



## STAFF PAPER

September 2018

## IFRS® Interpretations Committee meeting

Project	Cryptocurrencies—cover paper		
Paper topic	Interpretations Committee feedback		
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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. At its meeting in July 2018 the International Accounting Standards Board (Board) discussed cryptocurrencies. The Board discussed whether to add a project on cryptocurrencies to its work plan or research pipeline.
2. The Board decided it did not have sufficient information to reach a conclusion on whether to add a project to its work plan or research pipeline at that time. In particular, some Board members expressed concerns about the existing accounting for holdings of cryptocurrencies.
3. Accordingly, the Board decided to consult the IFRS Interpretations Committee (Committee). It is asking the Committee for its advice on holdings of cryptocurrencies and Initial Coin Offerings (ICOs). The Board also discussed the accounting for mining cryptocurrencies at the July meeting but has not asked the Committee to address this topic at this time.
4. In relation to holdings of cryptocurrencies the Board asked the Committee to:
  - (a) provide information about how an entity might apply existing IFRS Standards in determining its accounting for holdings of cryptocurrencies;
  - (b) consider whether the application of existing IFRS Standards provides users with useful financial information about holdings of cryptocurrencies; and

- (c) provide advice to the Board about whether standard-setting is necessary and should be a priority for holdings of cryptocurrencies. If so, the Board also asked for the Committee’s advice about the form of standard-setting activity.
- 5. The Board asked the Committee to discuss the application of existing IFRS Standards for an entity in accounting for a cryptoassets issued in an ICO. The Board is not currently contemplating any standard-setting regarding ICOs because its analysis indicates that such transactions are not commonly undertaken by entities reporting using IFRS Standards<sup>1</sup>.
- 6. Appendix A of this paper contains a glossary of cryptocurrency terms.
- 7. There are three papers accompanying this paper:
  - (a) Agenda Paper 4A provides a staff analysis on the application of existing IFRS Standards to holdings of cryptocurrencies.
  - (b) Agenda Paper 4B provides information about the prevalence of holdings of cryptocurrencies and asks the Committee for advice about the usefulness of information provided by IFRS Standards in relation to the holding of cryptocurrencies and possible standard-setting activities the Board could undertake.
  - (c) Agenda Paper 4C provides a staff analysis on the application of existing IFRS Standards to ICOs.
- 8. Following this meeting we will provide the Board with the insights provided by the Committee. The Board will then determine what additional steps, if any, are necessary for each of the topics under discussion.

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<sup>1</sup> See information about the prevalence of ICO transactions in paragraphs 28–49 of [Agenda Paper 12D](#) to the Board’s July 2018 meeting

## Appendix A—Glossary of cryptocurrency terms

A1. This appendix includes definitions of commonly used cryptocurrency terms. These definitions have been taken from [Investopedia](https://www.investopedia.com/terms/b/blockchain.asp). Investopedia does not contain a definition of a cryptoasset and this has been defined by the staff.

Term	Definition	Link
Blockchain	<p>A blockchain is a digitised, decentralised, public ledger of all cryptocurrency transactions<sup>2</sup>. Constantly growing as ‘completed’ blocks (the most recent transactions) are recorded and added to it in chronological order, it allows market participants to keep track of digital currency transactions without central recordkeeping. Each node (a computer connected to the network) gets a copy of the blockchain, which is downloaded automatically.</p>	<p><a href="https://www.investopedia.com/terms/b/blockchain.asp">https://www.investopedia.com/terms/b/blockchain.asp</a></p>
Cryptoasset	<p>A digital asset class that includes assets recorded on a blockchain. These could be intended to be used as a medium of exchange (ie cryptocurrencies) or may provide the holder with other rights (ie crypto tokens).</p>	<p>N/A</p>
Cryptocurrency	<p>A digital or virtual currency that uses cryptography for security. A cryptocurrency is difficult to counterfeit because of this security feature. A defining feature of a cryptocurrency, and arguably its most endearing allure, is its organic nature; it is not issued by any central authority, rendering it theoretically immune to government interference or manipulation.</p>	<p><a href="https://www.investopedia.com/terms/c/cryptocurrency.asp">https://www.investopedia.com/terms/c/cryptocurrency.asp</a></p>

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<sup>2</sup> This definition has been copied from Investopedia. We are aware that not all blockchains are used to record cryptocurrency transactions.

Crypto token	Crypto tokens represent a particular fungible and tradable asset or a utility that is often found on a blockchain.	<a href="https://www.investopedia.com/terms/c/crypto-token.asp">https://www.investopedia.com/terms/c/crypto-token.asp</a>
Digital currency	A form of currency that is available only in digital or electronic form, and not in physical form. It is also called digital money, electronic money, electronic currency, or cyber cash.	<a href="https://www.investopedia.com/terms/d/digital-currency.asp">https://www.investopedia.com/terms/d/digital-currency.asp</a>
Initial Coin Offering (ICO)	An unregulated <sup>3</sup> means by which funds are raised for a new cryptocurrency venture. An Initial Coin Offering (ICO) is used by start-ups to bypass the rigorous and regulated capital-raising process required by venture capitalists or banks. In an ICO campaign, a percentage of the cryptocurrency is sold to early backers of the project in exchange for legal tender or other cryptocurrencies, but usually for Bitcoin.	<a href="https://www.investopedia.com/terms/i/initial-coin-offering-ico.asp">https://www.investopedia.com/terms/i/initial-coin-offering-ico.asp</a>
Mining	An integral part of [some] cryptocurrency network[s] that performs two important functions. First, it is used to generate and release new cryptocurrency tokens for circulation via the cryptocurrency network, and secondly, it is used to verify, authenticate and then add the ongoing network transactions to a public ledger.	<a href="https://www.investopedia.com/terms/m/mining.asp">https://www.investopedia.com/terms/m/mining.asp</a>

<sup>3</sup> This definition has been copied from Investopedia. We are aware that securities regulators in some jurisdictions published communications indicating some ICOs may be regulated. See <http://www.iosco.org/publications/?subsection=ico-statements> for some announcements by regulators on ICOs.