



# **Accounting treatment of ICOs (« *Initial Coin Offerings* ») and tokens in France**

*(December 2018)*

## **Key features**

# 1. Due process and approach

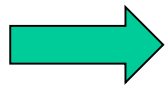
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- One year due process under the leadership of ANC (the French accounting standards authority: all stakeholders involved (ACPR/Banque de France, AMF, preparers and auditors).
- Accounting regulation approved by ANC's Board on December 10<sup>th</sup> in the general context of PACTE law (underway in the French Parliament and expected in first half of 2019).
- Platforms not addressed in the regulation at this stage due to the need for additional legal clarification (expected from PACTE law).
- Due to innovative nature of the topic:
  - a principle-based approach for issuers and holders of tokens;
  - assessment of relevance of regulation on a regular basis. Additions and amendments when necessary.

## 2. Accounting treatment of tokens for issuers (1/3)

➤ **Basis: accounting based on the commitments made by the issuer regarding each token category issued**

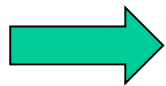
- As expressed in the white paper of the ICO and any other relevant document,
- As reflected in a comprehensive note to the financial statements.



Transparency based on description of commitments that may be very diverse in an innovative environment

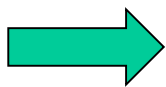
➤ **Preliminary distinction between two categories of tokens:**

- **Tokens having characteristics similar to known security or equity instruments**  
(shares, bonds, other)



Accounting treatment following standards for similar financial instruments

- **Tokens having characteristics other than of known security or equity instruments :**



Sub-categorisation according to commitments made

## 2. Accounting treatment of tokens for issuers (2/3)

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- **Sub-categorisation of tokens having characteristics other than known security or equity instruments:**
  - **Debt → liability** (extinguishment according to commitment)
  - **Future services (or future delivery of goods) → deferred turnover**
    - Include utility tokens and payment/exchange tokens
    - Liability on issuance
    - Transfer to P&L according to delivery of services (or goods)
  - **No commitment → P&L as a counterpart on issuance**

## 2. Accounting treatment of tokens for issuers (3/3)

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- **Amount recorded:**
  - Price paid by subscribers
  - Net of VAT or similar taxes if any (recorded independently)
  - If paid via tokens: conversion of tokens received in euros at market value on issuance
  
- **In case of tokens with hybrid nature:** allocation to the various categories.
  
- **In case of conditions/disclaimers,** clear disclosures on impact on accounting treatment on occurrence.
  
- **Tokens allocated to employees and other contributors to the activities of the issuer at privilege conditions:** recording of discount by reference to price paid by independent third parties (or market value in case of absence of subscription open to such parties at the date of allocation).

## 3. Accounting treatment of tokens for holders

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- **Basis: distinction according to the purpose of the holder:**
  - Either for own use
  - Or for investment.
  
- **Tokens held for own use:**
  - Recorded as an intangible fixed asset
  - Amortised over useful life (period of expected services)
  - If goods to be delivered, pre-payment, then inventory (for sale) or fixed asset (for own use).
  
- **Tokens held as investment:**
  - Specific investment category
  - Valuation at fair value
  - Fair value gains or losses deferred until realisation
  - In case of deferred losses position, provision to P&L for the amount
  - Full disclosures on conditions of fair value determination due to current characteristics of markets.