

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"/>	
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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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*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.**

We generally agree that digital assets other than central bank digital currencies should be treated as other than monetary assets. We recommend the FASAB change the wording in the proposed guidance to other than monetary, rather than nonmonetary, to be consistent with the existing guidance for seized and forfeited assets in SFFAS 3.

Additionally, we believe the proposed guidance may be challenging to apply to certain stablecoins, because there are scenarios in which a stablecoin would be a monetary asset. For instance, USD Coin is highly liquid and readily convertible to cash either through redemption with the issuer or sale in a secondary market.

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**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.**

We agree that central bank digital currencies should be translated into US dollars at the relevant exchange rate and that digital assets should be reported at market value.

We believe that limiting reporting for digital assets to those with a publicly observable active market may be unintentionally complex. The FASB considered excluding from the scope of its new guidance on accounting for and disclosure of crypto assets without an active market, but it ultimately decided to include them because of the complexity of reporting that could result from a crypto asset moving from within the scope to outside the scope based on changes in the market activity for that asset. While the FASB had additional considerations that would not be applicable under the FASAB's guidance, the complexity that would arise from only recording digital assets with a publicly observable active market under the proposed guidance could result in challenges for preparers and auditors.

**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.**

We agree that entities should apply SFFAS 3 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.

We believe the definition of digital assets in proposed paragraph 8 should state that digital assets are powered by blockchain technology and are secured through cryptography, as commonly referenced in other definitions of digital assets. Without this phrase, the definition in the proposed guidance could be applied to other assets, such as electronic stock certificates. If this was not the intent of the Board, we recommend making this revision.

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Additionally, proposed paragraph 24 would state that judgment should be applied in determining the most appropriate publicly observable active market. We encourage the Board to consider providing guidance to preparers on what factors to consider.

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

We believe the Board should clarify in SFFAS 3 and the proposed guidance whether digital assets, especially those that are forfeited, should be revalued at each reporting date, given the potential volatility in the market for these assets, or whether they should only be valued when seized or forfeited.