
FASB | IASB Joint Education Meeting

Date **September 2022**

Project **Digital Assets**

Topic **IASB consideration of cryptocurrencies and related transactions**

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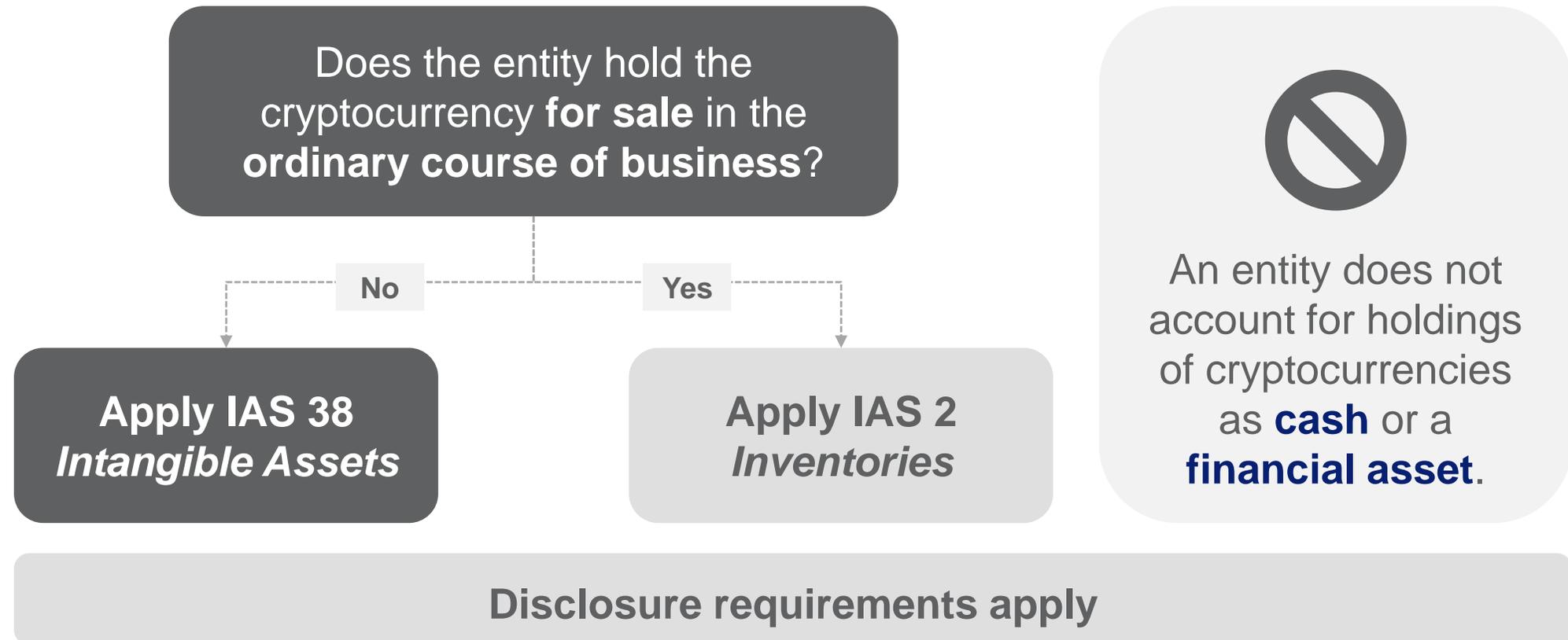
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Requirements in IFRS Accounting Standards



IFRS Interpretations Committee Agenda Decision



The IFRS Interpretations Committee published the Agenda Decision [Holding of Cryptocurrencies](#) in June 2019

Measurement in IFRS Accounting Standards

What measurement basis do IFRS Accounting Standards require?

IAS 2 Inventories	
Historical cost	Fair value
Default measurement basis in IAS 2	For commodity broker-traders

IAS 38 Intangible Assets	
Historical cost	Fair value
Default measurement basis in IAS 38	Can be elected for assets with an active market

How do the respective fair value models work?

IAS 2	Measurement is fair value less costs to sell. Changes in fair value less costs to sell are recognised in profit or loss in the year of change.
IAS 38	Measurement is at fair value less any subsequent accumulated amortisation and impairment losses. Any changes in fair value above historic cost are recognised in other comprehensive income (OCI). Any changes in fair value below historic cost shall be recognised in profit or loss.

The Third Agenda Consultation



Request for Information

In March 2021 the IASB published a [Request for Information](#) (RFI). The RFI asked stakeholders about new financial reporting issues that could be given priority in the IASB's work plan. As part of that process the IASB set out four possible projects the IASB could undertake on cryptocurrencies and related transactions.

Develop educational material



Develop a new Standard to address a range of tangible and intangible assets held for investment purposes



Targeted amendments to IAS 38—eg to require fair value through profit or loss or to add disclosure requirements



Amending the scope of IFRS Accounting Standards to include cryptocurrencies in the scope of the financial instrument requirements



Feedback received

Overall message

Most respondents rated a potential project on cryptocurrencies and related transactions as high priority, some rated it as medium priority and a few rated it as low priority.

- Many respondents who rated this potential project as high priority said that cryptocurrencies and related transactions is an emerging issue that is of **increasing relevance**.
- Many respondents said that the accounting applying IFRS Accounting Standards does not seem appropriate and does not provide users with useful information. Some of those respondents said that cryptocurrencies should be accounted for at **fair value through profit or loss**, not as intangible assets.
- Some respondents said the treatment of cryptocurrencies should be addressed in a **comprehensive project** on accounting for different types of cryptoassets and cryptoliabilities.
- Some respondents who rated this potential project as low priority said the matter does not need immediate attention, is currently of limited relevance, the IASB should wait until the situation stabilises or that there is no need for a project on the topic.

IASB decision

Overall response

The IASB decided not to add a project on cryptocurrencies and related transactions to its workplan. However, the IASB continues to monitor developments in this area.

- A key request from users of financial statements is for fair value information about cryptocurrencies. However, there are requirements in IFRS Accounting Standards that permit or require cryptocurrencies to be measured at fair value (slides 4–5).
- There is doubt about where cryptocurrencies and related transactions are prevalent in many jurisdictions or have a pervasive effect on the financial statements of many entities (slide 10).
- A project to consider the accounting for different types of cryptoassets and cryptoliabilities would be complex and might be premature, given such cryptoassets and cryptoliabilities are part of a new and rapidly evolving ecosystem.
- The IASB added research project on intangible assets to its workplan. That project on Intangible Assets will review the scope of IAS 38, including whether cryptocurrencies should remain within it.

Prevalence of cryptoasset holdings

- We have undertaken a key word search of the financial statement search engine AlphaSense to identify entities with holdings of cryptoassets. We performed this search in 2018, 2019 and 2021.
- Most of the entities identified in our search hold a small amount of cryptoassets. However, there are a small number of entities for which the holdings represent a large proportion of their assets.
- A large proportion of the entities that hold cryptoassets are based in Canada. Canada has several thousand listed entities. We used Capital IQ to obtain information about the market capitalisation of the entities reporting holdings of cryptoassets as a proportion of the Canadian market as a whole. We did this on 30 September 2019. This information indicates that entities reporting holdings of cryptoassets represent 0.03% of the Canadian market at that date.

Year of search	Holding cryptoassets	Entities measuring cryptoassets at fair value
2021	87 (55 in Canada)	80%
2019	66 (42 in Canada)	75%
2018	26 (18 in Canada)	88%

- Some of the entities measuring cryptoassets at fair value apply the revaluation model in IAS 38 and so some changes in fair value are recognised in OCI. For example, 34 entities (39% of the total) used the revaluation model in 2021.

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