

Exposure Draft Questions for Respondents (QFR)

Due: April 18, 2024

Technical Bulletin, Seized and Forfeited Digital Assets

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input checked="" type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

This proposal would clarify existing guidance in Statement of Federal Financial Accounting Standards (SFFAS) 3, *Accounting for Inventory and Related Property*, for seized and forfeited digital assets.

QFR 1 The proposed Technical Bulletin (TB) would clarify that reporting entities should treat central bank digital currencies as monetary instruments and treat all other digital assets (such as cryptocurrencies, stablecoins, non-fungible tokens, etc.) as nonmonetary property when applying the seized and forfeited property guidance in SFFAS 3 to digital assets.

Do you agree or disagree? Please provide the rationale for your answer.

Agree. Digital assets should be classified as General Property since basically, they must be sold before revenue is realized.

QFR 2 The proposed TB would clarify that, for purposes of reporting market value in accordance with the seized and forfeited property guidance in SFFAS 3, reporting entities should translate seized and forfeited foreign central bank digital currencies to

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U.S. dollars at the relevant exchange rate and report a market value for all other seized and forfeited digital assets only if management can determine that a publicly observable active market exists for the specific digital asset.

Do you agree or disagree? Please provide the rationale for your answer.

Agree. In cases where a publicly observable market does not exist, the asset may turn out to be a **non-valued item** and be classified as such in one of the following categories:

Contraband - Any property imported into or exported from a country contrary to its laws.

Counterfeit - This category consists of items that infringe upon trademark, patent or intellectual property laws and are seized by CBP, ICE.

Prohibited Items - Items for which no legal market exists in the United States and which will not be sold for export.

QFR 3 The proposed TB would clarify that reporting entities should apply the existing SFFAS 3 disclosure requirements for seized and forfeited digital assets, including digital assets for which reporting entities cannot determine a market value. The proposed TB would also clarify that SFFAS 3 does not require reporting entities to disclose specific information about individual digital asset seizures or forfeitures.

Do you agree or disagree? Please provide the rationale for your answer.

Agree.

Digital assets is classified as another category of property (either valued or non-valued) and should be treated as such based on existing disclosure requirements.

QFR 4 Do any ambiguous areas remain that could lead to challenges with implementing the SFFAS 3 reporting requirements for seized and forfeited digital assets? If so, please reference the specific issues, applicable guidance, and potential solutions.

Recordation of Value Changes: Value changes for digital assets are generally very material. Considering that historically, these fluctuations have included speculative factors. Reporting positive value changes, may not be consistent with the conservative principle. Going by considerations of the International Financial Reporting Standards, our consideration is not to record positive value changes. Negative value changes may be recorded.

QFR 5 Do you wish to comment on any other specific aspects of this proposal?

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Not at this time.
