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Ms. Hillary Salo
Technical Director
Financial Accounting Standards Board
801 Main Avenue
PO Box 5116
Norwalk, CT 06856-5116
director@fasb.org

File Reference No. 2023-ED200

Dear Ms. Salo:

RSM US LLP is pleased to provide feedback on the Financial Accounting Standards Board's (FASB) proposed Accounting Standards Update (ASU), *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60), Accounting for and Disclosure of Crypto Assets*. We appreciate the FASB's efforts to improve the accounting for and disclosure of certain crypto assets.

Overall, we agree that the amendments in the proposed ASU would provide financial statement users with more decision-useful information than applying current generally accepted accounting principles (GAAP). Specifically, we believe recognizing all changes in the fair value of the crypto assets within the scope of the proposed ASU in net income combined with the enhanced disclosures about the types of and changes in an entity's holdings of crypto assets would improve the value of information provided to financial statement users. However, as noted in our responses to Questions 1, 2 and 8, we believe there are some opportunities for the FASB to improve the understandability of the proposed standard and to expand its scope without delaying the completion of this project.

Our responses to the questions posed in the proposed update, other than those that we believe are best addressed by investors or preparers (Questions 9–12, 16 and 17), are included in the remainder of this letter.

Question 1: Are the proposed scope criteria understandable and operable? Please explain why or why not and, if not, what changes you would make.

We believe the proposed scope criteria are generally understandable and operable for those stakeholders well versed with the subject matter. However, we believe the proposed guidance and its application could be further improved if the Board defined the terms "distributed ledger," "blockchain technology" and "cryptography" used in the scope criteria defined in paragraph 350-60-15-1. In defining these terms, the Board should consider leveraging the definitions in the Blockchain Universal Glossary developed by the American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA), which we believe are widely used by both preparers and auditors.

Criterion (f) of proposed paragraph 350-60-15-1 indicates that crypto assets created or issued by the reporting entity or its related parties are not included in the scope of the proposed ASU. In paragraph BC14 of the proposal's basis for conclusions, we note that the Board clarified that a "miner" is not considered the creator of the newly created crypto assets it receives as consideration for performing services if that is the only involvement an entity has in the creation of the crypto asset. We recommend the Board add this clarification as application guidance to any final ASU issued.

Question 2: Is the population of crypto assets identified by the proposed scope criteria appropriate? Please explain why or why not.

We broadly agree with the scope of the proposed ASU. However, we believe there is an opportunity to scope in additional crypto assets that are substantially the same as those addressed in the Board's proposal, and we believe the FASB can do so without delaying the issuance of a final standard.

Specifically, we believe a crypto asset that otherwise meets the proposed scope criteria except for item (b) of paragraph 350-60-15-1 (because it provides the asset holder with enforceable rights to only another crypto asset that *does* meet all the proposed conditions) should also be subject to the financial reporting requirements of the proposed ASU. One way of revising the proposed guidance to scope in such assets would be to amend criterion (b) of paragraph 350-60-15-1 as follows (added content in *italics* and <u>underlined</u>):

> The guidance in this Subtopic applies to holdings of crypto assets that meet all the following criteria:
>
> a. Meet the definition of **intangible assets** as defined in the Codification Master Glossary
> b. Do not provide the asset holder with enforceable rights to, or claims on, underlying goods, services, or other assets <u>*(other than additional crypto assets that meet the scope criteria of this paragraph)*</u>
> c. Are created or reside on a distributed ledger based on blockchain technology
> d. Are secured through cryptography
> e. Are fungible
> f. Are not created or issued by the reporting entity or its **related parties**

Question 3: The amendments in this proposed Update would apply to all entities, including private companies, not-for-profit entities, and employee benefit plans. Do you agree with that proposal? Please explain why or why not.

For the same reasons stated in paragraphs BC22 to BC24 of the proposed ASU, we agree that the proposed amendments should apply to all entities.

Question 4: The proposed amendments would require that an entity subsequently measure certain crypto assets at fair value in accordance with Topic 820, Fair Value Measurement. Do you agree with that proposed requirement? Please explain why or why not.

We agree that reporting entities should subsequently measure crypto assets within the scope of the proposed ASU at fair value in accordance with Topic 820, *Fair Value Measurement*. Requiring these assets to be subsequently measured at fair value would create further consistency across various financial statements and would provide the broad group of users with more decision-useful information.

Question 5: The Board rejected an alternative that would have prohibited an entity from recognizing an unrealized gain but would still require recognition of losses for a crypto asset measured at fair value in an inactive market and would have required that the entity disclose the current fair value. Would this approach provide more decision-useful information than requiring that an entity recognize those unrealized gains in net income? Please explain why or why not. How would you define an inactive market for this asset class?

We support the Board's decision that would require all changes in the fair value of the crypto assets within the scope of the proposed ASU to be recognized in net income. For many of the same reasons noted in paragraphs BC34 to BC37 of the proposed ASU, we believe the Board's proposal would result in better accounting than the alternative, which would have prohibited an entity from recognizing an unrealized gain, but not unrealized losses, when crypto assets are trading in an "inactive market."

Question 6: The proposed amendments would require that transaction costs to acquire crypto assets, such as commissions and other related transaction fees, be expensed as incurred unless an entity capitalizes those costs in accordance with industry-specific guidance (for example, investment companies within the scope of Topic 946, Financial Services—Investment Companies). Do you agree with that proposed requirement? Please explain why or why not.

For the same reasons noted in paragraph BC29 of the proposed ASU, we support the proposed amendments that would require transactions costs to acquire crypto assets to be expensed as incurred, unless other industry-specific guidance requires such costs to be capitalized.

Question 7: The proposed amendments would require that an entity separately present crypto assets from other intangible assets in the balance sheet and, similarly, separately present changes in the fair value of those crypto assets from amortization or impairment of other intangible assets in the income statement. Do you agree with the proposed presentation requirements? Please explain why or why not.

We support the proposed presentation requirements. Given the significant measurement differences the proposed ASU would introduce for certain crypto assets compared to other intangible assets, we believe presenting those assets separately from other intangible assets on the balance sheet and presenting the changes in the fair value of those assets separately from the amortization or impairment of other intangible assets in the income statement makes sense and would be more responsive to investor requests for information.

Question 8: The proposed amendments would require that for crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash, an entity would classify the cash received as an operating activity in the statement of cash flows. Do you agree with that proposed requirement? Please explain why or why not.

We agree that an entity that receives crypto assets as noncash consideration in the ordinary course of business and converts them nearly immediately into cash should classify the cash received as an operating activity in the statement of cash flows. We believe the proposed guidance in paragraph 230-10-45-27A that clarifies that the term "nearly immediately" refers to a short period of time that is expected to be within hours or a few days, rather than weeks, would help promote more consistent application of the proposed guidance across reporting entities.

To ensure the term "nearly immediately" is applied consistently in paragraph 958-230-55-3, we recommend the following amendment to the Board's proposed guidance. Added content is shown in *italics* and underlined:

> When an NFP reports cash received (or cash receipts from the sale of donated **financial assets** or crypto assets accounted for in accordance with Subtopic 350-60 *(and paragraph 230-10-45-27A)* that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash as discussed in paragraph 230-10-45-21A) with a **donor-imposed restriction** that limits its use to long-term purposes in conformity with paragraph 958-210-45-6, an adjustment to the change in net assets to reconcile to net cash flows from operating activities is necessary when using the indirect method of reporting cash flows in order to present those cash receipts as cash inflows from financing activities as required by paragraph 230-10-45-14(c).

Question 13: The Board concluded that Topic 820 and Topic 850, Related Party Disclosures, provide sufficient guidance for an entity to measure the fair value of crypto assets and evaluate and disclose related party transactions that involve crypto assets. Is that guidance operable and sufficient as it relates to crypto assets? Please explain why or why not.

We believe Topic 820 and Topic 850 provide sufficient and operable guidance for an entity to measure the fair value of crypto assets and evaluate and disclose related party transactions that involve crypto assets.

Question 14: The proposed amendments would require that an entity apply the amendments as of the beginning of the fiscal year of adoption through a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets). Do you agree with the proposed transition guidance? Please explain why or why not.

We support the Board's decision that would require an entity to apply the proposed amendments as of the beginning of the fiscal year of adoption through a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets, as applicable to the reporting entity). However, we would also support allowing reporting entities the option of retrospective application to all periods presented if they believe that consistent presentation for comparative periods provides more decision-useful information to the users of the financial statements.

Question 15: How much time would be needed to implement the proposed amendments? Is additional time needed for entities other than public business entities? Should early adoption be permitted? Please explain your response.

We generally defer to the preparers of financial statements regarding the time needed to implement the Board's proposals. However, in our experience, providing nonpublic business entities with additional time to learn from the transition experiences and interpretations of public business entities is helpful for those entities.

We also believe early adoption should be permitted for all entities because we see no significant detriments by allowing entities to do so.

Question 18: Would the financial reporting and disclosure requirements included in the proposed amendments be auditable? Please explain why or why not.

We believe the proposed reporting and disclosure requirements would be auditable. Auditors are already considering the fair value of these assets when evaluating the reporting entity's impairment analysis under current GAAP. We also believe the proposed disclosure requirements are generally clear and operable. However, as noted in our response to Question 1, we believe there is an opportunity for the Board to provide some additional guidance to further improve the understandability of the scope of crypto assets that would be subject to the proposed amendments, which in turn would also help auditors.

We appreciate the Board's efforts to clarify the accounting for and disclosure of certain crypto assets in accordance with Topic 350. We would be pleased to respond to any questions the Board or its staff may have about our comments and ask that questions be directed to Michael Gaiso at 212.372.1709 or Joseph Cascio at 212.372.1139.

Sincerely,

RSM US LLP

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