September 21, 2021

Submission via email to: director@fasb.org

Ms. Hillary S. Salo, Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: FASB Agenda Consultation Invitation to Comment re File Reference No. 2021-004

Dear Ms. Salo:

The **Wall Street Blockchain Alliance** (the "WSBA") appreciates the opportunity to provide the collective views of our member-based organization regarding the Financial Accounting Standards Board ("FASB") Agenda Consultation Invitation to Comment ("ITC") re File Reference No. 2021-004.

The WSBA is an industry leading non-profit trade association based in New York City, with a mission to guide and promote the comprehensive adoption of blockchain technology and digital assets across global markets in a manner that complies with all relevant laws and regulations. The WSBA is structured into Working Groups that, in turn, coordinate the collaboration of leaders across industries and professions to fulfill the WSBA's mission.

The WSBA membership encompasses a wide variety of organizations and roles, including banks, broker-dealers, investment firms, law firms, accountants, compliance officers and more, all of whom are deeply familiar with and appreciative of protective laws and regulations. Finally, in conjunction with our global partners at the Association of International Certified Professional Accountants (AICPA) and CPA.com, the WSBA Accounting Working Group (AWG) focuses on the rapidly emerging, evolutionary changes that we believe blockchain and cryptoassets will bring to the accounting and audit professions.

Introduction

The WSBA, as a matter of policy, has and will always support the equitable regulation and monitoring of global markets as well as a legislative and regulatory environment that protects investors all while facilitating ongoing innovation and technology adoption. The WSBA also supports the adoption of guidelines and standards established by a wide variety of regulatory bodies around the world, including those that establish investors protections and other safeguards that are created in the public interest.

In that vein, the WSBA fully supports the mission of the FASB (as well as GASB and FAF) to establish and improve financial accounting and reporting standards to provide useful information to investors and other users of financial reports as well as educate stakeholders on how to understand and implement those standards most effectively.

Specifically, and reflective of the commentary in the marketplace, preparers, auditors, analysts, investors, and other stakeholders have consistently referred to current accounting treatment for crypto as inappropriate. Often the information provided to stakeholders is not helpful and can be particularly complex and costly depending on the transaction being reflected (e.g., cryptoasset lending.) The impairment policy, applied to cryptoassets, can lead to financial statement distortions, may not be reflective of economic reality, and proliferates the need for non-GAAP measures. Issues and shortcomings associated with applying impairment testing - designed for intangible assets - to cryptoassets are particularly unique given the nature of the markets and the rapid permeation of crypto onto the balance sheets of organizations (for which we provide some examples below) we believe this issue should be addressed.

Before proposing specific accounting language or terminology it is important to specify which organizations should be covered and addressed by this proposed guidance: holders and other organizations versus issuers. Pending legislation in the U.S. Congress has already complicated the conversation around 1) how issuers should be treated for reporting and tax purposes, and 2) has further muddled the view as to what entities are to be classified as brokers. To help ensure clarity and brevity this proposed guidance should only pertain to holders of cryptoassets, or organizations conducting transactions using such cryptoassets.

FASB Questions

Specifically, the WSBA would like to take this opportunity to offer some comments on the digital asset questions as noted in the above referenced FASB invitation.

One portion of question 10 in the ITC asks: *"How significant are holdings in digital assets, such as crypto assets, in the companies you analyze?"*. Based upon our discussions and work with members across multiple market segments and professions, we believe that while digital asset holdings for public companies may not be seen as substantial relative to other public company holdings currently, it is important to highlight the current growth in such holdings, as well as reasons for our organization and members strong belief that such holdings in digital assets will grow significantly in the future. Also, it is worth noting that, in addition to the number of organizations either directly investing in cryptoassets or offering these services to clients, that the pace of these announcements continues to accelerate.

As has now been widely reporting, firms such as MicroStrategy Inc., a global business intelligence and mobile software company with more approximate 2,000 employees[1], has continued to purchase bitcoin (BTC), and now possesses in treasury reserves more than 100,000 BTC with a

[1] https://en.wikipedia.org/wiki/MicroStrategy

market value of over US$5 billion at current market prices[2]. Having previously used debt to finance these purchases, MicroStrategy Chief Executive, Michael Saylor, has noted that "*Our point of view is being a leveraged, bitcoin-long company is a good thing for our shareholders.[3]*" In our perspective, it is important to note that MicroStrategy is not alone in these purchases. For example, electric vehicle company Tesla invested in bitcoin earlier this year, with reported holdings of US$2.48 billion in bitcoin as of March 31, with a reported carrying cost at the time of $1.33 billion[4]. Likewise, financial services and digital payments company Square (whose CEO and founder is a noted bitcoin enthusiast[5]) owns over 8,000 bitcoins with a current value of over $300 million, as of this writing. In addition, our discussions with members and other industry participants seems to strongly indicate that many more non-public companies are also engaging in the cryptoassets ecosystem as well.

We also believe it important to note that this interest in digital assets such as bitcoin is not only a focus of technology-centric companies. For example, earlier this year BNY Mellon, the oldest bank in the United States, announced that it will hold and transfer digital assets for customers[6]. The banks CEO of asset servicing and head of digital noted that "*Growing client demand for digital assets, maturity of advanced solutions, and improving regulatory clarity present a tremendous opportunity for us to extend our current service offerings to this emerging field…[7]*". Likewise, Mastercard announced in early 2021 that it will enable merchants to accept a small variety of cryptocurrencies through its network later this year[8]. To be clear, such payments will leverage Mastercard's crypto partners to convert said digital assets to traditional currencies, then transmit them through to the Mastercard network. That said, this clearly seems to indicate a response on the company's part to growing client demand.

In addition, a recent presentation by Fidelity Digital Assets and Fidelity Investments to the U.S. Securities and Exchange Commission ("SEC") Strategic Hub for Innovation and Financial Technology ("FinHub") highlight some important statistics that underscore the growing impact of cryptoassets in financial markets[9]. For example, the presentation noted that 33% of US institutional investors are invested in digital assets today, while 69% of US institutional investors feel digital assets should be part of an investment portfolio going forward[10]. Also, a University of Cambridge study cited in the presentation noted that the number of unique crypto asset account holders grew from 35M in 2018 to over 100M in 2020[11].

Based upon the above as well as our industry conversations with members, we believe that there are several reasons why digital assets such as cryptoassets (as well as underlying blockchain technology) are and will continue to be of interest to public and private companies, and why digital

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[2] https://www.marketwatch.com/story/microstrategy-buys-more-than-5-000-bitcoins-in-3-weeks-while-it-sells-its-own-stock-11631550478
[3] https://www.cnbc.com/2021/07/30/microstrategy-ceo-defends-bitcoin-buys-compares-it-to-investing-early-in-facebook.html
[4] https://www.forbes.com/sites/chuckjones/2021/05/23/teslas-bitcoin-holdings-in-reverse/
[5] https://gadgets.ndtv.com/cryptocurrency/news/bitcoin-jack-dorsey-tweet-cryptocurrency-market-the-b-word-conference-square-wallet-2506999
[6] https://www.coindesk.com/business/2021/02/11/bny-mellon-announces-crypto-custody-and-spies-integrated-services/
[7] https://www.barrons.com/articles/not-just-tesla-why-big-companies-are-buying-into-crypto-mania-51613069805
[8] https://www.mastercard.com/news/perspectives/2021/why-mastercard-is-bringing-crypto-onto-our-network/
[9] https://www.sec.gov/comments/sr-cboebzx-2021-039/srcboebzx2021039-250110.pdf
[10] https://www.sec.gov/comments/sr-cboebzx-2021-039/srcboebzx2021039-250110.pdf, page 4
[11] Ibid.

assets will be a growing part of company holdings in the future:

- *Customer demand* – many firms, such as MasterCard, JPMorgan Chase and others have either begun to offer some level of digital asset services to customers or are preparing to add or expand digital asset services to global clients[12]. In addition, as client demographics change, firms are finding necessary to formulate strategic plans that allow for such client activities[10].

- *Founder or executive belief in the value and utility of digital assets* – many executives across multiple industries are beginning to see digital assets as not only a hedge against monetary debasement and inflation, but also as more efficient and effective means of other activities such as cross-border payments and remittances. Holding digital assets will potentially alleviate both concerns.

- *Growing public company exposure to digital assets and blockchain, and the impact on Exchange Traded Funds (ETF's)* – Not to be confused with bitcoin ETF's, multiple applications of which have been rejected by the U.S. Securities and Exchange Commission[13], there is a growing field of ETF's holding shares of public companies that have direct exposure to digital assets. For example, the aforementioned MicroStrategy company currently has over 100 ETFs with exposure to the company stock, many of them as a top 10 holding[14]. As more public companies come to hold digital assets, the need for clear guidelines, in particular the ability to recognize digital assets at fair value (or the option to do so), is consistently raised by our members across multiple industries as a necessity. In addition, the previously noted Fidelity report (as well as other industry research) noted that approving a bitcoin exchange traded product would offer direct exposure to the digital assets in a way that complies with regulation, while allowing for transparency of valuation and pricing[15].

Our organization is participating in a rapidly growing number of these discussions regarding digital assets occurring across a wide variety of our membership and different industries. Thus, while being fully cognizant of outstanding legislative and regulatory issues (which the WSBA regularly engages with) that have yet to be sorted with regards to digital assets, we believe that it is critical for proper guidelines and standards to be made available, including the ability for companies to measure digital assets at fair value (or have the option to do so).

We would also respectfully submit that the above reasons for appropriate guidelines regarding digital assets and blockchain in the public company domain also serve as a starting point for further innovation considerations. The pace of innovation in the digital asset and blockchain ecosystems is increasing at an accelerating rate. The advent of such innovations as Non-Fungible Tokens ("NFTs"), with their ability to facilitate new types of businesses and economic transactions, as well as the tokenization of both digital and real assets, will directly impact public and private companies

[12] https://www.tradersmagazine.com/flashback/flash-friday-tipping-point-for-crypto/
[13] https://www.cnbc.com/2021/07/02/bitcoin-etf-should-be-approved-already-sec-regulator-says.html
[14] https://www.etftrends.com/crypto-channel/%E2%80%8B%E2%80%8Bmicrostrategy-buys-5050-more-bitcoin-now-holds-over-5-1-billion- worth/
[15] https://www.sec.gov/comments/sr-cboebzx-2021-039/srcboebzx2021039-250110.pdf, page 11

as well as their customers, accountants, lawyers, bankers and more in the future. We believe that setting the foundation for appropriate guidelines now will make these innovations more compliant, more accepted, and more successful in the future.

Thank you for your consideration and for the opportunity to submit this response regarding the FASB Agenda Consultation - Invitation to Comment. On behalf of the Board of Directors and members of the Wall Street Blockchain Alliance, we look forward to your thoughts and feedback and would welcome the opportunity to respond to any questions or comments in a more substantive manner, should that prove useful to the FASB.

Respectfully Submitted,

Ron Quaranta - Chairman and Chief Executive Officer, *Wall Street Blockchain Alliance*

Dr. Sean Stein Smith, CPA - Assistant Professor City University of New York - *Lehman College*; Chair - *Wall Street Blockchain Alliance Accounting Working Group*