

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 type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	Dept of Homeland Security
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Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
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**Please provide your name.**

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Organization:

*Please email your responses to [fasab@fasab.gov](mailto: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. Central bank digital currencies (CBDCs) are another form of official government backed money so they should be treated like cash and coins.

DHS would prefer a transition period be implemented. Until then treat them like all other digital assets.

CBDCs are currently limited in scope as only the Bahamas, Jamaica, and Nigeria have already introduced CBDCs. More than 100 countries are in the exploration stage. The Federal Reserve is looking at this as well but there is no current timeline for implementation. Since the U.S. is not authorizing U.S. CBDCs, there is no available, comparable, or compatible U.S.

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infrastructure that exists to handle CBDCs as cash. Treating CBDCs as cash would mean transferring and securing like cash would be impractical. CBDCs operate on blockchain technology such as Ethereum, and their current characteristics when used in the U.S. are more similar to cryptocurrencies such as stablecoins.

**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 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.**

Yes. Again, it needs to be treated like foreign cash and coin subject to a transition period.

**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. Currently, there so many competing digital assets that it does not make sense to differentiate them. Combining them together provides the necessary information to public readers of the financial statements.

**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.

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There is a possible ambiguous area for government definitions and government guidance. We would like to point out:

*Treasury Financial Crimes Enforcement Network (FINCEN) is still reviewing a public notice on proposed rulemaking for controlling Convertible Virtual Currency, or digital assets with legal tender status (Legal tender digital assets 'LTDA') held in unhosted wallets or held in wallets hosted in a jurisdiction identified by FINCEN. Department of the Treasury Financial Crimes Enforcement Network 31 CFR Parts 1010, 1020, and 1022 RIN 1506-AB47*

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

DHS's opinion is that there should be no recordation in the financial statements and footnotes on any seized property. Only quantity information should be provided. Once ownership is turned over to the federal government, then and only then should a monetary entry be made and reported in the financial statements and footnotes.