get to fair value through profit or loss, though it is a kluge. Preparers will need to argue that they are a broker-trader. Under IAS 2, broker-traders are those who buy or sell commodities for others or on their own account, and that the cryptocurrencies are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin.

¹ <https://www.ifrs.org/projects/2019/deposits-relating-to-taxes-other-than-income-tax/>

IFRIC March 2018 meeting, Payments relating to taxes other than income tax - Initial consideration – Paper 7. Comments by staff during meeting that they thought the item was a monetary item to explain their reasoning stated in paragraph 26 that “this asset is not clearly captured within the scope of any IFRS Standard”

IFRIC May 2018 meeting, Payments relating to taxes other than income tax - Item for continuing consideration – Paper 2 paragraph 10(a)

IFRIC September 2018 meeting, Payments relating to taxes other than income tax - Item for continuing consideration – Paper 7 paragraphs 5, 8 and 13(b), Paper 7A paragraphs 14 and A14 (Example 4).

IFRIC January 2019 meeting, Deposits relating to taxes other than income tax - Agenda decision to finalise, Paper 2 paragraph 17(f)

² Would you like to travel using cryptocurrencies? What about travelling to Australia, and in particular Queensland using cryptocurrencies? Have a look at TravelbyBit “Global digital travel made easy” <https://www.travelbybit.com/>.

TravelbyBit is a recipient of a Queensland Government grant, <https://www.chiefentrepreneur.qld.gov.au/stories/travelbybit> viewed 4 May 2019

This might be difficult for miners of cryptocurrency to argue, as they get paid in the cryptocurrency they mine, and are not purchasing cryptocurrency. Similarly for businesses accepting cryptocurrency as a form of payment for goods and services. On the other hand, those businesses acquiring cryptocurrency from their operations and not immediately converting into fiat currency, might argue that they are holding the cryptocurrency for speculative purposes and generating a profit from the increase in price – because otherwise they would have sold the cryptocurrency.

At least one large accounting firm has cast doubt on the broker-trade approach³.

3 Using the IAS 2 fair value exemptions as a precedent

There is not a lot of guidance on the meaning of broker-traders. The Basis for Conclusions for IAS 2 refers to the 2003 amendments to IAS 2, that introduced the exemptions to permit the use fair value through profit or loss, were included based on “well-established industry practices”. That reference makes me wonder how you can have a well-established industry practice of fair value when it would appear to breach the requirements of historical cost under IAS 2. Though there seemed to be an interpretation that IAS 2 only applied when using historical cost, and not when using fair value.

It appears that there is a well-established industry practice to use fair value through profit or loss for cryptocurrencies. This is shown by:

- IASB staff research⁴ where 18 of 26 entities (69%) used fair value through profit or loss, as well as an unspecified number of the other 8 entities.
- Canadian statistics⁵ that showed 76% of 41 entities accounting for cryptocurrency holdings at fair value through profit or loss.

Given that IAS 2 was amended for appropriate accounting for those situations, the IASB should consider amendments for this situation.

Issuing the Tentative Agenda Decision will likely result in warped industry practice, given the views of a significant number of Board and Committee members that fair value through profit or loss is the most appropriate accounting.

³ For example, Grant Thornton “IFRS Viewpoint - Accounting for cryptocurrencies – the basics” (May 2018) refers to “narrow circumstances” when referring to the broker-trader approach. <https://www.grantthornton.global/en/insights/viewpoint/accounting-for-cryptocurrencies--the-basics/>

⁴ IASB November 2018, Cryptocurrencies Paper topic Potential new research project, paper 12D paragraph 59.

⁵ Canadian Securities Administrators (CSA) - Chief Accountants Committee submission to IFRIC on Tentative Agenda Decision — Holdings of Cryptocurrencies
http://eifrs.ifrs.org/eifrs/comment_letters//528/528_25518_RitikaRohaillaCanadianSecuritiesAdministratorsCSAChiefAccountantsCommittee_0_CSACryptocurrencyHoldingsTADResponseLetter.pdf

4 Active market

I noted discussion during the IFRIC meetings that some members believed any fair value measurement should be restricted to those cryptocurrencies with an active market. I note that not all listed equity securities are in an active market, with some illiquid securities do not meet the definition.

Even for impairment purposes, listed security prices are not always used as the primary source of information for a valuation. An example is Amcor, which has a listed associate AMVIG Holdings Ltd. In 2018 it stated that when assessing impairment in its associate (the highest of value in use and fair value less costs to sell) it did not use fair value, and used the higher value in use (i.e. managements' estimates). Amcor further stated "The Group's view is that AMVIG's quoted share price does not accurately reflect the fundamental value of the business".

5 Clarification requested for receivables of non-financial assets

As noted above, IFRIC decided in its Deposits Agenda Decision that the deposit was a monetary item when the receivable relates to a non-financial asset – being the possible reduction in a non-financial liability (the statutory obligation to pay a tax other than income tax).

I request that IFRIC clarify that receivables for non-financial assets with a significant financing component can be similarly classified as monetary items and not brought into the definition of intangible asset, or alternatively a significant financing component explicitly recognised and measured.

An example are private-public partnerships (also called service concession arrangements) by grantors accounting under IFRS. The arrangements often have the transfer of a significant residual value (the working infrastructure in good order) at the end of the term. Public sector grantors in Australia use IFRS-based accounting standards. Until the recent issue of AASB 1059 *Service Concession Arrangements: Grantors* (not yet effective) public sector grantors had to develop their accounting policy under the Australian equivalent to IAS 1.

New South Wales (a state government) chose to base theirs on the UK Financial Reporting Standard 5 'Reporting the Substance of Transactions', with the addition of Application Note F 'Private Finance Initiative and similar contracts'. The applicable accounting policy "TPP06-08 Accounting for Privately Financed Projects"⁶ has been used for over 10 years and requires that the future receivable of the residual be recognised on an emerging basis taking into account the financing component.

A similar example relates to the "privatisation" of infrastructure assets in Australia. While some privatisations sold the infrastructure assets outright to the private sector, some arrangements were structured as "99 year" leases. The "99 year" lease arrangements involved the lease of the infrastructure for an upfront payment, and the return of working infrastructure in good order at the end of the lease term.

I note that the IASB in its 2013 revised Leases Exposure Draft that it proposed similar accounting by lessors for the residual to be received.

⁶ <https://arp.nsw.gov.au/tpp06-08-accounting-privately-financed-projects>

In addition to recognising a financing component for this non-monetary receivable, New South Wales accounts for the movement in the fair value of the residual infrastructure assets (discounted) as an asset revaluation.

6 Diversity for accounting for long-term prepayments

I have encountered diversity in the accounting treatment of long-term prepayments and I request that IFRIC clarify the treatment. I have encountered situations of long-term prepayments, say 10 to 20 years, and some for 99 years.

I believe that the appropriate accounting is to recognise the asset as a long-term receivable of future goods and services including a financing component.

However, I have seen other accounting policies, including those advised by large accounting firms, that uses IAS 38 with initial recognition at a discounted amount and no subsequent recognition of the financing component. This results in ridiculous outcomes. I have included two examples below.

For Example A (20 years) instead of a service expense of 1,000 pa indexed being recognised, with an additional finance income, a fixed amortisation amount of 841 is recognised as an expense per year. How is an expense of 841, being lower than even the initial starting service expense of 1,000, be appropriate accounting?

For Example B (99 years) instead of a service expense of 1,000 pa indexed being recognised, with an additional finance income, a fixed amortisation of 513 is recognised as an expense per year. An even more ridiculous outcome.

Example A (refer detailed calculations attached)

1,000 value of services in Year 1, increased by 2.5% pa for 20 years, and discounted at 4%

Initial recognition at 16,811

If recognised as receivable of a non-financial asset:

Total services expense	25,545
Total finance income	(8,734)
Net expense	16,811

If recognised as an intangible, without a significant financing component, and amortised:

Total amortisation expense 16,811

Example B (refer detailed calculations attached)

1,000 value of services in Year 1, increased by 2.5% pa for 99 years, and discounted at 4%

Initial recognition at 50,814

If recognised as receivable of a non-financial asset:

Total services expense	420,607
Total finance income	(369,793)

Net expense	50,814
If recognised as an intangible, without a significant financing component, and amortised:	
Total amortisation expense	50,814

7 The nuclear option

Given the number of IASB and IFRIC members expressing the view that fair value accounting would be the best accounting, I am surprised there was not more discussion on the nuclear option, i.e. the “true and fair” override under IAS 1 paragraph 19.

I suggest that IFRIC include reference to this approach if it finalises the Tentative Agenda Decision as drafted.

However, this might raise some interesting issues in Australia which does not permit the “true and fair” override, even in the “extremely rare circumstances” where compliance with accounting standards “would be so misleading that it would conflict with” the conceptual framework.

8 Monitoring

The IASB should be clearer for the purposes of its proposals⁷ to monitor cryptoassets, with cryptocurrencies being a subset of cryptoassets.

Such monitoring may not be useful in identifying relevant industry practice, if the IFRIC Tentative Agenda Decision is finalised as drafted. This is because of the nonsensical accounting (subject to my comments above).

However, the monitoring might be useful in determining how many entities have decided to adopt the broker-trader kluge and have had their auditors agree. The monitoring might also identify situations where companies have adopted the “true and fair” override.

⁷ IASB Update November 2018, <https://www.ifrs.org/news-and-events/updates/iasb-updates/november-2018/> accessed 4 Mary 2019

IFRIC Cryptocurrencies Tentative Agenda Decision Response - David Hardidge											
Example of accounting for a receivable of prepaid services for 20 years											
Example A											
Service cost (Year 1)	1000										
Inflation rate	2.50%										
Discount rate	4%										
NPV 20 years	16,811										
Useful life	20										
				Financing component recognised				Financing component NOT recognised			
			Discounted	Opening	Financing	Service	Closing	Opening	Amortisation	Closing	
	Amount	Discount	Amount	Balance	Revenue	Expense	Balance	Balance	Expense	Balance	
1	1000	0.9615	961.54	16,811	672	1000	16,484	16,811	841	15,971	
2	1025	0.9246	947.67	16,484	659	1025	16,118	15,971	841	15,130	
3	1051	0.8890	934.34	16,118	645	1051	15,712	15,130	841	14,290	
4	1077	0.8548	920.62	15,712	628	1077	15,263	14,290	841	13,449	
5	1104	0.8219	907.41	15,263	611	1104	14,770	13,449	841	12,609	
6	1132	0.7903	894.64	14,770	591	1132	14,229	12,609	841	11,768	
7	1160	0.7599	881.50	14,229	569	1160	13,638	11,768	841	10,927	
8	1189	0.7307	868.79	13,638	546	1189	12,994	10,927	841	10,087	
9	1219	0.7026	856.45	12,994	520	1219	12,295	10,087	841	9,246	
10	1249	0.6756	843.78	12,295	492	1249	11,538	9,246	841	8,406	
11	1280	0.6496	831.46	11,538	462	1280	10,720	8,406	841	7,565	
12	1312	0.6246	819.47	10,720	429	1312	9,836	7,565	841	6,725	
13	1345	0.6006	807.77	9,836	393	1345	8,885	6,725	841	5,884	
14	1379	0.5775	796.34	8,885	355	1379	7,861	5,884	841	5,043	
15	1413	0.5553	784.59	7,861	314	1413	6,763	5,043	841	4,203	
16	1448	0.5339	773.10	6,763	271	1448	5,585	4,203	841	3,362	
17	1484	0.5134	761.85	5,585	223	1484	4,325	3,362	841	2,522	
18	1521	0.4936	750.81	4,325	173	1521	2,977	2,522	841	1,681	
19	1559	0.4746	739.97	2,977	119	1559	1,537	1,681	841	841	
20	1598	0.4564	729.31	1,537	61	1598	0	841	841	0	
Total	25545		16811.41		8733.61	25545				16811.4	

58	4082	0.1028	419.70		124,276	4971	4082	125,165		21,557	513	21,044
59	4184	0.0989	413.64		125,165	5007	4184	125,987		21,044	513	20,531
60	4289	0.0951	407.71		125,987	5040	4289	126,738		20,531	513	20,017
61	4396	0.0914	401.81		126,738	5070	4396	127,411		20,017	513	19,504
62	4506	0.0879	396.03		127,411	5096	4506	128,002		19,504	513	18,991
63	4619	0.0845	390.34		128,002	5120	4619	128,503		18,991	513	18,478
64	4734	0.0813	384.68		128,503	5140	4734	128,909		18,478	513	17,964
65	4852	0.0781	379.10		128,909	5156	4852	129,214		17,964	513	17,451
66	4973	0.0751	373.61		129,214	5169	4973	129,409		17,451	513	16,938
67	5097	0.0722	368.20		129,409	5176	5097	129,488		16,938	513	16,424
68	5224	0.0695	362.86		129,488	5180	5224	129,444		16,424	513	15,911
69	5355	0.0668	357.65		129,444	5178	5355	129,267		15,911	513	15,398
70	5489	0.0642	352.50		129,267	5171	5489	128,948		15,398	513	14,885
71	5626	0.0617	347.40		128,948	5158	5626	128,480		14,885	513	14,371
72	5767	0.0594	342.41		128,480	5139	5767	127,853		14,371	513	13,858
73	5911	0.0571	337.46		127,853	5114	5911	127,056		13,858	513	13,345
74	6059	0.0549	332.61		127,056	5082	6059	126,079		13,345	513	12,832
75	6210	0.0528	327.79		126,079	5043	6210	124,912		12,832	513	12,318
76	6365	0.0508	323.05		124,912	4996	6365	123,543		12,318	513	11,805
77	6524	0.0488	318.38		123,543	4942	6524	121,961		11,805	513	11,292
78	6687	0.0469	313.78		121,961	4878	6687	120,153		11,292	513	10,779
79	6854	0.0451	309.25		120,153	4806	6854	118,105		10,779	513	10,265
80	7025	0.0434	304.77		118,105	4724	7025	115,804		10,265	513	9,752
81	7201	0.0417	300.39		115,804	4632	7201	113,235		9,752	513	9,239
82	7381	0.0401	296.06		113,235	4529	7381	110,384		9,239	513	8,725
83	7566	0.0386	291.81		110,384	4415	7566	107,233		8,725	513	8,212
84	7755	0.0371	287.59		107,233	4289	7755	103,767		8,212	513	7,699
85	7949	0.0357	283.45		103,767	4151	7949	99,969		7,699	513	7,186
86	8148	0.0343	279.37		99,969	3999	8148	95,820		7,186	513	6,672
87	8352	0.0330	275.35		95,820	3833	8352	91,300		6,672	513	6,159
88	8561	0.0317	271.39		91,300	3652	8561	86,391		6,159	513	5,646
89	8775	0.0305	267.47		86,391	3456	8775	81,072		5,646	513	5,133
90	8994	0.0293	263.60		81,072	3243	8994	75,321		5,133	513	4,619
91	9219	0.0282	259.81		75,321	3013	9219	69,115		4,619	513	4,106
92	9449	0.0271	256.05		69,115	2765	9449	62,430		4,106	513	3,593
93	9685	0.0261	252.35		62,430	2497	9685	55,243		3,593	513	3,079
94	9927	0.0251	248.70		55,243	2210	9927	47,525		3,079	513	2,566
95	10175	0.0241	245.11		47,525	1901	10175	39,251		2,566	513	2,053
96	10429	0.0232	241.57		39,251	1570	10429	30,392		2,053	513	1,540
97	10690	0.0223	238.09		30,392	1216	10690	20,918		1,540	513	1,026
98	10957	0.0214	234.65		20,918	837	10957	10,798		1,026	513	513
99	11231	0.0206	231.27		10,798	432	11231	-1		513	513	-0
Total	420607		50813.56			369792.25	420607					50813.73



OICU-IOSCO

International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

9 May 2019

Ms. Sue Lloyd
Chair of the IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

RE: Tentative Agenda Decision – Holdings of Cryptocurrencies

Dear Ms. Lloyd,

The International Organization of Securities Commissions (IOSCO) Committee on Issuer Accounting, Auditing and Disclosure (Committee 1) thanks you for the opportunity to provide our comments on the IFRS Interpretations Committee (IFRS IC) tentative agenda decision (TAD) on *Holdings of Cryptocurrencies*.

IOSCO is committed to promoting the integrity of the international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Committee 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect the general consensus among the members of Committee 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

Cryptocurrency transactions are becoming increasingly prevalent in some jurisdictions. In other jurisdictions, where it is not yet common for IFRS reporters to hold cryptocurrencies, there is a strong interest in determining the most appropriate financial reporting for cryptocurrency transactions. Members of Committee 1 therefore strongly support the efforts of the International Accounting Standards Board to consider this issue.

Committee 1 members agree with the following technical analysis as discussed in the TAD:

- the definition of *financial asset* in IAS 32 is not met.
- IAS 2 can be read to apply to cryptocurrencies that represent inventories held for sale in the ordinary course of business.



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- entities that conduct buying and selling activities of cryptocurrencies with the purpose of selling in the near term in order to generate profit from fluctuations in value would apply IAS 2 paragraph 3(b) and measure their inventories at fair value less costs to sell and included as operating activities in the statement of cash flows.
- C1 members acknowledge that cryptocurrencies possess the three definitional elements of intangible assets in IAS 38 *Intangible Assets* (IAS 38) because they are identifiable, non-monetary, and without physical substance.

However, many C1 members are concerned that the analysis in the TAD is narrow in focussing on these three definitional elements in IAS 38 and does not consider the context of IAS 38 more broadly in determining its applicability to cryptocurrencies. C1 members concur with the views expressed by various IFRS IC members and IASB Board members that IAS 38 was not developed for such intangible assets. In particular, we note the following aspects of IAS 38 that are inconsistent with the purpose and use of cryptocurrencies:

- IAS 38 paragraph 9 provides context for the types of assets that we believe IAS 38 was designed for; assets such as those that arise from expending resources on scientific or technical knowledge, new process and systems, licenses, trade marks and brand names. Cryptocurrencies are typically acquired for investment purposes, often held for the purposes of trading or as a store of value. These are characteristics that are not considered in IAS 38.
- IAS 38 paragraph 17 discusses the types of future economic benefits that flow from IAS 38 intangible assets, such as revenue from the sale of products or services, cost savings, or other benefits resulting from their use by the entity. Holdings of cryptocurrencies typically do not generate the same types of future economic benefits from their use, as the primary purpose for a reporting entity to hold cryptocurrency is not to generate revenue from the sale of its products or services, are not principally used as cost saving instruments by the entity, nor are they providing other benefits from their use (such as intellectual property in a production process). Cryptocurrencies are significantly different in nature from those examples because the future economic benefits generally arise only from subsequent sale of the asset.

Many C1 members have concerns about the financial reporting outcome that results from the application of IAS 38 to cryptocurrency holdings and are of the view that the Board should reconsider its decision not to undertake standard-setting activities. We note that several IASB Board members and IFRS IC members have also expressed concerns about certain aspects of the measurement model of IAS 38. Many C1 members are of the view that removing cryptocurrencies from the scope of IAS 38 would be a better outcome than specifying an approach that does not provide the most useful information. These members also encourage



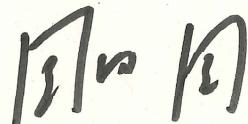
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the Board to continue to consider the development of an appropriate accounting standard for cryptocurrency as it monitors the prevalence of cryptocurrency activity by IFRS reporters.

We appreciate your thoughtful consideration of the views provided in this letter. If you have any questions or need additional information, please do not hesitate to contact Cameron McInnis, Chair of the Accounting Subcommittee of Committee 1 at +1 416-593-3675 or myself. In case of any written communication, please mark a copy to me.

Yours sincerely,



Makoto Sonoda

Chair
Committee on Issuer, Accounting, Audit and Disclosure
International Organization of Securities Commissions

May 8, 2019

Submitted electronically via ifric@ifrs.org

IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Sirs:

Re: Tentative Agenda Decision – Holdings of Cryptocurrencies

This letter is the response of the [Canadian Accounting Standards Board](#) (AcSB) to the IFRS Interpretations Committee's (Committee) tentative agenda decision on holdings of cryptocurrencies. This tentative agenda decision was published in the March 2019 IFRIC® Update.

In formulating the views expressed in this letter, we considered input from our [IFRS® Discussion Group](#) (Group) at its [January 2018](#) meeting on the appropriate accounting model to apply to holdings of cryptocurrencies. The Group consists of members with a range of background and experience, including preparers, users and auditors of financial statements prepared in accordance with IFRS Standards.

We are concerned with the Committee's observation that IAS 38 *Intangible Assets* is applicable to holdings of cryptocurrencies. IAS 38 was written long before cryptocurrencies were developed. As a result, we have reservations about the appropriateness of the measurement model in IAS 38 in achieving fair presentation for holdings of cryptocurrencies, as expressed by various International Accounting Standards Board (IASB) and Committee members during the deliberations process.

We think a more proactive way of ensuring the appropriateness of reporting cryptoassets would be to undertake a project in this area given the concerns expressed with IAS 38's measurement model. That said, if the Committee proceeds to finalizing the agenda decision, we suggest including a reference to paragraph 17(c) of IAS 1 *Presentation of Financial Statements* to remind entities to provide additional disclosures when compliance with the specific requirements in IFRS Standards is insufficient to enable

financial statement users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. In our view, if describing the fair value performance of a cryptocurrency is important to a user's understanding of the entity's financial position and profit or loss, then this information should be disclosed unless it is already shown in the financial statements.

We think that including this additional point would be helpful to ensure users are provided with relevant information until the IASB sees the need to undertake standard-setting action related to cryptoassets. We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me or, alternatively, Katharine Christopoulos, Senior Principal, Accounting Standards (+1 416 204-3270 or email kchristopoulos@acsbcana.ca) or Davina Tam, Principal, Accounting Standards (+1 416 204-3514 or email dtam@acsbcana.ca).

Yours truly,



Linda F. Mezon, FCPA, FCA
CPA (MI), CGMA
Chair, Canadian Accounting Standards Board
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About the Canadian Accounting Standards Board

We are an independent body with the legal authority to establish accounting standards for use by all Canadian publicly accountable enterprises, private enterprises, not-for-profit organizations and pension plans in the private sector. We are comprised of a full-time Chair and volunteer members from a variety of backgrounds, including financial statement users, preparers, auditors and academics; a full-time staff complement supports our work.

Our standards

We have adopted IFRS® Standards as issued by the IASB for publicly accountable enterprises. Canadian securities legislation permits the use of U.S. GAAP in place of IFRS Standards in certain circumstances. We support a shared goal among global standard setters of high-quality accounting standards that result in comparable financial reporting outcomes regardless of the GAAP framework applied.

We developed separate sets of accounting standards for private enterprises, not-for-profit organizations and pension plans. Pension plans are required to use the applicable set of standards. Private enterprises and not-for-profit organizations can elect to apply either the set of standards developed for them, or IFRS Standards as applied by publicly accountable enterprises.

Our role vis-à-vis IFRS Standards

Our responsibility to establish Canadian GAAP necessitates an endorsement process for IFRS Standards. We evaluate and rely on the integrity of the IASB's due process as a whole, and monitor its application in practice. In addition, we perform our own due process activities for each new or amended IFRS Standard to ensure that the standard is appropriate for application in Canada. We reach out to Canadians on the IASB's proposals to understand and consider their views before deciding whether to endorse a final IFRS Standard. A final standard is available for use in Canada only after we have endorsed it as Canadian GAAP.

About the IFRS® Discussion Group

The IFRS Discussion Group (the Group) is an advisory committee of the Canadian Accounting Standards Board (AcSB) that provides a regular public forum to discuss issues arising in Canada from the application of IFRS Standards. The Group is made aware of such issues through its members, who have an in-depth knowledge of IFRS Standards, and our stakeholders, who can submit issues for consideration by the Group. Potential agenda items are assessed against a set of criteria including whether the issue is widespread (either within an industry or across various industries) in Canada, and whether there is divergent practice or the potential for divergent practice. The Group's discussion generally acts to raise awareness in order to help stakeholders understand the principles and requirements in IFRS Standards. However, at times, the Group may make a recommendation to the AcSB to refer a particular issue to the IASB or IFRS Interpretations Committee. The AcSB discusses the recommendation and decides on next steps.



IFRS Interpretations Committee
IFRS Foundation
Columbus Building
7 Westferry Circus
London
E14 4HD

Date 10/05/2019

Subject: Tentative Agenda Decision — Holdings of Cryptocurrencies

Dear IFRS Interpretations Committee:

On behalf of the International Air Transport Association's ("IATA") Industry Accounting Working Group ("IAWG"), we are writing to comment on the Tentative Agenda Decision - Holdings of Cryptocurrencies on April 17, 2019. IAWG is made up of senior finance professionals of major airlines and represents over 290 IATA member airlines.

IAWG does not support the issuance of the agenda decision as drafted for the following reasons:

- it applies existing accounting standards to an asset that is unique and this asset would not have been contemplated when these standards were established;
- the information that would be created under this agenda decision may not be the most useful in many cases; and
- the analysis, while sound in relation to analyzing the asset in relation to the existing standards, does not appear to align well to the economic substance of cryptocurrencies.

IAWG would prefer that the IASB or IFRIC issue a standard or interpretation that aligns the accounting treatment with the underlying economics of the asset and results in the most useful information for users of the financial statements. We do not believe this agenda decision will serve that purpose. Furthermore, while the issue raised to IFRIC was limited to the holding of a cryptocurrency asset, the accounting treatment for this item needs to be more broadly considered. For example, how would a cryptocurrency receivable or payable be treated under IFRS? A cryptocurrency held by a reporting entity would be treated under this agenda decision as inventory or an intangible asset, but what if the entity were to deposit the cryptocurrency with an intermediary (such as an exchange)? It appears that they would no longer be subject to the agenda decision, despite essentially holding the same rights under both scenarios.

IAWG also has the following specific concerns in relation to this agenda decision if it was to be issued:

1. The scope of the agenda decision is not clear

The agenda decision states the following:



The Committee noted that a range of cryptoassets exist. For the purposes of its discussion, the Committee considered a subset of cryptoassets—cryptocurrencies—with the following characteristics:

- a. A cryptocurrency is a digital or virtual currency that is recorded on a distributed ledger and uses cryptography for security.
- b. A cryptocurrency is not issued by **a jurisdictional authority or other party**.
- c. A holding of a cryptocurrency does not give rise to a contract between the holder and another party.

The structure of this section appears to indicate that all cryptocurrencies share these three characteristics. This need not be true. A cryptocurrency could be issued by a sovereign body, although that is not the case at this time. Also, a cryptocurrency could be linked to a sovereign currency and used as a means of payment clearing, thereby creating a contract between the holder and the clearing party. Rather than define a cryptocurrency, we recommend that IFRIC limits the scope of this agenda decision to the holding of cryptocurrencies that meet all of these characteristics.

The language that has been bolded and underlined is another concern. A jurisdictional authority is generally understood to be a court, but it is unlikely that was the intention of this wording. It was likely meant to convey "sovereign authority". The term "other party" is also unclear as all cryptocurrencies will be issued by some party. Perhaps the intention was "other similar party". We recommend rewording this sentence as follows:

"b. A cryptocurrency is issued to the public by other than a sovereign authority authorized to issue currency or similar organization."

This language would effectively scope out private cryptocurrencies used by closed groups for purposes, such as the clearing of payments, and those issued by central banks or international and regional organizations to member states.

2. Could a cryptocurrency be treated as cash?

While we agree that an essential element of an asset acting as cash is that it acts as a medium of exchange, we question if it must be the monetary unit in pricing goods or services and that it act as a functional currency. Many sovereign currencies are not convertible and therefore are not widely used as a medium of exchange in commercial transactions. This does not disqualify them as cash. Likewise, an entity has but one functional currency, yet holdings of foreign notes and coins are reported as cash.

IAWG believes that cryptocurrencies should be treated as cash if they function as cash (widely used as a medium of exchange by the entity). This definition would exclude the vast majority of cryptocurrencies, if not all, but would provide a basis for treating the asset based upon its function, rather than a definition that seemingly if applied in the same manner would disqualify many sovereign currencies.



If you would like to discuss our comments further, please do not hesitate to contact Thomas Egan, IAWG Accounting Technical Expert at egant@iata.org. The IAWG would be interested in engaging in a dialogue with the IFRIC staff to clarify any issues related to our submission or the broader issues related to aircraft financing, valuation and transactions related to aircraft.

Yours sincerely,

A blue ink signature of the name "Oran Har Nevo".

Oran Har Nevo
Chairman
IATA IAWG

A blue ink signature of the name "Donal Cahalan".

Donal Cahalan
Vice-Chairman
IATA IAWG



May 13, 2019

Ms. Sue Lloyd, Chair
International Financial Reporting Standards Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Ms. Lloyd,

Tentative Agenda Decision—Holdings of Cryptocurrencies

The Financial Accounting Issues Task Force of the Taiwan Financial Reporting Standards Committee (TFRSC) of Accounting Research and Development Foundation in Taiwan appreciates the opportunity to respond to the above tentative agenda decision.

The attachments (Attachment 1) are our comments to this tentative agenda decision. The comments are those of the Financial Accounting Issues Task Force and do not necessarily represent official opinions of the TFRSC.

If you have any question about our comments, please contact me (via my email: ccliu@management.ntu.edu.tw) or Ms. Margaret Tsui (via her email: margaret@ardf.org.tw).

Sincerely Yours,

A handwritten signature in black ink, appearing to read 'Chi-Chun Liu'.

Chi-Chun Liu, Ph.D.
Chairman,
Taiwan Financial Reporting Standards Committee,
Accounting Research and Development Foundation, Taiwan

Attachment 1

Comments from ARDF Taiwan on Tentative Agenda Decision—Holdings of Cryptocurrencies

Tentative Agenda Decision—Holdings of Cryptocurrencies

Tentative Agenda Decision

The Committee discussed how IFRS Standards apply to holdings of cryptocurrencies.

The Committee noted that a range of cryptoassets exist. For the purposes of its discussion, the Committee considered a subset of cryptoassets—cryptocurrencies—with the following characteristics:

- a. A cryptocurrency is a digital or virtual currency that is recorded on a distributed ledger and uses cryptography for security.
- b. A cryptocurrency is not issued by a jurisdictional authority or other party.
- c. A holding of a cryptocurrency does not give rise to a contract between the holder and another party.

Nature of a cryptocurrency

Paragraph 8 of IAS 38 Intangible Assets defines an intangible asset as ‘an identifiable non-monetary asset without physical substance’.

Paragraph 12 of IAS 38 states that an asset is identifiable if it is separable or arises from contractual or other legal rights. An asset is separable if it ‘is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability’.

Paragraph 16 of IAS 21 The Effects of Changes in Foreign Exchange Rates states that ‘the essential feature of a non-monetary item is the absence of a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency’.

The Committee observed that a holding of cryptocurrency meets the definition of an intangible asset in IAS 38 on the grounds that (a) it is capable of being separated from the holder and sold or transferred individually; and (b) it does not give the holder a right to receive a fixed or determinable number of units of currency.

Which IFRS Standard applies to holdings of cryptocurrencies?

The Committee concluded that IAS 2 Inventories applies to cryptocurrencies when they are

Attachment 1

Comments from ARDF Taiwan on Tentative Agenda Decision—Holdings of Cryptocurrencies

held for sale in the ordinary course of business. If IAS 2 is not applicable, an entity applies IAS 38 to holdings of cryptocurrencies. The Committee considered the following in reaching its conclusion.

Intangible Asset

IAS 38 applies in accounting for all intangible assets except:

- a. those that are within the scope of another Standard;
- b. financial assets, as defined in IAS 32 Financial Instruments: Presentation;
- c. the recognition and measurement of exploration and evaluation assets; and
- d. expenditure on the development and extraction of minerals, oil, natural gas and similar non-regenerative resources.

Accordingly, the Committee considered whether a holding of cryptocurrency meets the definition of a financial asset in IAS 32 or is within the scope of another Standard.

Financial asset

Paragraph 11 of IAS 32 defines a financial asset. In summary, a financial asset is any asset that is: (a) cash; (b) an equity instrument of another entity; (c) a contractual right to receive cash or another financial asset from another entity; (d) a contractual right to exchange financial assets or financial liabilities with another entity under particular conditions; or (e) a particular contract that will or may be settled in the entity's own equity instruments.

The Committee concluded that a holding of cryptocurrency is not a financial asset. This is because a cryptocurrency is not cash (see below). Nor is it an equity instrument of another entity. It does not give rise to a contractual right for the holder and it is not a contract that will or may be settled in the holder's own equity instruments.

Cash

Paragraph AG3 of IAS 32 states that 'currency (cash) is a financial asset because it represents the medium of exchange and is therefore the basis on which all transactions are measured and recognised in financial statements. A deposit of cash with a bank or similar financial institution is a financial asset because it represents the contractual right of the depositor to obtain cash from the institution or to draw a cheque or similar instrument

Attachment 1

Comments from ARDF Taiwan on Tentative Agenda Decision—Holdings of Cryptocurrencies

against the balance in favour of a creditor in payment of a financial liability.'

The Committee observed that the description of cash in paragraph AG3 of IAS 32 implies that cash is expected to be used as a medium of exchange (ie used in exchange for goods or services) and as the monetary unit in pricing goods or services to such an extent that it would be the basis on which all transactions are measured and recognised in financial statements.

Some cryptocurrencies can be used in exchange for particular good or services. However, the Committee noted that it is not aware of any cryptocurrency that is used as a medium of exchange and as the monetary unit in pricing goods or services to such an extent that it would be the basis on which all transactions are measured and recognised in financial statements. Consequently, the Committee concluded that a holding of cryptocurrency is not cash because cryptocurrencies do not currently have the characteristics of cash.

Inventory

IAS 2 applies to inventories of intangible assets. Paragraph 6 of that Standard defines inventories as assets:

- a. held for sale in the ordinary course of business;
- b. in the process of production for such sale; or
- c. in the form of materials or supplies to be consumed in the production process or in the rendering of services.

The Committee observed that an entity may hold cryptocurrencies for sale in the ordinary course of business. In that circumstance, a holding of cryptocurrency is inventory for the entity and, accordingly, IAS 2 applies to that holding.

The Committee also observed that an entity may act as a broker-trader of cryptocurrencies. In that circumstance, the entity considers the requirements in paragraph 3(b) of IAS 2 for commodity broker-traders who measure their inventories at fair value less costs to sell. Paragraph 5 of IAS 2 states that broker-traders are those who buy or sell commodities for others or on their own account. The inventories referred to in paragraph 3(b) are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin.

Disclosure

Attachment 1

Comments from ARDF Taiwan on Tentative Agenda Decision—Holdings of Cryptocurrencies

An entity applies the disclosure requirements in the IFRS Standard applicable to its holdings of cryptocurrencies. Accordingly, an entity applies the disclosure requirements in (a) paragraphs 36–39 of IAS 2 to cryptocurrencies held for sale in the ordinary course of business, and (b) paragraphs 118–128 of IAS 38 to holdings of cryptocurrencies to which it applies IAS 38. If an entity measures holdings of cryptocurrencies at fair value, paragraphs 91–99 of IFRS 13 Fair Value Measurement specify applicable disclosure requirements.

The Committee noted that, applying paragraph 122 of IAS 1 Presentation of Financial Statements, an entity would disclose judgements that its management has made regarding its accounting for holdings of cryptocurrencies if those are part of the judgements that had the most significant effect on the amounts recognised in the financial statements.

The Committee also noted that paragraph 21 of IAS 10 Events after the Reporting Period requires an entity to disclose any material non-adjusting events, including information about the nature of the event and an estimate of its financial effect (or a statement that such an estimate cannot be made). For example, an entity holding cryptocurrencies would consider whether changes in the fair value of those holdings after the reporting period are of such significance that non-disclosure could influence the economic decisions that users of financial statements make on the basis of the financial statements.

Response to the above Tentative Agenda Decision:

We agree with IFRS Interpretations Committee's intention to clarify how entities apply existing IFRS standards to holdings of cryptocurrencies. However, we think the characteristics and nature of cryptocurrencies are not exactly the same as either intangible assets (as defined in IAS38) or inventories (as defined in IAS2). Besides, the ways cryptocurrencies produce economic benefits differ from either intangible assets or inventories. Cryptocurrencies fundamentally act more as a medium of exchange. Entities hold cryptocurrencies to exchange goods, services or fiat currencies. The economic benefits of cryptocurrencies arise from subsequent exchange or sale in the market, while intangible assets or inventories themselves embody economic benefits that flow to entities through use or sale. Therefore, we believe applying IAS38 or IAS2 to holdings of cryptocurrencies may not provide the relevant information to the users. As of today, the purposes for which cryptocurrencies are held and the kinds of cryptocurrencies entities hold vary. In our view, the Interpretations Committee could provide some guidance according to Conceptual Framework



Attachment 1

Comments from ARDF Taiwan on Tentative Agenda Decision—Holdings of Cryptocurrencies
for Financial Reporting, for example, how entities apply paragraphs 5.12-5.14 and 5.19-5.23 to evaluate the existence uncertainty and measurement uncertainty of the holdings of cryptocurrencies, and how entities apply paragraphs 6.43-6.76 to select measurement basis. We suggest the IASB develop a new IFRS standard or amend existing IFRS standards to address the accounting for holdings of cryptocurrencies and transactions involving cryptocurrencies, when holdings of cryptocurrencies become more prevalent and the position of cryptocurrencies become more clear.

10th May, 2019

Ms Sue Lloyd,
Chair, IFRS Interpretations committee,
IFRS Foundation,
London, UK

Dear Ms Sue,

Subject: Tentative Agenda Decision (TAD) March, 2019 – Public Comments by May 15th, 2019

The Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (the ICAI) welcomes the following four tentative agenda decisions of IFRS Interpretations Committee published in March 2019:

1. Costs to Fulfil a Contract (IFRS 15)
2. Holdings of Cryptocurrencies
3. Effect of a Potential Discount on Plan Classification (IAS 19)
4. Subsurface Rights (IFRS 16)

We agree with the above mentioned clarifications.

With kind regards

CA. M.P Vijay Kumar

Chairman
Accounting Standards Board
Institute of Chartered Accountants of India

KCCI Building, 4th Flr.
39 Sejong-daero Jung-gu
Seoul 04513, South Korea
Tel : 02) 6050-0150
Fax : 02) 6050-0170

14 May 2019

Chair of the IFRS Interpretations Committee
Columbus Building, 7 Westferry Circus
Canary Wharf, London, E14 4HD
United Kingdom

Dear Ms. Sue Lloyd:

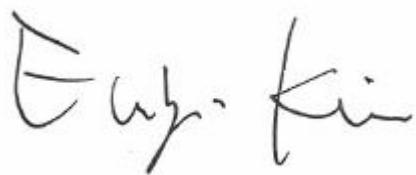
The Korea Accounting Standards Board (KASB) greatly appreciate the efforts of the IFRS Interpretations Committee to reach out to diverse constituents around the globe and reflect their opinions in IFRSs.

KASB sends its comments on the tentative agenda decision on *Holdings of Cryptocurrencies*.

The enclosed comments represent official positions of the KASB after extensive due process and deliberation.

Please do not hesitate to contact us if you have any questions regarding our comments. You may direct your inquiries either to me (ehkim@kasb.or.kr) or to Min Joo Kim (minjookim@kasb.or.kr), Senior Technical Manager of the KASB.

Best regards,



Eui-Hyung Kim
Chair, Korea Accounting Standards Board

Cc: Se-hwan Park, Vice-Chair, Korea Accounting Standards Board
Hyun-duck Choi, Director, Korea Accounting Standards Board

Comments on the Tentative Agenda Decision Relating to *Holdings of Cryptocurrencies*

1. The Korea Accounting Standards Board (hereinafter referred to as the ‘KASB’ or ‘we’) does not agree with the tentative agenda decision that a cryptocurrency should be accounted for as an intangible asset regardless of its purpose of holding it.
2. Although a cryptocurrency meets the definition of an intangible asset in paragraph 8 of IAS 38 which states that an intangible asset is ‘an identifiable non-monetary asset without physical substance’ in a literal sense, applying IAS 38 may not be relevant because a cryptocurrency is mostly held for investment-purposes.
3. Relevant financial information is capable of making a difference in decisions by users, assisting them to confirm their predictions of the entity. However, the financial information in accordance with IAS 38 is not relevant because both cryptocurrency holders and external users recognise cryptocurrencies as one of their investments (similar to financial instruments).

Suggestions

4. The issue of consistency with current accounting in practice should be thoroughly considered before announcing the agenda decision. In some jurisdictions, the related accounting practice has already been established through the establishment of relevant standards. In addition, the past analysis by the IASB staff* (paragraph 37, Agenda 4B, Sept 2018) also stated that the majority of entities applying IFRS accounted for cryptocurrencies as having a similar nature to financial instruments.
5. We believe that the accounting for cryptocurrencies as intangible assets differs from how the market recognizes cryptocurrencies, and that the agenda decision is not sufficient to resolve the current confusion in practice.

*(Paragraph 37, Agenda 4B, Sept 2018)

- 37 Of the 26 entities identified as reporting holdings of cryptocurrencies at the balance sheet date above:
- (a) 18 (69%) account for those holdings at FVTPL. In some cases, the entities say they are applying IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*. Other entities say they apply paragraph 11 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and consider IAS 39 or IFRS 9 to address similar and related issues.

Short-term suggestions

6. The KASB recommends holding off the announcement of the Agenda Decision and we suggest a narrow scope amendment to IAS 38 to remove investment-purpose cryptocurrencies from its scope.
7. As stated in paragraph 7 of IAS 38, exclusions from the scope of a standard may occur if activities or transactions are so specialised that they give rise to accounting issues that may need to be dealt with in a different way. Such issues arise in the accounting for expenditure on the exploration for, or development and extraction of, oil, gas and mineral deposits in extractive industries. Likewise, we suggest that cryptocurrencies be excluded from the scope of IAS 38 to provide relevant information in the short term.
8. If this is the case, however, there would be no specific standard to be applied for an investment-purpose cryptocurrency; so an accounting policy may be developed and applied at the discretion of management in accordance with paragraphs 10-11 of IAS 8.

Long-term suggestions

9. The KASB suggests carrying out an accounting standard-setting project for investment-purpose intangible assets such as cryptocurrencies.
10. Where there is an active market for cryptocurrencies, subsequent measurement should be at fair value and changes in fair value should be reflected in profit or loss. If an active market does not exist, subsequent measurement should be at acquisition cost and the

difference should be recognised as an impairment loss if the recoverable amount is lower than the acquisition cost.

11. We are pleased to comment on the tentative agenda decision on *Holdings of Cryptocurrencies*, and we hope our comments are useful for the IFRS Interpretations Committee and the IASB.

14 May 2019

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Sue Lloyd
Chair
IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London
United Kingdom
E14 4HD

Dear Ms Lloyd

Tentative agenda decision – Holdings of cryptocurrencies

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the March 2019 IFRIC Update of the tentative decision not to take onto the Committee's agenda the request for clarification on how IFRS Standards apply to holdings of cryptocurrencies.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision. However, we believe that the usefulness of the agenda decision could be enhanced by addressing two recurring issues related to cryptocurrencies that are accounted for under IAS 38: can cryptocurrencies meet the definition to be presented as held for sale under IFRS 5 and how does a holder of cryptocurrencies determine whether the asset should be presented as current or non-current under IAS 1. Addressing these issues appears relevant in the context of a request to clarify *how IFRS Standards apply* to holding of cryptocurrencies.

In addition, we note that the tentative agenda decision highlights the poor definition of cash provided in IFRS Standards. In particular, what are the factors that should be considered when assessing whether the use of an asset as a "medium of exchange and as the monetary unit in pricing goods or services" is sufficiently widespread to support the conclusion that this asset constitutes cash. We agree with the conclusion that cryptocurrencies do not currently constitute cash. However, this conclusion may need to be reassessed in the future and hence it may be useful for the Board to consider whether a more robust definition of cash should be developed.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

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Deloitte.

Yours sincerely

A handwritten signature in black ink, appearing to read "Veronica Poole".

Veronica Poole
Global IFRS Leader

14 May 2019

Tentative agenda decisión – Holdings of Cryptocurrencies

Ms Sue Lloyd,
Chair, IFRS Interpretations Committee,
IFRS Foundation,
London, UK.

Dear Ms Sue:

The IFRS Technical Committee of the Universidad de Chile is pleased to respond to the IFRS Interpretations Committee's march 2019 publication of the tentative decision not to take onto the Committee's agenda the holdings of Cryptocurrencies.

We think that this issue must be added to the IFRIC's agenda because even though the cryptocurrencies are in the scope of IAS 38, Intangible Assets, this is an implicit assumption. We consider there must be an explicit and clear requirement, and this could require an amendment to the IAS 38 Standard.

We recommend to undertake a new project which could include specific requirements like disclosures, measurement and other significant issues connected with cryptocurrencies.

Yours sincerely,

Leonardo Torres
IFRS Technical Committee President
Universidad de Chile

15 May 2019

Ms. Sue Lloyd
Chair
IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Ms. Lloyd

Tentative Agenda Decisions

The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the following Tentative Agenda Decisions:

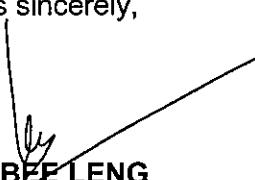
- (1) Tentative Agenda Decision – Subsurface Rights (*IFRS 16 Leases*).
- (2) Tentative Agenda Decision – Effect of a Potential Discount on Plan Classification (*IAS 19 Employee Benefits*).
- (3) Tentative Agenda Decision – Holdings of Cryptocurrencies.

We agree with the Interpretations Committee's reasons set out in the respective Tentative Agenda Decisions for not adding these items onto its agenda.

If you need further clarification, please contact the undersigned by email at beeleng@masb.org.my or at +603 2273 3100.

Thank you.

Yours sincerely,


TAN BEE LENG
Executive Director

ASCG • Zimmerstr. 30 • 10969 Berlin

Sue Lloyd
Chair of the IFRS Interpretations Committee
7 Westferry Circus, Canary Wharf
London E14 4HD

IFRS Technical Committee

Phone: +49 (0)30 206412-12
E-Mail: info@drsc.de

United Kingdom

Berlin, 15 May 2019

Dear Sue,

RE: The IFRS IC's tentative agenda decisions in its March 2019 meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the tentative agenda decisions taken by the IFRS Interpretations Committee (IFRS IC) and published in the March 2019 IFRIC Update.

Generally speaking, we do not have significant reservations regarding the tentative agenda decisions, absent overarching concerns – in particular as regards the applicability of an agenda decision to slightly different fact patterns, the possible need to change one's accounting policy, and the potentially limited understandability of an agenda decision and its reasoning without concurrently taking note of the more substantial analysis in the background agenda papers.

Notwithstanding our general content with the decisions taken, we would like to share additional thoughts on the tentative agenda decisions on IAS 19 as well as on cryptocurrencies.

Please find our detailed comments in the appendix to this letter. If you would like to discuss our views further, please do not hesitate to contact Jan-Velten Große (grosse@drsc.de) or me.

Yours sincerely,

Andreas Barckow

President

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President:
Prof. Dr. Andreas Barckow
Executive Director:
Prof. Dr. Sven Morich

Holdings of cryptocurrencies

Whilst we can understand where the IFRS IC landed and why and how it landed there, we feel uncomfortable with the robustness and the relevance of that agenda decision.

Firstly, we note that there is not simply one type of cryptocurrency – even though many might think all cryptos are the same and are, in fact, like Bitcoin. Some cryptos may be liquid and accepted as a means of payment – which seems to hint at these being more like cash or currencies, others have a restricted use targeted at only some very specific service that can be rendered (e.g. a token), and again others may not come with any currency acknowledgement at all. This seems to suggest that the nature of the crypto needs to be considered more deeply than just walking down the classic literature line of IAS 2/16 → IAS 32/IFRS 9 → IAS 38, as the outcome of that assessment might not be appropriate under all facts and circumstances, nor might it make particular sense. Further, the liquidity aspect is directly linked to potential measurement attributes to be used, which, again, may make more sense in some scenarios than in others. E.g., a general fair value requirement might not be the most appropriate answer given many level 3 uncertainties coming to the fore, but an opposite requirement of a cost notion might be equally irrelevant if cost is, or starts out at, close to zero.

Secondly, we are aware that talks have started amongst central banks and fiscal authorities as to what these cryptos are from a fiscal or monetary point of view (a currency, a [quasi] financial instrument, etc.). It would be unfortunate if those discussions led to a completely different result than what is being reasoned by accountants under the IFRS literature. We completely understand the limited mandate of the IFRS IC in this regard, but we believe that starting and ending a debate on something that is just evolving in different shape and form does unduly narrow the discussion. This all seems to suggest that the subject is sitting better with the Board who can apply a fresh look into this.



Sue Lloyd
Chair, IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD

15 May 2019

Submitted electronically through the IFRS Foundation website (www.ifrs.org)

Dear Ms Lloyd,

Tentative agenda decision – Holdings of Cryptocurrencies

Grant Thornton International Ltd is pleased to respond to the IFRS Interpretations Committee's tentative agenda decision 'Holdings of Cryptocurrencies' which was published in the March 2019 IFRIC Update.

We agree with the tentative agenda decision which we see as being the correct technical interpretation of IFRS, and which is consistent with guidance that we ourselves have previously issued in this area.

We note however, that some entities that hold cryptocurrencies and do not act as broker-traders, consider that the accounting outcome produced by the tentative agenda decision does not adequately reflect the performance of their businesses. In Canada for instance, 76% of issuers according to research conducted by the Canadian Securities Administrators accounted for holdings of cryptocurrencies at fair value though profit or loss (FVTPL) indicating that they believe FVTPL accounting provides the most relevant information for their users.

While we agree with the tentative agenda decision, we have some sympathy with the viewpoint of these entities and suggest that it may be worth undertaking a review of IAS 38 'Intangible Assets' in the future to take account of developments in the digital world since that Standard was issued. As you know both

EFRAG and the UK's Financial Reporting Council are undertaking research projects which have the objective of improving the reporting of intangible assets, and the findings from these projects may provide useful information to such a review of IAS 38.

If you have any questions on our response, or wish us to amplify our comments, please contact me at edward.haygarth@gti.gt.com or by telephone on + 44 207 391 9556.

Yours sincerely,



Edward Haygarth
Director – Global IFRS Team
Grant Thornton International Ltd

**THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS
TANZANIA**



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41104 TAMBUKARELI,
DODOMA, TANZANIA

Date: 15th May, 2019

Chief Executive Officer,
IFRS Foundation
Columbus Building
7 West ferry Circus
Canary Wharf
London E14 4HD

Dear Sir/Madam

RE: COMMENTS ON THE TENTATIVE AGENDA – HOLDING OF CRYPTOCURRENCIES

Refer to the heading above.

NBAA as the PAO responsible for the professional training, development and regulation of the accountancy profession in Tanzania and as the member board of the International Federation of Accountants welcomes the opportunity to provide you with our comments on the Exposure Draft for onerous contract – cost of fulfilling a contract.

In principle, we are supportive of the decision that has been made by the IFRS Interpretation Committee as follows:

Nature of cryptocurrencies

Cryptocurrency is an identifiable non-monetary asset without physical substance and meets the definition of an intangible asset in IAS 38 on the grounds that it:

- (a) is capable of being separated from the holder and sold or transferred individually; and
- (b) does not give the holder a right to receive a fixed or determinable number of units of currency.

IFRS Standard for holdings of cryptocurrencies:

1: Financial Asset

The holding of cryptocurrency is not a financial asset. This is because a cryptocurrency is not cash. Nor is it an equity instrument of another entity. It does not give rise to a contractual right for the holder and it is not a contract that will or may be settled in the holder's own equity instruments.

2: Cash

holding of cryptocurrency is not cash because cryptocurrencies do not currently have the characteristics of cash because it cannot be used as a medium of exchange and as the monetary unit in pricing goods or services to such an extent that it would be the basis on which all transactions are measured and recognized in financial statements as per paragraph AG3 of IAS 32.

3: Inventories

As per the definition of inventories an entity may hold cryptocurrencies for sale in the ordinary course of business. In that circumstance, a holding of cryptocurrency is inventory for the entity and, accordingly, IAS 2 applies to that holding.

4: Disclosures

Entities holding cryptocurrencies shall apply disclosure requirements as per the applicable standard.

If you require any clarification on our comments, please contact the undersigned.

Thank you in advance for your cooperation.

Yours sincerely,



CPA Angyelile V. Tende
For: EXECUTIVE DIRECTOR



Member of International Federation of Accountants (IFAC) & Pan African Federation of Accountants (PAFA)



All communication to be addressed to the Executive Director NBAA

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The Chairman of the IFRS IC

Ms. Sue Lloyd
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

15 May 2019

REF: Committee's Tentative Agenda Decision – *Holdings of Cryptocurrencies - Agenda Paper 4, March 2019.*

Dear Ms. Lloyd,

The Office of the Chief Accountant of the Securities and Exchange Commission of Brazil (CVM) welcomes the opportunity to comment on the TAD – Holdings of Cryptocurrencies. Considering the importance that the topic cryptocurrencies has achieved worldwide, we have concerns both in terms of process and content of the technical analysis.

In relation to process, we do not agree that a topic such as cryptocurrencies should be addressed by the Interpretation Committee and, specially, through an Agenda Decision. In our opinion, this topic deserves its own research project which could result in a new IFRS standard or, at least, minor scope amendments to current IFRS standards. Cryptocurrencies are a new category of assets which did not exist when the majority of IFRS standards were developed. Trying to include such assets in the current standards, through an Agenda Decision, and without a IFRS standard revision, may have unintended consequences and result in accounting not correctly reflecting the economic essence of such assets. Moreover, considering the vast number of IFRS Standards involved, the

various uses of cryptocurrencies and the IFRS IC mandate¹, we understand that the topic is too broad for an IFRS IC consideration.

In relation to content, we understand that the TAD portrays a narrow and ultra-positivistic interpretation of IAS 38 by focusing only on the definitional elements of IAS 38 (identifiable, non-monetary, and without physical substance) and disregarding its initial purpose when determining its applicability to cryptocurrencies (teleological approach). The IAS 38 paragraph 9 provides context for the types of assets that we believe IAS 38 was designed for; assets such as those that arise from expending resources on scientific or technical knowledge, new process and systems, licenses, trademarks and brand names. Therefore, if cryptocurrencies are acquired for investment purposes, for use as a medium of exchange, or held for trading, they should clearly be considered outside the scope of IAS 38, which has its nature tied to the maintenance of operational activities (similarly to PPE).

Moreover, in relation to measurement, considering such assets as intangibles, according to IAS 38, would result in accounting for them at cost, or, at least, at fair value through OCI, not affecting Profit and Loss even if the sole purpose of holding the asset is speculative; beyond not reflecting the economic essence of the transaction, this would undermine the usefulness of the Statement of Profit and Loss.

We understand the ED's proposal to frame the recognition and measurement of cryptocurrencies to the criteria set forth in IAS 2 and 38 is not appropriate because it would limit the accounting representation of these assets in the financial statements and would not faithfully represent all the possible uses for this new type of asset (cryptocurrency).

Finally, despite the conclusion of the TAD that cryptocurrencies are not currency because they not entirely attend the definition prescribed at the AG3 of IAS 32, it must be taken into consideration that, in some transactions, cryptocurrencies are in fact a medium of

¹ IFRS Foundation Due Process Handbook: “5.17 The issue should be sufficiently narrow in scope that it can be addressed in an efficient manner by the Interpretations Committee, but not so narrow that it is not cost-effective for the Interpretations Committee and interested parties to undertake the due process that would be required when making changes to IFRSs”.

exchange (e.g. used in exchange for goods or services) and may be used as the monetary unit when pricing goods or services.

We consider that the AG3 of IAS 32 relates to the concept of functional currency because it focuses on the use of currency for pricing goods and measuring transactions for the objective of recognition in the financial statements. This understanding is corroborated by the paragraph 8 of IAS 21: “Functional currency is the currency of the primary economic environment in which the entity operates”. In this case, while a broad research project is not conducted, an interesting analogy which would prevent from limiting the possibilities of accounting presentation for cryptocurrencies (IAS 2 and IAS 38), would be through the definition of foreign currency, also set forth in paragraph 8 of IAS 21: “Foreign currency is a currency other than the functional currency of the entity”.

In conclusion, the tentative of using the current Standards for framing a new type of assets they were not designed for creates technical inconsistencies only resolvable through a comprehensive standard-setting process conducted by the IASB Board. Therefore, we urge the IASB not to issue this TAD and to add the topic cryptocurrencies to the IASB work plan.

Respectfully yours,

Paulo Roberto Gonçalves Ferreira
Deputy Chief Accountant

José Carlos Bezerra da Silva
Chief Accountant



Brane Inc.

Info@Brane.Capital

(416) 500-2477

Ottawa / Toronto

Submitted electronically via ifric@ifrs.org

IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

May 15, 2019

Dear Committee Members:

Re: Tentative Agenda Decision – Holdings of Cryptocurrencies

We would like to thank the IFRS Interpretations Committee ('Committee') for inviting affected stakeholders to respond to the Committee's tentative agenda decision on holdings of cryptocurrencies, published in the March 2019 IFRIC® Update.

Brane Inc. is a Canadian-based fintech company focused on blockchain technology and digital asset custody. We are developing products and solutions that will make this technology accessible, secure and useful for the global investment community.

We are concerned and deeply disappointed with the Committee's decision to not add this topic to its work plan, but rather only provide the observation that IAS 38 *Intangible Assets* is applicable to holdings of cryptocurrencies. The development of cryptocurrencies is a new phenomenon that significantly post-dates IAS 38. As a result, IAS 38 can be considered at best a very limited solution to achieving fair presentation for these types of assets. The fields of distributed ledger technology and cryptoassets are rapidly evolving. Accordingly, it is critical that the IASB undertake standard-setting action related to cryptoassets sooner rather than later, so that appropriate guidance can be confidently applied by industry participants.

We certainly understand the process by which the Committee has concluded that IAS 38 applies to holdings of crypto assets. We internally reached the same decision in 2017, in a similar manner, regarding our own holdings of digital currency assets (cryptocurrencies). We,



however, recognized at the time that this was an imperfect solution that did not adequately capture the nature of the assets for which we were attempting to account. Absent any meaningful guidance under IFRS, IAS 38 was viewed as the “least objectionable choice” of alternative applications of IFRS with respect to fair presentation of cryptocurrencies. We continue to believe that this is the case.

We recommend that the Committee prioritize a project to ensure that reporting of crypto assets is appropriate, fair and capable of being applied consistently. In that respect we ask the Committee to consider the following points:

- a) The definition of a financial asset in paragraph 11 of IAS 32 considers five possibilities, one of which is cash. Paragraph AG3 of IAS 32 references a “medium of exchange” in its definition of cash. We point out that the creation of Bitcoin, the most popular cryptocurrency to date, was created precisely as a peer-to-peer version of electronic cash to permit direct payments from one party to another¹; that is, it was purposefully intended to act as a medium of exchange. We suggest that the present IFRS Standards provide an incomplete definition of cash in that they do not define how sufficiently widespread the “medium of exchange” must be to support the conclusion that a given asset constitutes “cash”. Bitcoin, Ethereum and other cryptocurrencies, regardless of whether they or not they are specifically intended for use as electronic cash, are now being accepted by a number of commercial entities as payment for goods and services² and the Japan recognizes Bitcoin as legal tender. This trend will continue, and most likely accelerate, in the near future.

We suggest that the Committee review and update the definition of cash in the IFRS Standards.

- b) IAS 32 (paragraph 11) also references a contractual right. The Committee has observed that holding cryptocurrency does not give rise to a contractual right for the holder. Strictly speaking, this is incorrect. The most widely known crypto asset is Bitcoin, however it is by far not the only cryptocurrency – there are more than 2,100 different cryptocurrencies³ based on a number of different blockchain technologies. The second most popular cryptocurrency – Ether – underpins the blockchain network that processes the largest number of transactions and has attracted the greatest amount of developer

¹ In fact, the title of the original whitepaper outlining the creation of a cryptocurrency is “Bitcoin: A Peer-to-Peer Electronic Cash System”.

² Whole Foods, Nordstrom, Lowe's, Crate & Barrel, Petco, Barnes & Noble, Office Depot, Overstock.com and others all accept Bitcoin and/or Ether at their retail stores.

³ The website coinmarketcap.com provides data on 2,177 cryptocurrencies as of the date of this submission.



attention: Ethereum. This network is transitioning from a proof-of-work consensus protocol (similar to Bitcoin and others) to a proof-of-stake consensus protocol ('PoS'). Under PoS, participants in the Ethereum blockchain network will be required to hold Ether cryptocurrency in order to participate in the network through staking and transaction validation. Entities (individuals and others) will choose to participate as they will receive financial reward for appropriate participation but, to receive the *right to participate* they will be *obligated to hold* the cryptocurrency Ether. Furthermore, this participation will occur via a smart contract that governs the rights and obligations of participants. Since the Ethereum mainnet is used for more than 80% of all cryptocurrencies, the transition to PoS will have a significant impact on the blockchain ecosystem. It is therefore very important that the contractual rights and obligations conferred to holder of a cryptocurrency that utilizes PoS consensus protocol be considered when determining if a cryptocurrency is a financial asset.

We request that the Committee consider the technical attributes of PoS when determining whether or not cryptocurrency can be considered a financial asset.

- c) Cryptocurrencies made headlines in late 2017 and early 2018 when the values attached to them skyrocketed, and then fell just as abruptly. Unfortunately, these trading actions distracted many from understanding the underlying blockchain technology. It is important that accountants not be fooled by the attention that cryptocurrency speculation has garnered. The primary uses of cryptocurrency tokens are as a medium of exchange and for their utility, with utility becoming more important in a PoS environment. The fair presentation of any cryptocurrency should consider the intent of the reporting entity. This could result in differing treatment, but that is because the intents are different. For example, an active trader might consider their cryptocurrency holdings to be inventory (commodity) whereas a participant in a PoS mainnet would appropriately and fairly disclose them as a financial asset. Each would account for their holdings in accordance with the applicable and appropriate IFRS Standard.

We recommend that the Committee include the intent of the reporting entity when considering what constitutes fair presentation of holdings of cryptocurrencies.

- d) It is critical to note that the field of blockchain technology is rapidly growing and cryptocurrency represents only one facet of this sector. A number of regulatory bodies are recognizing this fact and have commenced efforts to provide guidance in the space. Two examples of this include recent work on the part of the SEC to review initial coin offerings and the Canadian joint



CSA/IROC consultation paper regarding a possible framework for crypto asset trading platforms. It would irresponsible for the accounting profession now to choose to not get involved in providing detailed guidance around accounting for cryptocurrency and other blockchain-related tokens. The “wait and see” approach implied by the Committee’s tentative agenda decision is not, in our opinion, an effective or appropriate solution for accounting for holdings of cryptocurrencies. Our own decision to apply IAS 38 was intended as a temporary measure until IFRS Standards caught up with the application of today’s technologies. As we have noted, the application of IAS 38 is already behind the application of blockchain technology. By failing to provide more appropriate guidance now, the profession risks not only falling further behind but, even worse, condoning financial statement presentation of cryptocurrencies and other crypto assets that will, in all likelihood, not be considered ‘fair’.

We ask that the Committee add to its work plan a project to develop definitive and useful guidance with respect to the holdings of cryptocurrency and other crypto assets.

We encourage the Committee to continue to engage with members of the industry as it develops accounting guidance in the areas of blockchain technology and cryptocurrencies.

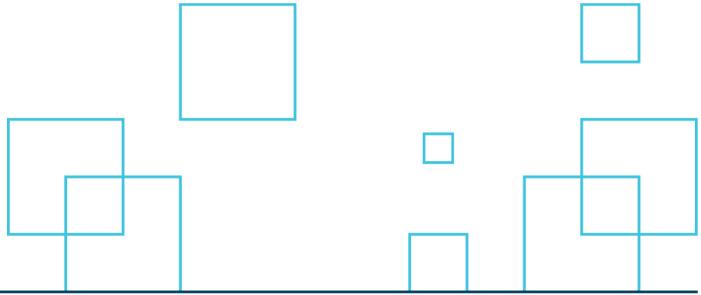
We would be happy to provide additional information or answer any questions that you might have in relation to our submission.

Yours truly,

A handwritten signature in black ink, appearing to read "T. Paul Rowland".

T. Paul Rowland, CPA, CA,
CPA (Illinois), CGMA

Chief Financial Officer & Corporate Secretary



May 15, 2019

By Electronic Submission at [IFRS.org](https://www.ifrs.org)

Ms. Sue Lloyd
Chair of the IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

RE: Tentative Agenda Decision – Holdings of Cryptocurrencies

Dear IFRS Interpretations Committee Members:

The Chamber of Digital Commerce (the “Chamber”) welcomes the opportunity to submit these comments for consideration related to the IFRS Interpretations Committee (the “Committee”) tentative agenda decision on Holdings of Cryptocurrencies (the “Consultation”) published in the March 2019 IFRIC Update.¹

The Chamber is the world’s largest blockchain trade association. Our mission is to promote the acceptance and use of digital assets and blockchain technology, and we are supported by a diverse membership that represents the blockchain industry globally. Through education, advocacy, and close coordination with policymakers, regulatory agencies, and industry across various jurisdictions, our goal is to develop a pro-growth legal environment that fosters innovation, job creation, and investment. We represent the world’s leading innovators, operators, and investors in the blockchain ecosystem, including leading edge start-ups, software companies, global IT consultancies, financial institutions, insurance companies, law firms, and investment firms.

¹ IFRIC Update (March 2019), <https://www.ifrs.org/news-and-events/updates/ifric-updates/march-2019/>.

I. The Digital Asset Accounting Consortium

The Chamber and its members work closely together through a few key [working groups and initiatives](#), one of which is the Digital Assets Accounting Consortium (“DAAC”). The DAAC is comprised of accounting and technology professionals in the blockchain ecosystem that are interested in the development of accounting and reporting standards for digital assets, advocating for appropriate generally accepted accounting principles (“GAAP”) standards in the United States as well as International Accounting Standards (“IAS”) for its members, and engaging with relevant standard-setting bodies. The DAAC also provides input to government and industry on the impact blockchain-based technologies may have on the future of accounting and auditing methods.

Members of the DAAC have observed the IFRS’ and International Accounting Standards Board’s activities related to cryptocurrencies and appreciate your diligent attention to this new category of asset that is increasingly widespread throughout the global economy. Your tentative agenda decision will be of paramount importance for the blockchain industry and an indispensable resource for accounting professionals who are lacking guidance on how to properly account for holdings of cryptocurrencies.

II. Accounting Treatment for Digital Assets

We believe blockchain technology and its ability to digitize assets are one of the most important technical advancements in modern finance and will have impacts as big as transportation, telephony, and the Internet. New products and services derived from blockchain technology have the potential to revolutionize entire categories of industry – including banking; government records; title and asset ownership; medical records and health care; digital identity; trading, clearing, and settlement; secure voting systems; and many others. Blockchain technology is a newly-created medium of and operating system for anything of value.²

It is within this context that it is important to understand that digital assets may not fit neatly into simply one characterization. As a result, we do not believe that universally applying intangible asset accounting under IAS 38 to virtually all cryptocurrency holdings is appropriate. For example, in some circumstances it may be more appropriate to apply inventory accounting under IAS 2. For other use cases, IAS 32 and IAS 39 applicable to financial instruments may be more appropriate for the holding of cryptocurrency. In this way, those such as investors reviewing the financial statements of companies holding crypto assets will better understand the true nature of that asset and make better decisions as a result.

² Because of this vast potential, we suggest that the Committee consider calling these assets crypto assets rather than cryptocurrencies because they may serve another purpose other than as a currency. For purposes of this letter and for consistency, we will use the term referenced by the Consultation.

III. Recommendations for Accounting Treatment of Cryptocurrencies

In order to provide meaningful feedback for this Consultation, the DAAC conducted an industry survey (which included its members as well as others) that asked detailed questions about how companies are currently accounting for holdings of cryptocurrencies – whether as assets, liabilities, revenues earned, and/or expenses paid. The survey also asked how companies account for offsets due to fluctuations in value for balance sheet items, liabilities, revenues, and operating expenses. Finally, the survey asked if respondents agreed with the Committee’s tentative decision to apply IAS 38, Intangible Assets, to holdings of cryptocurrencies if they are not held for sale in the ordinary course of business. The DAAC also formed a small task force to develop a set of use cases that demonstrate how cryptocurrencies should be accounted for in different situations.³

Based on an analysis of our survey results and use cases, we believe universally applying intangible asset accounting under IAS 38 to virtually all cryptocurrency holdings (those not meeting IAS 2) is inappropriate. Intangible assets are commonly known to comprise goodwill and other non-liquid assets. By universally treating cryptocurrency as intangible assets, investors may not be alerted to the true nature of the asset when examining financial statements.

Use cases identified by our members indicate that the holding of cryptocurrency is deliberate, not accidental. For example, a cryptocurrency exchange may hold excess cryptocurrency in hardware wallets (also known as “cold wallets”) with the intent of holding for speculative purposes. This intent to hold for a longer term, but with the availability to liquidate at some point if needed, reflects attributes of an investment but with no intent to immediately liquidate.⁴ In another example, a cryptocurrency miner may enter into loan and service arrangements where the repayment of loan and services are denominated in cryptocurrency. The company’s treasury department determines an investment policy to hold cryptocurrency as a part of its long-term investment objective and sells the remaining cryptocurrency to be held in cash and other marketable securities.⁵ In both examples, the use and intent for holding cryptocurrencies should be the primary basis for determining the accounting method applied.

Finance executives consider where to invest cash among cash, equity/debt marketable securities, and cryptocurrency to address shareholder value and risks. Unlike under IAS 39 Financial Instruments: Recognition and Measurement, under IAS 38, revaluation of intangible assets or cumulative gain or loss from financial instruments are recognized as equity except to the extent that they reverse a revaluation decrease or are financial assets derecognized to profit and loss.

Further, even though cryptocurrency does not meet the definition of financial asset in IAS 32, Financial Instruments: Presentation, it also is vastly different from the illustrations of intangible assets provided in IAS 38. By definition, it appears the primary difference between a cryptocurrency asset and an investment under IAS 39 is the fact that

³ A summary of the survey and the text of the use cases are provided in the Appendix to this Letter.

⁴ See Use Case 1 in the Appendix.

⁵ See Use Case 3 in the Appendix.

cryptocurrency may not be an equity or debt interest. All other attributes of cryptocurrencies with speculative or investment intent appear to correlate to the characteristics of an investment under IAS 32 and IAS 39.

Furthermore, some entities hold cryptocurrency with short-term intent and motivation to sell in the near future, contrasted with entities that hold cryptocurrencies with an intent to hold for a longer term. IAS 39 provides for different accounting options for investments that have varied intentions on duration. We believe that the Committee should consider the length of intent to hold when considering the various accounting treatments. Just as it would be inappropriate to account for an investment with immediate intent to liquidate the same as an investment to hold for a long or indefinite period of time, it similarly would be inappropriate to apply IAS 38 accounting equally to all crypto assets with immediate intent to dispose as well as with long term intentions to hold. The current variation illustrated in use cases and in the survey results in the Appendix provide a clear demonstration of the need to consider various forms of accounting treatment.

For these reasons, we believe that it is more appropriate to allow for different methods of accounting depending on the intent and use of the crypto asset. We suggest applying inventory accounting under IAS 2 (that the Committee's agenda decision prescribes when the intent is to resell cryptocurrency) and IAS 32 and IAS 39 for the holding of cryptocurrency (with the understanding that the scope for both IAS may need to be expanded to address cryptocurrency).

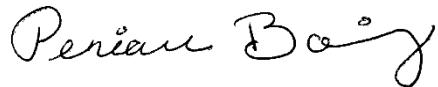
In addition to the use cases on holding of cryptocurrencies, our members also incur expenses and therefore liabilities in cryptocurrencies. An entity with both cryptocurrency assets and liabilities should also consider the revaluation of the cryptocurrencies subsequent to the initial recognition. As such, the guidance under IAS 39 should apply to such revaluations and the net effect of both assets and liabilities should be recorded under equity until it is derecognized.

* * *

We appreciate this opportunity to share our analysis and feedback on the Consultation and reiterate that we appreciate your work on this topic. Speaking for nearly 200 members working in the blockchain industry along with input from other companies in the industry, we are able to provide unique insights into the challenges of firms who are accounting for holdings of cryptocurrencies and can provide further assistance to the Committee as you continue this important work.

Please do not hesitate to contact us.

Respectfully Submitted,



Perianne Boring
Founder and President
Chamber of Digital Commerce

Appendix

Survey Results

The key findings of our survey are as follows:

- Of the respondents that had crypto assets, 50% carry them as investments and 39% as inventory, whereas only 19% carry them as intangible assets.
- 75% of respondents treat change in fair value of crypto as either gain/loss to earnings or equity.
- Of the respondents commenting on the IFRS position, 64% disagreed with accounting for crypto assets as intangible assets.

The survey was conducted from February to April 2019.

Use Cases

Case 1

Cryptocurrency exchange holds cryptocurrency in online software (also known as “hot wallets”) for liquidity to meet immediate cash flow needs. They account for this as a “trading investment” at fair value because of the need to liquidate at any time. Because of the immediate need to liquidate, the change in fair value of this asset is recorded against earnings. In contrast, excess cryptocurrency is held in cold wallets with the intent of holding for somewhat more speculative purposes. This intent to hold for a longer term, but with the availability to liquidate at some point if needed, reflects attributes of an investment but with no intent to immediately liquidate. Hence, the changes in fair value are reflected as part of other comprehensive income (“OCI”).

Case 2

A cryptocurrency dealer acquires cryptocurrency in the normal course of business with the intent to sell to customers. In some cases, these balances are acquired from customers to accommodate their sell orders. In other cases, these balances are acquired from miners and exchanges with the intent to meet customer buy orders. In each case, the cryptocurrency exists on its balance sheet solely for the purpose of reselling back to customers at a profit margin. The intent and manner of holding this cryptocurrency is indicative of inventory and, accordingly, the organization accounts for these digital assets held as inventory, not investments, and adjusts to the lower of cost or fair value consistent with inventory asset accounting.

Case 3

A cryptocurrency miner receives cryptocurrency in the normal course of business. The cryptocurrency received is liquidated in an orderly and systematic manner, within a short period of time from recording the revenue received. The revenue is recorded at the fair value when received. When sold to the exchange, the gain or loss is recorded to earnings. Any impairment on cryptocurrency held at the balance sheet date is also recorded to earnings and in another case to OCI. The miner also enters into loan and service arrangements where the repayment of loan and services are denominated in cryptocurrency. The company's treasury department determines an investment policy to hold cryptocurrency as a part of its long-term investment objective and sells the remaining cryptocurrency to be held in cash and other marketable securities.

Case 4

A digital ledger technology company operates as a services company and utilizes a utility token to provide services to customers. In the course of serving its customers, the company generates revenues while expensing the utility tokens consumed by it to deliver utility. Likewise, the company may also: a) buy utility tokens, b) earn utility tokens by performing services on said protocol, or c) by making technical or other contributions to the protocol utility. The revenue in all cases is recorded at the fair value when received and recorded at zero cost-basis on the balance sheet and offset by revenues earned. Any gains or losses measured against the fair value price, other than being consumed by the protocol (which is not an exchange event), are recorded as other income or loss to operations. All utility tokens or digital assets used in the course of earning income for services operations would not be marked to market but kept at FIFO prices on the balance sheet in the inventory account and reported as expenses when consumed in relation to the decline of inventory of the utility token. The company also recognizes gains and losses for market conditions if sells any oversupply to other utility buyers. The utility tokens are not traded as securities or invested for periods other than as are speculated to be consumed in a year. The company's treasury department determines a treasury management policy to manage tokens as a part of its operations and only sells or buys tokens for utility purposes of which the proceeds are unrestricted given the utility nature of any transactions.



May 15, 2019

Ms. Sue Lloyd
Chair IFRS Interpretations Committee
International Accounting Standards Board
Columbus Building, 7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Ms. Lloyd:

Consejo Mexicano de Normas de Información Financiera (CINIF), the accounting standard setting body in Mexico, welcomes the opportunity to submit its comments on the *Tentative Agenda Decision – Holdings of Cryptocurrencies* (the TAD) issued on March 8, 2019, comments to be received by May 15, 2019. Set forth below you will find our comments on the topics included in the TAD.

Overall comments

In general terms, we do not agree with the TAD, which recommends that the accounting recognition of cryptocurrencies be made pursuant to IAS 2, *Inventories*, or IAS 38, *Intangible Assets*, as an entity deems appropriate. Our conclusions in this regard are presented below.

Nature of cryptocurrencies

A cryptocurrency is a digital record based on encrypted codes that are used as a form of payment and whose transfer can only be carried out via electronic means.

By their nature, a cryptocurrency is recovered when it is used as a form of payment or is sold. Consequently, we believe that measurement of cryptocurrencies at fair value best reflects the economic substance of these assets.

Use of IAS 2, Inventories

The recommendation of the IASB to use IAS 2 is for entities that hold cryptocurrencies for sale in the ordinary course of business; however, CINIF believes that this is inappropriate given that in accordance with IAS 2, cryptocurrencies would be measured at the lower of their acquisition cost and their net realizable value. Net realizable value is a value determined by the entity fundamentally based on internal factors.

CINIF believes that acquisition cost and net realizable value do not represent the recoverable value of a cryptocurrency, since a cryptocurrency is negotiated and recovered based on its fair value.

Use of IAS 38, *Intangible Assets*

For entities that hold investments in cryptocurrencies, the recommendation of the IASB is to apply IAS 38, which is focused on establishing the accounting treatment of intangible assets that essentially are recovered through their use or occasionally through their sale. Based on IAS 38, a cryptocurrency could be measured at its *acquisition cost* or at its *fair value*.

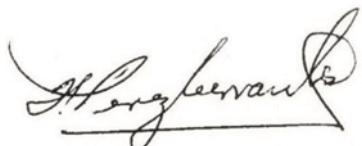
We emphasize that acquisition cost does not represent the economic substance of cryptocurrencies. If the revaluation model is elected, cryptocurrencies would be measured at fair value and the result of revaluation would be recognized in other comprehensive income. CINIF does not agree with such recognition, since the assets in question are speculative in nature, to be recovered in the short term, consequently, it would be inappropriate to recognize the result of revaluation in other comprehensive income rather than in profit or loss.

Conclusions of CINIF

CINIF believes that cryptocurrencies are assets distinct from those addressed in existing standards. IAS 2 and IAS 38 were issued a long time before cryptocurrencies arose; consequently, the application of those standards to the accounting recognition of cryptocurrencies could affect the fair presentation of the financial statements. Accordingly, we recommend the development and issuance of a specific standard for cryptocurrencies.

Should you require additional information on our comments listed above, please contact Elsa B. García at (52) 55 5596 5633 ext. 108 or me at (52) 55 5596 5633 ext. 115 or by e-mail at egarcia@cinif.org.mx or fperezcervantes@cinif.org.mx, respectively.

Kind regards,



C.P.C. Felipe Perez Cervantes
President of the Mexican Financial Reporting Standards Board
Consejo Mexicano de Normas de Información Financiera (CINIF)

cc. Amaro Gomes



**IKATAN AKUNTAN INDONESIA
(INSTITUTE OF INDONESIA CHARTERED ACCOUNTANTS)**

Jakarta, May 14th 2019

Ref.: 0717/DSAK/IAI/V/2019

Ms. Sue Lloyd
Chairperson
IFRS Interpretation Committee,
IFRS Foundation,
London, UK

**DSAK IAI Comments on the Tentative Agenda Decision and Comment Letters: Holdings
A Cryptocurrency**

Dear Ms Sue Lloyd,

The Indonesian Financial Accounting Standards Board (DSAK IAI), as part of the Institute of Indonesia Chartered Accountants, is the national accounting standard-setter in Indonesia.

On behalf of DSAK IAI, I am writing to comment on the Tentative Agenda Decision and Comment Letters: Holdings a Cryptocurrency.

Our detailed responses to the questions are attached in the Appendix to this letter below.

We hope that our comments could contribute to the IASB's future deliberations. Should you have further concerns regarding our comments, please do not hesitate to contact us at dsak@iaiglobal.or.id.

Thank you.

Best Regards,


IKATAN AKUNTAN INDONESIA
(Institute of Indonesia Chartered Accountants)
Djohan Pinnarwan

Chairman

The Indonesian Financial Accounting Standards Board
Institute of Indonesia Chartered Accountants



APPENDIX – Comment Letter of Holding A Cryptocurrency

IFRIC Tentative Agenda Decision

The Committee concluded that IAS 2 *Inventories* applies to cryptocurrencies when they are held for sale in the ordinary course of business. If IAS 2 is not applicable, an entity applies IAS 38 to holdings of cryptocurrencies. The Committee considered the following in reaching its conclusion.

DSAK IAI Respond

We agree with the IFRIC conclusion as to which the existing IFRS standards, including the related disclosures requirements, are applicable to account for holding a cryptocurrency.

As highlighted in the research of IFRIC staff¹, majority of companies (69%) around the world holding cryptocurrency recognise it as financial instruments measured at fair value through profit and loss. While the IFRIC conclusion would help to reduce diversity in the reporting methods applied and support consistent application of the IFRS standards to such holdings, the IFRIC conclusion may not meet the market expectation so the Board may need to consider its decision not to add a project on cryptocurrencies to its work plan.

In Indonesia, we do not have sufficient information to report how many companies hold cryptocurrency in their balance sheet. But our sense, most likely it will be very few. Indonesian Financial Services Authority and Central Bank's regulation prohibits cryptocurrency to be used as medium of transaction. However digital platform offering marketplace for sellers and buyers of cryptocurrency is gaining popularity in Indonesia (e.g Indodax.com with 1.65 millions members), and we believe cryptocurrency transactions are increasing among individuals (daily transaction of Bitcoin in Indodax.com is 34.1 billion rupiah).

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¹ IFRIC meeting in September 2018, Staff Paper Agenda Ref 4B