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Ms. Sue Lloyd  
Chair of the IFRS Interpretations Committee  
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RE: *Tentative Agenda Decision – Holdings of Cryptocurrencies*

Dear IFRS Interpretations Committee Members:

The Canadian Securities Administrators (CSA) is an organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants Committee is comprised of the Chief Accountants from the provinces of Alberta, British Columbia, Ontario and Quebec. The CSA Chief Accountants Committee appreciates the opportunity to provide our comments on the IFRS Interpretations Committee (IFRS IC) tentative agenda decision (TAD) on *Holdings of Cryptocurrencies*.

In Canada, we have approximately 41 IFRS reporters with cryptocurrency holdings and/or related activities. As can be seen in Appendix I, our research indicates that there are differing accounting practices applied to such holdings, with 76% of entities accounting for cryptocurrency holdings at fair value through profit and loss. In most cases, these entities are applying paragraph 11 of IAS 8, or they consider themselves to be commodity broker-traders in accordance with IAS 2.

We recognize that cryptocurrencies have the definitional elements of intangible assets as described in IAS 38 in that they are identifiable, non-monetary and without physical substance. However, we are concerned that the TAD does not consider IAS 38 in its entirety when analysing the accounting for holdings of cryptocurrencies, under existing IFRSs. Notwithstanding paragraph 5 of the Basis for Conclusion to IAS 38, we think that IAS 38 was not developed for intangible assets such as cryptocurrencies because cryptocurrencies inherently differ in nature from the types of intangible assets discussed in IAS 38 in significant ways:

- The types of intangible assets described in paragraph 9 of IAS 38 (i.e. new processes or systems, licences, intellectual property, etc.) are typically held for use in supporting an entity's operations. Cryptocurrencies, on the other hand, are generally obtained by the entity

for the purposes of generating future economic benefits from their subsequent sale. This contrasts with the examples of future economic benefits that flow from the *use* of an intangible asset in combination with other assets and resources listed in paragraph 17 of IAS 38 (i.e. revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity).

- Cryptocurrencies tend to be volatile – they are short-term assets that are often held for speculative purposes, and that can be used for exchange for goods or services. These characteristics are unique to cryptocurrencies and were not contemplated when developing IAS 38.

As such, we think IAS 38 produces information that may not be the most useful. Under IAS 38, cryptocurrencies are carried at either cost or a revalued amount. The cost model results in a historical measurement and does not provide current information. IAS 38 permits a revaluation approach when an active market exists, with revaluation changes (other than impairments) not being reflected in profit or loss. Consequently, even if it can be demonstrated an active market exists, profit and loss does not reflect the performance of the cryptocurrency asset.

We note that several IFRS IC members and IASB Board members have expressed significant concern in public meetings about whether IAS 38 provides the most useful information, if applied to holdings of cryptocurrencies. We share these concerns. If the IFRS IC ultimately believes that IAS 38 is not an appropriate standard, then in our view, the IFRS IC should not issue the TAD. Rather, the IASB should re-consider what is an appropriate course of action, such as a narrow scope amendment to IAS 38 by removing cryptocurrencies from its scope, while continuing to monitor the prevalence of cryptocurrency holdings by IFRS reporters in order to determine if more targeted standard setting is required.

If you have any questions about this letter, please do not hesitate to contact us.

Yours truly,

#### **The CSA Chief Accountants Committee**

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## Appendix I – Canadian Cryptocurrency Landscape

<u>Standard Applied</u>	<u>Number of Entities</u>	<u>Percentage</u>
IAS 8.11 (to arrive at FVTPL)	16	39 %
IAS 2.3(b)*	11	27 %
IFRS 9 – FVTPL	4	10 %
IAS 38 – Cost Model	1	2 %
IAS 38 – Revaluation Model	4	10 %
Not determinable	5	12 %
<b>Total</b>	<b>41</b>	<b>100%</b>

*\* We note that over half of the entities in this category are cryptocurrency miners.*