



Accounting for Crypto-asset Activities: Crypto-asset Holdings – Payment Tokens

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DISCLAIMER

This paper was prepared by the Accounting Standards Board (AcSB) as thought leadership material. The information included in this paper is for general information purposes only and is not intended to be used as guidance in the application of IFRS® Accounting Standards or by analogy to Canadian domestic accounting standards.

The views expressed in this paper are non-authoritative and have not been subject to the AcSB's due process. For entities subject to securities legislative requirements, it should be noted that the views expressed are not a substitute for Canadian securities regulators' materials and the requirements, guidance and concepts contained therein. The AcSB does not accept any responsibility or liability that might occur directly or indirectly as a consequence of the use, application or reliance on this material.

PURPOSE

1. This paper is part of the Accounting Standards Board's (AcSB) research work to better understand and consider the accounting for crypto-asset activities with the objective of providing decision-useful information to financial statement users. Notwithstanding IFRS® Accounting Standards being used as the basis for the analysis carried out in this paper, the findings are intended to be agnostic in terms of a financial reporting framework.
2. This paper provides an overview of various crypto assets Canadian publicly traded entities held and the potential accounting outcomes based on existing IFRS Accounting Standards for payment-token holdings. It analyzes the advantages and disadvantages that arise from applying these standards to payment tokens.¹ This paper places an emphasis on identifying relevant and useful information that supports sound capital allocation decisions. Therefore, a critical component of this paper is also the exploration of accounting solutions beyond the confines of the existing accounting standards for addressing financial statement users' information needs.
3. This paper specifically discusses the accounting for payment-token holdings.
4. The AcSB gathered the data for this paper from several sources, including discussions with its [Crypto-asset Working Group](#). The Group comprises representatives from various stakeholder groups, including financial statement users and preparers; practitioners; and prudential, securities and audit regulators.² The financial statement users' perspectives shared in this paper are primarily based on the feedback the Board heard from the financial statement user members on our Group. While developing this paper, the Board placed a strong emphasis on better understanding financial statement users' information needs and how this information about payment tokens is or may be used in their analysis.
5. The AcSB initiated and supervised the development of this paper to demonstrate its commitment to evidence-informed standard setting.

NOTE TO READERS

6. There is no legal or commonly accepted definition of the term "crypto assets". For this paper, "crypto assets" are defined broadly as digital records that use cryptography, [consensus algorithms](#), peer-to-peer networks, distributed ledgers and/or smart contracts to function as a store of value, medium of exchange or unit of account.³ The technical crypto-specific concepts used in this paper represent a critical feature of the analysis. Readers less familiar with the crypto-asset ecosystem are encouraged to refer to the AcSB's resource, [Accounting for Crypto-asset Activities: Basic Overview of the Crypto-asset Ecosystem](#), a helpful starting point before reading this paper.
7. For this paper, "cryptocurrencies" or "payment tokens" are defined as crypto assets that have the following characteristics:
 - (a) are without physical substance;
 - (b) are fungible;

1 Although the landscape data is limited to the Canadian publicly traded markets, the AcSB expects the rest of the paper will have global relevance.

2 Financial statement users include institutional capital allocators, debt analysts and equity analysts.

3 Distributed ledgers record all transactions on a blockchain network.

- (c) reside or created on a distributed ledger based on blockchain technology;
 - (d) are secured through cryptography;
 - (e) are not issued and/or backed by a central bank;
 - (f) does not have its value pegged, or tied to that of another currency, commodity, or other financial instrument; and
 - (g) does not provide the payment-token holder with enforceable rights to, or claims on any underlying goods, services or other assets.
8. This paper does not address payment-token holdings that were created by the entity itself or an entity controlled by the entity. Such holdings are beyond the scope of this paper.
9. As the crypto-asset ecosystem matures, the views in this paper may be subject to change.

RESEARCH APPROACH

10. The AcSB took a neutral approach to collecting the data used when developing this paper. That is, pertinent information was sought and included, regardless of whether the information could be viewed as positive or negative in any sense. The data presented is from publicly available sources such as publications, reports and financial statements.
11. The information and data used in this paper was current at the time of writing. The AcSB has not updated the information to reflect more recent data as of this paper's publication date.
12. The analysis and information presented also takes into consideration feedback that was heard from the AcSB's [Crypto-asset Working Group](#).
13. The AcSB commends the U.S Financial Accounting Standards Board (FASB) on issuing its [Proposed Improvements to the Accounting for and Disclosure of Crypto Assets Exposure Draft](#) (the FASB Exposure Draft) that is intended to improve the accounting for and disclosure of certain crypto assets. The AcSB considered the proposals in the FASB's Exposure Draft when developing this paper. The AcSB recognizes having accounting frameworks that are largely consistent results in increased efficiency in capital markets irrespective of the accounting framework applied.

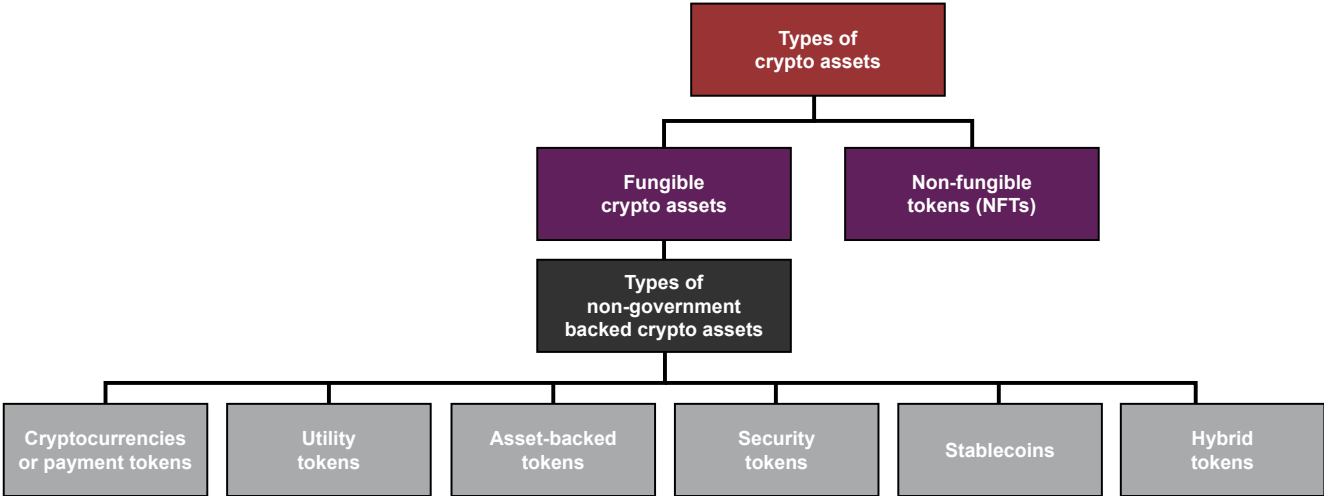


CANADIAN MARKET OVERVIEW

Crypto-asset holdings

- 14. A broad spectrum of crypto assets exists in the market with differing characteristics, features and use cases. Furthermore, there is not a generally accepted crypto-asset or token-mapping framework for categorizing the different types of crypto assets. Crypto assets that share similar features may provide a basis for identifying specific categories to classify these assets.
- 15. However, categorizing a crypto asset may be challenging and requires careful consideration of its primary characteristics, features, rights and obligations. This is especially critical when crypto assets share characteristics that align with multiple categories.
- 16. The characteristics, features, rights and obligations attached to crypto assets are usually set out in the blockchain protocol’s whitepaper or prospectus. However, these rights and obligations may be unclear, and it may be questionable whether these have legal standing.
- 17. [Figure 1](#) sets out some of the common categories.⁴

FIGURE 1

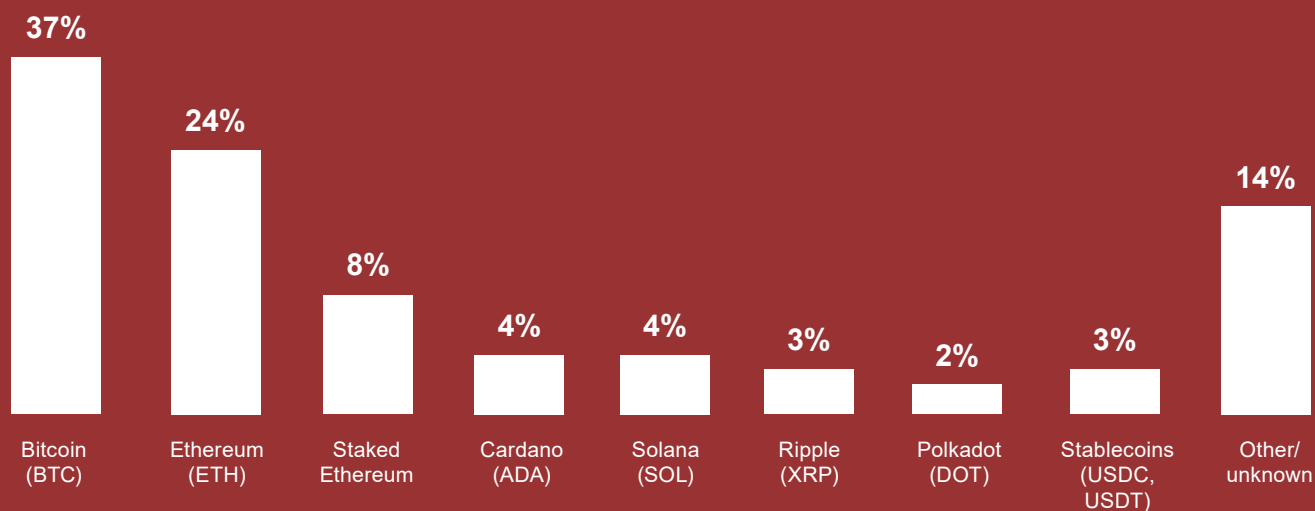


4 For more details, see the AcSB’s resource, [Accounting for Crypto-asset Activities: Basic Overview of the Crypto-asset Ecosystem](#).

18. Although bitcoin and Ethereum account for most of the Canadian publicly traded entities' crypto-asset holdings in terms of market capitalization, the range extends beyond these crypto assets.⁵ Publicly traded entities' crypto-asset holdings also include assets such as staked Ethereum and stablecoins, whose economic nature is different from bitcoin's and Ethereum's. [Figure 2](#) shows the crypto assets held by Canadian publicly traded entities.

FIGURE 2

Crypto-asset holdings – Canadian publicly traded entities (November 2022)⁴



Source: Graph compiled using [DisclosureNet](#). Data from the entities' financial statements, the [TMX Group](#) and the Canadian Securities Exchange (CSE).⁶

19. Most Canadian entities that hold crypto assets have a business model linked to the blockchain ecosystem. These business models include:

- (a) operating a crypto-asset trading platform;
- (b) being a payment service provider that integrates crypto assets in its service offering; and
- (c) mining crypto assets.

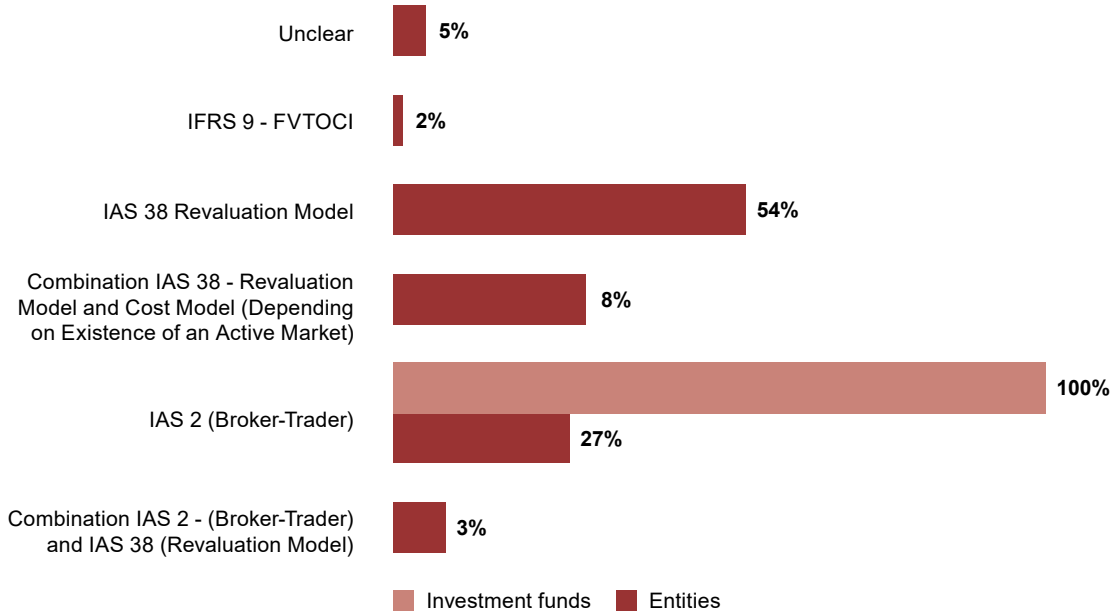
Some investment management firms, gaming entities and software companies also hold crypto assets.

⁵ For this analysis, the AcSB excluded Canadian publicly traded crypto-investment funds, which are generally limited to bitcoin or Ethereum funds.

⁶ Due to the inherent limitations of this compilation, these data are not intended to be complete or precise; rather, they approximate the overall trends of Canadian publicly traded entities and funds engaging in crypto-asset activities.

20. The business purpose for holding crypto assets may range from speculative investment, staking, long-term investment or for use in the ordinary course of business. For example, a crypto-asset trading platform or crypto-asset payment service provider may hold crypto assets for use in its ordinary course of business to facilitate trading on their platform or to process crypto-asset payments. Some investment management firms, software companies or crypto-asset mining entities may be optimistic about crypto assets' potential for achieving greater value in the long term as global adoption grows, and therefore choose to hold them as a long-term investment.
21. Most Canadian entities and investment funds holding crypto assets and reporting under IFRS Accounting Standards account for their holdings consistent with the IFRS® Interpretations Committee's June 2019 agenda decision, "[Holdings of Cryptocurrencies](#)" (IFRIC agenda decision). [Figure 3](#) shows that approximately 54 per cent of these Canadian entities apply the revaluation model under [International Accounting Standard \(IAS\) 38 Intangible Assets](#) to subsequently measure their crypto-asset holdings at fair value.⁷ Approximately 27 per cent of entities ([Figure 3](#)) apply the commodity broker-trader exception under [IAS 2 Inventories](#) and measure their crypto-asset holdings at fair value less costs to sell. All investment funds with crypto-asset holdings apply the commodity broker-trader exception under IAS 2 and measure their crypto-asset holdings at fair value less costs to sell. [Figure 3](#) shows the classification of crypto assets held by Canadian publicly traded entities and investment funds.

FIGURE 3
Crypto-asset Classifications (November 2022)



Source: Graph compiled using [DisclosureNet](#). Data from the entities' financial statements, the [TMX Group](#) and the Canadian Securities Exchange (CSE).⁸

⁷ Material that links to the CPA Canada Handbook is available to subscribers only. However, all information needed is provided in this paper.
⁸ Due to the inherent limitations of this compilation, these data are not intended to be complete or precise; rather, they illustrate the overall trends of Canadian publicly traded entities engaging in crypto-asset activities.

ACCOUNTING FOR CRYPTO-ASSET HOLDINGS – PAYMENT TOKENS

Scope: Types of crypto assets addressed in this paper

22. In arriving at the scope of this paper, the AcSB considered the prevalence of the different types of crypto assets held by Canadian publicly traded entities and the defining characteristics and features of each asset.
23. Based on the data gathered, payment tokens are the most common category of crypto assets held by Canadian publicly traded entities (see [Figure 2](#)). Payment tokens are a general-purpose medium of exchange independent of central banks, and therefore may also represent a store of value. Payment tokens have no inherent value and are not backed by a central bank, government or underlying asset. The perceived value of payment tokens is based largely on network effects and the circulating supply.
24. This paper explores the accounting complexities and challenges, as well as the potential accounting solutions that could result in decision-useful information about payment-token holdings. Therefore, the accounting for entity-created tokens held by the entity itself, initial coin or token offerings, lending, staking and the mining of crypto assets are beyond the scope of this paper. Furthermore, some entities may hold cryptocurrency as an intermediary (i.e., in an agent capacity); such custodial holdings and holdings in an agency capacity are also beyond the scope of this paper.
25. Some payment tokens may be wrapped to allow the unsupported payment tokens to be traded, lent and borrowed on non-native decentralized finance (DeFi) platforms (i.e., [wrapped tokens](#) allow for interoperability between non-compatible blockchains). A wrapped payment token may have specific characteristics that are not typical to a payment token in and of itself. Therefore, wrapped tokens are beyond the scope of this paper.
26. The advantages and disadvantages of each approach explored in the paper have been broadly categorized under the following headings:
 - (a) *Relevance and decision-useful information*, focusing on the financial statement users' perspective; and
 - (b) *Application and costs to apply the standard*, focusing on the financial statement preparers' perspective.



Accounting outcomes under existing standards

27. This section outlines the accounting outcomes of applying the existing IFRS Accounting Standards to the payment-token holdings. Existing IFRS Accounting Standards do not explicitly address the accounting for crypto-asset holdings.
28. This section is not intended to provide guidance on how to currently account for the crypto assets within the scope of this paper. Rather, this section analyzes potential accounting outcomes that result in decision-useful information, reflecting the economic substance of payment-token holdings.

Current accounting for payment tokens

29. The 2019 IFRIC agenda decision clarified that cryptocurrencies do not meet the definition of “financial assets” in [IAS 32 *Financial Instruments: Presentation*](#), or “cash” in [IAS 7 *Statement of Cash Flows*](#). The agenda decision further clarified that entities should account for their holdings of cryptocurrencies applying [IAS 38](#) unless it is determined that they are within the scope of [IAS 2](#) (i.e., when entities hold cryptocurrencies for sale in the ordinary course of business).
30. The scope of the IFRIC [agenda decision](#) was limited to crypto assets with the following characteristics (i.e., cryptocurrencies):
 - (a) a digital or virtual currency recorded on a distributed ledger that uses cryptography for security;
 - (b) not issued by a jurisdictional authority or other party; and
 - (c) does not give rise to a contract between the holder and another party.
31. The June 2019, IFRIC [agenda decision](#) observed that cryptocurrencies are not being used as a medium of exchange or as a monetary unit in pricing goods and services to such an extent that they would be the basis on which all transactions are measured and recognized in the financial statements. Therefore, cryptocurrencies that do not meet the guidance in [paragraph AG 3](#) of IAS 32 should not be recognized as cash.
32. The IFRS Interpretations Committee also noted that cryptocurrencies do not meet the definition of a “financial asset” because they are not cash, an equity instrument of another entity and do not give rise to a contractual right for the holder. Furthermore, cryptocurrencies do not represent a contract that will or may be settled in the holder’s own equity instruments.

Inventory

33. Payment tokens that are held for sale in the ordinary course of business are classified as inventory. The following are commonly observed examples of the types of entities that usually recognize their payment-token holdings as inventory:
 - (a) entities holding payment tokens for active trading;
 - (b) crypto-asset trading platforms; and
 - (c) crypto-asset retailers that hold crypto assets to trade or sell on their platform.

Measurement

34. [Paragraph 9](#) of IAS 2 states, “Inventories shall be measured at the lower of cost and net realizable value.”
35. However, [paragraph 3\(b\)](#) of IAS 2 states: “This Standard does not apply to the measurement of inventories held by...commodity broker-traders who measure their inventories at fair value less costs to sell. When such inventories are measured at fair value less costs to sell, changes in fair value less costs to sell are recognized in profits or loss in the period of the change.”
36. [Paragraph 5](#) of IAS 2 provides further details to help identify which entities may be considered a broker-trader.

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. When these inventories are measured at fair value less costs to sell, they are excluded from only the measurement requirements of this Standard.

37. Based on the above, the entities described in [paragraph 33](#) may be considered broker-traders, subject to measurement exception in [paragraph 3\(b\)](#) of IAS 2 and eligible to measure their inventory at fair value less costs to sell (FVLCS). Consideration will need to be given to the entity's business model and whether it includes acquiring payment tokens primarily with the purpose of selling them in the short term and generating profits from fluctuations in price or from a broker-trader margin. For example, some investment funds that hold payment tokens with a buy-and-hold strategy may not actively trade or earn a margin from trading payment tokens. Although 100 per cent of investment funds apply IAS 2 (see [Figure 3](#)), considerable judgment may be needed to determine whether the application of both IAS 2 and the broker-trader measurement exemption is appropriate in these situations.
38. The term “commodities” is not defined in IFRS Accounting Standards and judgment needs to be applied to determine whether the payment tokens are considered commodities for applying the broker-trader measurement exemption in [IAS 2](#).

Disclosure

39. The disclosure requirements in [paragraph 36](#) of IAS 2 capture the profit-or-loss movements, the carrying amount of inventories in classifications appropriate to the entity and the circumstances leading to write-downs or reversals of write-downs of inventories.
40. In addition, [paragraph 37](#) of IAS 2 may offer direction about the need for entities to provide more disclosure about the different types of crypto assets held as inventories.

Information about the carrying amounts held in different classifications of inventories and the extent of the changes in these assets is useful to financial statement users. Common classifications of inventories are merchandise, production supplies, materials, work in progress and finished goods.

41. Entities identifying as broker-traders that measure their inventories at FVLCS would also need to consider the fair value disclosure requirements under [IFRS 13 Fair Value Measurement](#).
42. Furthermore, entities may also consider [paragraphs 17\(c\)](#) and [31](#) of IAS 1 *Presentation of Financial*

Statements,⁹ which requires entities to consider providing additional disclosures when compliance with the specific requirements in IFRS Accounting Standards is insufficient. These additional disclosures enable financial statement users to better understand how particular transactions, other events, and/or conditions affect the company's financial position and financial performance.¹⁰

Advantages of inventory classification

Relevance and decision-useful information


43. Given their inherent nature, particularly during the initial phases prior to reaching network maturation, payment tokens are subject to significant price volatility. Some entities may therefore hold payment tokens as short-term assets for speculative purposes. The changes in the fair value of payment tokens held for trading may represent a critical component to assessing the financial performance of an entity actively trading payment tokens. Therefore, fair value movements captured in profit or loss provide greater visibility and insight in the performance of the payment tokens that are held for sale in the ordinary course of business. Furthermore, the impact of changes in the fair value of payment tokens captured in profit or loss has a direct impact on key financial performance metrics (e.g., earnings per share) used to hold management accountable for their business decisions. Entities eligible to apply the broker-trader measurement exemption under [IAS 2](#) and measure payment tokens at FVLCS may provide relevant and useful financial performance information under existing IFRS Accounting Standards.
44. In addition to the relevance and usefulness of the financial performance information, measuring the payment tokens at FVLCS would also result in the payment tokens being carried at their fair value in the statement of financial position at each reporting period end date. This measurement basis could provide more relevant and useful information about the entity's financial position because payment tokens may be subject to significant price volatility, which can have a material impact on an entity's liquidity and solvency ratios.
45. Notwithstanding the challenges encountered when calculating the fair value for thinly traded payment tokens, the financial statement users the AcSB consulted prefer such payment tokens be carried at fair value rather than at cost. This is because the value of thinly traded payment tokens may also be subject to significant price volatility and therefore may not accurately reflect the entity's economic exposure to such payment tokens when carried at cost.

Application and costs to apply the standard

46. The accounting for payment tokens held as inventory is relatively simple. Entities that are not broker-traders who measure their inventories at FVLCS, and hold an insignificant amount of payment tokens or thinly traded payment tokens can measure these tokens at the lower of cost and net realizable value (NRV) under [IAS 2](#). This may reduce some entities' reporting burden by eliminating the need to derive a fair value using Level 2 or 3 inputs as defined in [IFRS 13](#) for payment tokens for which an active market does not exist. Entities measuring their payment tokens at the lower of cost and NRV are still required to determine the NRV of the payment tokens when assessing them for impairment, which may not substantially reduce application costs and complexity relative to entities that chose to measure their thinly traded payment tokens at FVLCS.

⁹ For more details, AcSB, "[IAS 1 Presentation of Financial Statements – Additional disclosure considerations for companies engaging in crypto-asset activities](#)," (December 2022).

¹⁰ See [paragraph 114](#) for additional disclosure factors that may be considered.



Although the cost measurement basis reduces application costs when there are no indicators that the cost of the payment tokens is not recoverable, this approach limits the provision of decision-useful information for financial statement users.

Disadvantages of inventory classification

Relevance and decision-useful information

47. Some entities may apply judgment and determine that they are not eligible to apply the broker-trader measurement exemption under [IAS 2](#). For example, this may occur when the entity does not recognize itself as a broker-trader or when a local regulator does not recognize the payment token as a commodity. Therefore, these entities are required to measure the payment tokens at the lower of cost and NRV. For the reasons mentioned in [paragraphs 43-45](#), measuring payment tokens at the lower of cost and NRV by entities that hold payment tokens for sale in the ordinary course of business may not result in relevant and decision-useful financial reporting.
48. When entities have a business model primarily focused on the speculative trading of payment tokens, the changes in the fair value of payment tokens can represent a material component of their earnings for the period. The omission of fair value changes from the statement of profit or loss as the result of measuring the assets at cost may significantly distort the entity's financial performance metrics. Although declines in the value of payment tokens may result in write-downs to reflect their NRV captured in profit or loss according to [paragraph 34](#) of IAS 2, the measurement basis may be considered punitive. This measurement basis prevents changes in the fair value above the cost basis of the unsold payment tokens to be recognized in profit or loss. Therefore, this approach does not transparently reflect the entity's financial position and the payment tokens' underlying economics.

Application and costs to apply the standard

49. It may be challenging to determine the NRV or fair value for thinly traded payment tokens at the end of each reporting period or when the cost of such tokens may not be recoverable.
50. Another concern with the accounting for crypto assets as inventory is that [IAS 2](#) is a relatively old standard. So, there may be reservations about the appropriateness of the presentation and disclosure requirements in achieving fair presentation for some emerging asset classes. Furthermore, although the additional disclosure considerations in [paragraphs 17\(c\)](#) and [31](#) of IAS 1 apply to such instances, these disclosure requirements may not be applied consistently, resulting in diversity in the disclosures provided by entities holding payment tokens. This may also result in reduced comparability across entities and a lack of useful information.

Intangible asset

51. Under current IFRS Accounting Standards, payment tokens not held for sale in the ordinary course of business usually meet the definition of an "intangible asset" in [IAS 38](#). Payment tokens within the scope of IAS 38 are usually those held as long-term investments for capital appreciation or as a core component of an entity's treasury-asset mix. Therefore, payment tokens are obtained by the entity to generate future economic benefits from their subsequent sale or through passive generation of a yield in lending or staking arrangements. Payment tokens may also be used as a medium of exchange for goods or services or to facilitate cross-border fund transfers.

Measurement

52. Payment tokens acquired by an entity and recognized as intangible assets are initially measured in accordance with [paragraph 27](#) of IAS 38. The subsequent measurement of these payment tokens is subject to the requirements in [paragraph 72](#) of IAS 38:

An entity shall choose either the cost model in paragraph 74 or the revaluation model in paragraph 75 as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets.

53. After initial recognition, an entity that selects the cost model carries the payment tokens at their cost less any accumulated amortization and any accumulated impairment losses (see [paragraph 74](#) of IAS 38).
54. An entity may also choose to measure payment tokens after initial recognition using the revaluation model in IAS 38. [Paragraph 75](#) of IAS 38 states:

After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. For revaluations under this Standard, fair value shall be measured by reference to an active market. Revaluations shall be made with such regularity that at the end of the reporting period the carrying amount of the asset does not differ materially from its fair value.



55. Currently, as shown in [Figure 2](#), Canadian entities often hold payment tokens that are actively traded and that can be reliably referenced to an active market. Therefore, many Canadian entities select to apply the revaluation model to the subsequent measurement of their payment tokens.¹¹
56. Entities selecting the revaluation model recognize any fair value movements above the cost of the payment token in other comprehensive income (OCI) and accumulate these movements in equity through a revaluation surplus account. Fair value movements below the cost of the payment token are recognized in profit or loss (see [paragraphs 85-86](#) of IAS 38).

Disclosure

57. The disclosure requirements in [paragraph 118\(e\)](#) of IAS 38 require an entity to disclose for each class of intangible assets a reconciliation of the carrying amount at the beginning and end of the period. The reconciliation captures additions, transfers/disposals, revaluation adjustments, impairment losses/reversals and any other changes in the carrying value of the payment tokens during the period. This information may help financial statement users understand the activity during the period and the impact of changes in the payment tokens' value.

58. [Paragraph 119](#) of IAS 38 offers direction about identifying the different classes of intangible assets:

A class of intangible assets is a grouping of assets of a similar nature and use in an entity's operations. Examples of separate classes may include:

- (a) brand names;
- (b) mastheads and publishing titles;
- (c) computer software;
- (d) licences and franchises;
- (e) copyrights, patents and other industrial property rights, service and operating rights;
- (f) recipes, formulae, models, designs and prototypes; and
- (g) intangible assets under development.

The classes mentioned above are disaggregated (aggregated) into smaller (larger) classes if this results in more relevant information for the users of the financial statements.

59. Each type of payment token may have its own distinctive characteristics, features and risk profiles that may justify a separate class and disclosure. [Paragraph 119](#) of IAS 38 specifically permits further disaggregation into smaller classes when this results in more relevant information for financial statement users.
60. [Paragraphs 120](#) and [124](#) of IAS 38 require an entity to disclose the impairment and revaluation of intangible assets respectively. Entities applying the revaluation measurement model in IAS 38 also need to consider the fair value disclosure requirements under [IFRS 13](#).
61. Payment tokens are distinctive in their nature and could give rise to additional risk exposures relative to other intangible assets. Additional disclosures may be required to help financial statements users better understand the extent of holdings and risks related to certain payment-token holdings. (See [paragraph 42](#) for the additional disclosure considerations under [IAS 1](#)).

¹¹ The valuation of payment tokens is beyond the scope of this paper and therefore not addressed.

Advantages of intangible asset classification

Relevance and decision-useful information

62. Measuring payment tokens using the revaluation model in [IAS 38](#) would result in the payment tokens being carried at fair value on the statement of financial position at each reporting period end date. This measurement basis may provide more relevant and useful information about the entity's financial position because payment tokens may be subject to significant price volatility, which can have a material impact on an entity's liquidity and solvency ratios.

Application and costs to apply the standard

63. Similar to the advantage noted in [paragraph 46](#), the accounting for payment tokens held as intangible assets provides entities holding an insignificant amount or thinly traded payment tokens the ability to measure these tokens using the cost model under [IAS 38](#). These entities may avoid the need to calculate fair value using Level 2 or 3 inputs as defined in [IFRS 13](#), when there are no impairment indicators for payment tokens not actively traded.

Disadvantages of intangible asset classification

Relevance and decision-useful information

64. Payment tokens differ in their nature from the types of intangible assets generally contemplated in the scope of [IAS 38](#). Therefore, measurement models applicable to payment tokens classified as intangible assets may not adequately reflect the economic nature and substance of these assets and may result in less-relevant information. The AcSB has observed several instances where considerable judgement is needed to determine whether IAS 2 and the broker-trader measurement exception were appropriately applied in order to arrive at an accounting outcome that better reflects the economics of the payment-token holdings.
65. Payment tokens tend to have high price volatility relative to most fiat currencies. The cost model results in a historical measurement that does not reflect current pricing. Similar concerns to those noted in [paragraph 47](#) apply. Furthermore, the revaluation model under [IAS 38](#) results in the revaluation changes (other than impairments and impairment reversals) captured in OCI and therefore causing similar concerns to those noted in [paragraph 48](#) when assessing an entity's financial performance. Financial statement users have expressed consternation with using OCI to capture remeasurements of assets and liabilities because its use is viewed as abstract and often results in distorted financial performance metrics. Therefore, using OCI often results in less useful information, causing financial statement users to calculate adjusted financial performance metrics or rely on non-GAAP measures that incorporate the impact of fair value remeasurement adjustments that are captured in OCI. The concern with using OCI to capture fair value remeasurement adjustments on payment tokens remain when an entity holds payment tokens for long-term capital appreciation. Therefore, giving rise to similar [IAS 2](#) application observations to those noted in [paragraph 64](#).
66. [IAS 38](#) permits a revaluation approach when an active market exists. However, an active market may not exist for all payment tokens and would therefore prevent entities from applying the revaluation model to measure their payment tokens. Thus, financial statement users may not receive relevant and useful information about the fair value of payment tokens that fail to satisfy the "active market" criteria. As noted in [paragraph 45](#), financial statement users prefer thinly traded payment tokens be measured at their fair value. Furthermore, using many measurement models for different payment tokens often results in inconsistent financial information about an entity's payment-token holdings and limits the comparability of financial information across entities.

67. It is unclear whether the intent of [IAS 38](#) is to require fungible assets such as payment tokens to be individually identified as a separate unit of account and cash generating unit with its own cost basis. This approach to the application of the standard prevents an entity from using the average cost of each type of payment token. These concepts do not apply well to payment tokens classified as intangible assets because payment tokens are not usually bought and sold on an individually itemized basis. For example, if an entity purchases payment tokens at multiple price points (e.g., three payment tokens purchased at \$100, \$50 and \$30 respectively) during the period and in prior periods, the fair value at the current period-end may be above and below the price points of the payment tokens purchased during the period and in prior periods (e.g., \$55). This results in some payment tokens of the same type being “impaired,” while others may require fair value gain adjustment. The impairment write-downs are recognized in profit or loss, whereas the fair value gains are recognized in OCI for payment tokens accounted for using the IAS 38 revaluation model (i.e., an impairment loss of \$45 is recognized in profit or loss and a fair value revaluation gain of \$30 is recognized in OCI; whereas a net impairment loss of \$15 for the period would have been recognized if the average cost measurement basis was used). Therefore, the accounting for payment tokens under the IAS 38 revaluation model may distort the financial performance metrics, such as earning per share, and results in less decision-useful information.

Application and costs to apply the standard

68. Similar to the [IAS 2](#) presentation and disclosure concerns noted in [paragraph 50](#), [IAS 38](#) is a relatively old standard. Its disclosure requirements are generic to all intangible assets and may not specifically capture the economic nature and characteristics of some emerging asset classes. Therefore, in the absence of specific disclosure requirements, entities may not adequately consider the additional disclosure requirements in [IAS 1](#) (see [paragraph 42](#)), resulting in diverse and inadequate disclosures.

69. The disadvantage described in paragraph 66 also adds considerable application complexity and cost for the entity, because each payment token purchased needs to be identified and accounted for as a separate unit of account.

Potential accounting outcomes

Exploring potential accounting outcomes beyond the confines of the existing standards

70. This section is not exhaustive, nor does it provide justification for departing from current IFRS Accounting Standards to account for payment-token holdings.

71. This section outlines potential accounting outcomes that may be reached by either expanding the scope and amending existing IFRS Accounting Standards, or by looking beyond existing standards to account for the holdings of payment tokens.¹²

72. This section focuses on potential accounting outcomes that could meet financial statement users’ information needs and that could more accurately capture the economic nature and substance of payment tokens. The financial statement users the AcSB consulted thought that:

- (a) all payment tokens should be initially and subsequently measured at fair value; and
- (b) remeasurement adjustments of payment tokens should be recognized in profit or loss.

¹² Except for the option that proposes amending [IAS 38](#), all potential accounting outcomes explored in this section assume payment tokens would be excluded from the scope of IAS 38.

73. Furthermore, these financial statement users thought a single measurement model should be applied to all types of payment tokens, whether they are actively or thinly traded. They thought this measurement basis provides more consistent and decision-useful information, enhancing the comparability of information across entities. Therefore, all the alternatives explored below are based on a subsequent measurement model that achieves these outcomes. The disclosure considerations explored below may be relevant irrespective of the recognition and measurement model selected.

74. [Figure 4](#) sets out the alternatives discussed in the following paragraphs.

FIGURE 4



Accounting policy choice

75. This section explores the accounting for payment tokens if they are excluded from the scope of [IAS 38](#) and if an entity applies [paragraphs 10-12](#) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to develop an accounting policy.¹³

76. [Paragraphs 10-12](#) of IAS 8 state:

10. In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:

¹³ Under this approach payment tokens that are held for sale in the ordinary course of business would still be accounted for as inventory under IAS 2.

- a) relevant to the economic decision-making needs of users; and
 - b) reliable, in that the financial statements:
 - i) represent faithfully the financial position, financial performance and cash flows of the entity;
 - ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
 - iii) are neutral, ie free from bias;
 - iv) are prudent; and
 - v) are complete in all material respects.
11. In making the judgement described in paragraph 10, management shall refer to and consider the applicability of, the following sources in descending order:
- a) the requirements in IFRSs dealing with similar and related issues; and
 - b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the [*Conceptual Framework for Financial Reporting*](#) (*Conceptual Framework*).
12. In making the judgment described in paragraph 10, management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources in paragraph 11.

Classification, measurement and disclosure

77. An entity should look to the economic nature and substance of payment tokens and consider the requirements in IFRS Accounting Standards dealing with similar instruments. The entity should also consider the definitions, recognition criteria and measurement concepts for assets, income and expenses in the [*Conceptual Framework*](#) when developing an accounting policy for the payment tokens.
78. Most payment tokens may be considered readily convertible to cash, given the market liquidity and exchanges that facilitate the conversion. Such payment tokens may be analogized to a financial asset other than cash and cash equivalents. Therefore, the entity may look to the [*IFRS 9 Financial Instrument*](#) requirements applicable to financial assets when developing an accounting policy for its payment-token holdings. Referring to the classification and measurement requirements in IFRS 9, the payment tokens may meet the classification criteria in [*paragraph 4.1.4*](#) of IFRS 9 and be measured at fair value through profit or loss (FVTPL). Such an accounting policy may closely align with the economics described in [*paragraph 43*](#) even though the payment tokens may not be held for sale in the ordinary course of business. Consistent with the feedback the AcSB gathered and the basis for conclusions in the FASB [*Exposure Draft*](#), financial statement users indicated that an accounting model which results in all types of payment tokens being subsequently measured at fair value, with the respective remeasurement adjustments captured in profit or loss, provides the most decision-useful information.¹⁴
79. In addition to the current disclosure requirements in [*IAS 1*](#) ([*paragraph 42*](#)), [*IFRS 7 Financial Instruments: Disclosures*](#) and [*IFRS 13*](#), the additional disclosures highlighted in the Disclosure section ([*paragraphs 114-122*](#)) may also be considered.

¹⁴ Under this approach, payment tokens held for sale in the ordinary course of business will continue to fall within the scope of [*IAS 2*](#).

80. When applying [paragraphs 10-12](#) of IAS 8, an entity may also consider similar conceptual frameworks to IFRS Accounting Standards that have developed guidance addressing the accounting for payment tokens. For example, an entity may look to U.S. GAAP for guidance addressing the accounting for payment tokens.¹⁵ The proposals in the FASB [Exposure Draft](#) on the accounting and disclosing of crypto assets would require all payment tokens be subsequently measured at FVTPL. However, the proposals in the FASB Exposure Draft are in the context of the Subtopic 350-60 *Intangibles—Goodwill and Other—Crypto Assets* and would directly conflict with the scope exclusion from [IAS 38](#) explored in this section.

Advantages of an accounting policy choice

Relevance and decision-useful information

81. The accounting for payment tokens using an accounting policy the entity develops may better reflect the economics of payment tokens than the existing accounting for the following reasons:
- (a) The gains or losses resulting from the fair value remeasurement of the payment tokens are captured directly in profit or loss, resulting in more decision-useful information for financial statement users. This advantage is subject to the entity developing an accounting policy that results in the fair value remeasurements being presented in profit or loss.
 - (b) An accounting policy the entity develops may place increased onus on the entity to deliver better quality decision-useful information that captures the economic substance and nature of its payment-token holdings. Furthermore, entities developing their own accounting policy may be more inclined to consider the [IAS 1](#) additional disclosure requirements described in [paragraph 42](#) when providing disclosures to meet their financial statement user's information needs than following a checklist approach to their disclosures.

Application and costs to apply the standard

82. The accounting for payment tokens under this approach allows entities the flexibility to develop an accounting policy within the parameters described in [paragraphs 10-12](#) of IAS 8, which best reflects the economics of the payment tokens.

Disadvantages of an accounting policy choice

Relevance and decision-useful information

83. Permitting entities the flexibility to develop their own accounting policy for payment tokens may reduce the information relevance and usefulness for the following reasons:
- (a) The accounting policies entities develop and apply may vary, which may impede the comparability of financial information across entities; or
 - (b) Absent specific requirements for the accounting for payment tokens, financial statement users may not receive all the decision-useful information needed to make sound investment or capital allocation decisions.

Application and costs to apply the standard

84. Amending the scope of [IAS 38](#) to exclude payment tokens and thereby permit financial statement preparers to develop their own accounting policy may result in some entities developing different accounting policies

¹⁵ Subject to the FASB approving the proposals in its Exposure Draft.

for different types of payment tokens. A variation of accounting policies applied to a range of payment tokens may give rise to unwanted application complexity and reduced information usefulness.

Amending the intangible assets standard

85. This section explores the accounting for payment tokens if [IAS 38](#) is amended to require payment tokens be measured at FVTPL. Under this approach, entities will not be granted an option to measure some or all payment tokens using the cost model or the revaluation model with revaluation gains and losses recognized through OCI.
86. As noted in [paragraph 64](#), payment tokens differ in their nature from the types of intangible assets generally contemplated in the scope of [IAS 38](#). However, adding a new measurement model in IAS 38 that applies to payment tokens may better reflect the economics of these assets even though they would be classified as intangible assets. Furthermore, this approach is consistent with the proposals in the FASB [Exposure Draft](#).

Classification, measurement and disclosure

87. Under this approach, all payment tokens meeting the definition of an “intangible asset” would only be eligible for subsequent measurement at FVTPL. The initial measurement would continue to be subject to the current requirements in [IAS 38](#). Therefore, all payment tokens under this approach are subsequently remeasured to their fair value at each reporting period-end, with any changes in fair value recognized in profit or loss.
88. In addition to the current disclosure requirements in [IAS 38](#) and [IFRS 13](#), further amendments may incorporate the additional disclosure considerations highlighted in the Disclosure section ([paragraphs 114-122](#)).

Advantages of amending the intangible assets standard

Relevance and decision-useful information

89. The accounting for payment tokens held as an intangible asset measured at FVTPL may better reflect the economics of payment tokens than the existing accounting. Payment tokens are subject to significant price volatility and the changes in their fair value may represent a critical component to assessing the financial performance and position of the entity. As noted in [paragraphs 43-45](#), the changes in the fair value of payment tokens are captured directly in profit or loss, resulting in more meaningful information for financial statement users.
90. This approach is consistent with the proposals in the FASB [Exposure Draft](#), ensuring that financial statement users receive relevant and comparable information when assessing entities irrespective of the accounting framework applied.

Application and costs to apply the standard

91. Under this proposed approach, payment tokens will continue to meet the definition of an “intangible asset” under the current accounting requirements. Except for the amendments to the subsequent measurement requirements applicable to payment tokens, there would be minimal disruption to the current accounting for payment tokens (i.e., the initial measurement requirements would remain unchanged). Financial statements preparers would not have to learn and apply an entirely new accounting standard.

Disadvantages of amending the intangible assets standard

Relevance and decision-useful information

92. No disadvantages specific to the relevance and decision-useful information have been identified.

Application and costs to apply the standard

93. Payment tokens subsequently measured at FVTPL are required to be measured at fair value. Therefore, entities holding thinly traded payment tokens would be unable to measure these tokens at cost. Furthermore, the fair value determined for such payment tokens using Level 2 or 3 inputs as defined in [IFRS 13](#) may result in additional costs for these entities.

Financial instrument: Financial asset other than cash

94. In summary, according to [paragraph 11](#) of IAS 32

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right;
 - (i) to receive cash or another financial asset from another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a particular contract that will or may be settled in the entity's own equity instruments....

95. Currently payment tokens do not meet the definition of a “financial asset” as in [paragraph 11](#) of IAS 32 because they:

- (a) are not cash;
- (b) are not an equity instrument of another entity;
- (c) do not give rise to a contractual right for the holder; and
- (d) are not a contract that will or may be settled in the holder's own equity instruments.

96. This section explores the accounting for payment tokens if the current scope of [IFRS 9](#) were expanded to include these instruments. The scope expansion may be achieved by adding payment tokens as defined in [paragraph 7](#) to the definition of a “financial asset” in [paragraph 11](#) of IAS 32. This may result in a simpler amendment than expanding the definition of what constitutes a contractual right to include implied contracts that may arise from arrangements entered on the blockchain. This is because blockchain arrangements may lack legal enforceability and such an amendment may result in unintended consequences, such as applying to other types of crypto assets beyond the scope of the amendment.

97. In this analysis, it is assumed that the payment tokens do not meet the definition of “cash or cash equivalents”, although they would still be a financial asset.

Classification, measurement and disclosure

98. A payment token as such does not give rise to any contractual cash flows. Assuming no other changes are made to the classification and measurement requirements in [IFRS 9](#), payment tokens that meet the definition of a “financial asset” if [paragraph 11](#) of IAS 32 is expanded, would only be eligible for classification at FVTPL (see [paragraph 4.1.4](#) of IFRS 9). Therefore, payment tokens would be initially measured at their fair value excluding transaction costs and subsequently remeasured to its fair value at each reporting period, with any changes in fair value being recognized in profit or loss (see [paragraph 5.1.1](#) of IFRS 9).
99. A payment token within the scope of [IFRS 9](#) would be subject to the disclosures under [IFRS 7](#), which include disclosures about the nature and extent of risks arising from financial instruments. Financial statement users may find the risk disclosures on payment tokens provide relevant and useful information. Furthermore, an entity would also consider the fair value disclosures under [IFRS 13](#) may provide useful information particularly for thinly traded payment tokens where the fair value may be different from the value quoted on an external third-party price-tracking website.
100. In addition to the generic disclosures applicable to financial assets measured at FVTPL, the Disclosures section ([paragraphs 114-122](#)) may help the entity provide financial statement users with relevant and useful information about an entity’s payment-token holdings.

Advantages of financial asset classification

Relevance and decision-useful information

101. The accounting for payment tokens held as a financial asset classified at FVTPL may better reflect the economics of payment tokens than the existing accounting for the following reasons:
- (a) As [paragraphs 43-45](#) describe, the changes in the fair value of payment tokens are captured directly in profit or loss, resulting in more meaningful information.
 - (b) Despite not giving rise to an enforceable right to receive cash, most actively traded payment tokens are readily convertible to cash. This may be facilitated through either crypto-asset trading platforms that allow for direct fiat redemptions or decentralized exchanges that allow an exchange to a stablecoin pegged to a fiat currency, with a cash redemption feature.

Application and costs to apply the standard

102. The accounting for payment tokens held as a financial instrument allows financial statement preparers to apply an accounting standard they are already familiar with and removes the burden of learning to apply a new standard.

Disadvantages of financial asset classification

Relevance and decision-useful information

103. Some payment tokens have many different features that would be considered for bifurcation if it were a conventional financial instrument. For example, the Binance Coin (BNB) is primarily a payment token but also has several other features, including providing its holders discounted trades and rewards for trading on the Binance platform. Bifurcating payment tokens may add unnecessary complexity to the accounting and could result in financial statement users receiving less-relevant and useful information about the entity’s payment-token holdings.

Application and costs to apply the standard

104. Absent any other amendments to measurement requirements in [IFRS 9](#), payment tokens classified at FVTPL are required to be measured at fair value. Therefore, entities holding thinly traded payment tokens would be unable to measure these tokens at cost. The fair value determined for such payment tokens using Level 2 or 3 inputs as defined in [IFRS 13](#), may result in additional costs for these entities.

New standard

105. This section explores the accounting for payment tokens if a new standard were created to specifically address crypto-asset activities. This exploration emphasizes capturing the economic nature and substance of payment tokens and producing information relevant and useful to financial statement users.

106. Some payment tokens have an economic nature similar to cash, in that they can function as a store of value and a medium of exchange. Payment tokens are primarily used as a medium of exchange on the blockchain and are used to purchase goods or services provided by entities that use the blockchain to receive payment.

107. However, payment tokens may be more nuanced because some have features that differentiate them from fiat currencies. Furthermore, creating a separate asset class for payment tokens may allow crypto-specific actions to be more transparently accounted for and communicated to financial statement users.

108. Consistent with the rationale in [paragraphs 43-45](#), recognizing changes in the fair value of payment tokens in profit or loss results in more meaningful information for financial statement users.

Advantages of creating a new standard

Relevance and decision-useful information

109. A new standard may address crypto-asset activities more comprehensively and be tailored to their economic nature and substance, thereby providing financial statement users with more relevant and useful information.

Application and costs to apply the standard

110. A new standard addressing the accounting for crypto assets may allow entities engaged in crypto-asset activities to easily apply IFRS Accounting Standards. For example, the new standard could address the full range of crypto assets or navigate the appropriate classification and accounting for the various types of crypto assets through the existing accounting standards.

111. A new standard may help to avoid the risk of unintended consequences from having to amend existing standards to accommodate the accounting for payment tokens.

Disadvantages of creating a new standard

Relevance and decision-useful information

112. Developing a new standard for a maturing ecosystem may be unfeasible and could result in unintended consequences related to the existing accounting standards, affecting how the new standard delivers decision-useful information.

Application and costs to apply the standard

113. The crypto-asset ecosystem continues to mature and develop more innovative financial solutions that may be radically different from current applications. Therefore, a comprehensive standard on crypto-asset activities may require future amendments to accommodate any new and distinct crypto instruments. Regular updates to a new accounting standard may increase the application costs and complexity.

Disclosures

114. The disclosure proposals in this section may apply to any of the options above, including the existing accounting for payment tokens. This section targets disclosures that could provide relevant and useful information about payment tokens and focuses on the disclosures that go beyond the generic disclosures in existing IFRS Accounting Standards.
115. The overall objective is for entities to disclose information about their payment-token holdings that helps financial statement users understand the entity's exposure, including information to help them:
- (a) assess the significance of the payment-token holdings for the entity's financial position and performance;
 - (b) understand the how fair value measurements have been derived for the entity's payment-token holdings;
 - (c) understand the activities during the period that impacted the entity's payment-token holdings; and
 - (d) assess the risks and uncertainties arising from holding payment tokens and how the entity has responded to these risks and uncertainties.
116. A reconciliation of the carrying amount and quantity of each significant payment token held at the beginning and end of the period could provide greater transparency and information on an entity's payment-token holdings. The reconciliations should capture additions, transfers, disposals, revaluation adjustments, impairment losses/reversals and any other changes in the carrying value and quantity of the payment tokens during the period. The additions should separately detail payment tokens received from mining rewards, staking and lending earnings and other crypto-specific actions. This information could help financial statement users better understand the activity during the period and the impact of changes in the value and quantity of each payment token. Given each payment token has its own unique characteristics, features, rights and obligations, as well as its own unique risk profile, separate identification of each significant payment token held provides more useful information to financial statement users. Insignificant payment tokens may be aggregated with other payment tokens sharing similar characteristics.
117. Disclosure including both the gain or loss recognized in profit or loss for the period and the total gain or loss realized on each significant type of payment token sold during the period could provide financial statement users with better information on the profitability of management's investment or trading decisions. For example, the current period may reflect a gain on the disposal of the payment token; however, there may be historical net loss on the disposal because of prior period fair value movements.
118. In addition to the fair value measurement disclosure requirements in [IFRS 13](#), further valuation information on payment tokens measured at fair value could help financial statement users understand how the fair values were calculated. Although these disclosures are relevant to all significant payment tokens, they are especially useful for payment tokens that are not traded in an active market. Such information may include:

- (a) the name of the price aggregator or tracking source used; and
- (b) the date and time the values were extracted; and
- (c) any adjustments made to the prices obtained from price aggregators or tracking sources and the rationale for such adjustments.

119. Disclosures about whether the payment tokens are:

- (a) held in a wallet under the entity's control;
- (b) subject to any encumbrances, including lock-up periods, that limit the entity's ability to use the payment tokens; and
- (c) subject to prioritized claims against them in the event of liquidation.

Such disclosures may provide relevant and useful information about the risks, liquidity and valuation of an entity's payment-token holdings.

120. If the payment tokens are not held in a wallet the entity controls, further disclosure about where and how the payment tokens are held and whether they may be subject to laws or regulations that may limit the entity's ability to gain access to the payment tokens may be useful information for financial statement users. Further information about whether the entity has any enforceable rights or obligations because of such holdings would enable financial statement users to more readily assess the risks related to such payment-token holdings not held in a wallet the entity controls.

121. Payment-token holdings may expose the entity to several risks that may be useful for financial statement users to be aware of and to understand of how management has mitigated these risks, such as the following:

- (a) the steps management has taken to safeguard their payment tokens, without compromising any sensitive information, may be helpful for financial statement users to know when assessing the risk of loss due to poor safeguarding of payment tokens. Such disclosures may include whether an entity uses a third-party custodian to safeguard some or all their payment tokens and how the entity manages its concentration risk.¹⁶ This disclosure may also include information about whether the entity uses hot- or cold-wallet storage solutions for their payment tokens;
- (b) the risk of potential declines in the price of the payment tokens;
- (c) the risk of being unable to liquidate thinly traded tokens and disclosing which tokens are increasingly subject to this risk;
- (d) regulatory risks related to specific payment-token holdings;
- (e) the entity's risk management process to prevent holding or receiving tainted payment tokens linked to sanctioned individuals or groups; and
- (f) the entity's risk management process for assessing the integrity of a distributed ledger or blockchain protocol before investing in or accepting these payment tokens.

122. The [IFRS 7](#) risk disclosures may be particularly useful for payment tokens. For example, information about the entity's risk management process, strategy and exposures applicable to payment tokens could also provide relevant and useful information to financial statement users.

¹⁶ Disclosures related to custodial holdings are beyond the scope of this paper and are therefore not addressed.

Advantages of additional specific disclosures

Relevance and decision-useful information

123. The disclosures specified in this section are tailored to the nature, characteristics and risks applicable to payment tokens and are therefore directly intended to provide relevant and useful information to financial statement users. These disclosures may address some concerns related to the recognition, measurement and presentation of payment tokens by providing the necessary transparency and information to allow financial statement users to make any necessary adjustments to their valuation models.
124. Including specific disclosure requirements ensure greater consistency over the types of disclosures entities provide about their payment-token holdings. Therefore, specific disclosure requirements ensure better comparability across entities and decision-useful information.

Application and costs to apply the standard

125. The information included in the additional disclosures may be readily available to most entities. Therefore, providing the additional disclosures may not be excessively costly to apply.

Disadvantages of additional specific disclosures

Relevance and decision-useful information

126. No disadvantages specific to the relevance and decision-useful information have been identified.

Application and costs to apply the standard

127. Some of the information provided in the additional disclosures may be commercially sensitive or may be challenging to audit. For example, information about an entity's custody practices over its crypto assets may expose its safeguarding vulnerabilities and make it susceptible to phishing or hacking attacks.

FINAL THOUGHTS

128. Identifying the optimal solution to the accounting for payment tokens requires robust consideration of each approach's advantages and disadvantages. Balancing the advantages of developing a comprehensive new standard that addresses all crypto-asset activities with the timeliness and standard-setting resource constraints are just some of the weighty considerations needed to advance this conversation.
129. This paper provides preliminary considerations to help advance this conversation and support evidence-informed standard setting.
130. The AcSB hopes this paper and future initiatives add to existing resources and help to advance the understanding and discussions among accounting standard setters on this topic.



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