



Accounting treatment of ICOs (« *Initial Coin Offerings* ») and tokens in France

(December 2018)

Key features

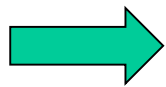
1. Due process and approach

- One year due process under the leadership of ANC (the French accounting standards authority: all stakeholders involved (ACPR/Banque de France, AMF, preparers and auditors).
- Accounting regulation approved by ANC's Board on December 10th in the general context of PACTE law (underway in the French Parliament and expected in first half of 2019).
- Platforms not addressed in the regulation at this stage due to the need for additional legal clarification (expected from PACTE law).
- Due to innovative nature of the topic:
 - a principle-based approach for issuers and holders of tokens;
 - assessment of relevance of regulation on a regular basis. Additions and amendments when necessary.

2. Accounting treatment of tokens for issuers (1/3)

➤ **Basis: accounting based on the commitments made by the issuer regarding each token category issued**

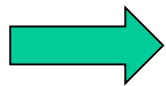
- As expressed in the white paper of the ICO and any other relevant document,
- As reflected in a comprehensive note to the financial statements.



Transparency based on description of commitments that may be very diverse in an innovative environment

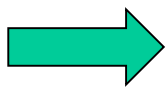
➤ **Preliminary distinction between two categories of tokens:**

- **Tokens having characteristics similar to known security or equity instruments**
(shares, bonds, other)



Accounting treatment following standards for similar financial instruments

- **Tokens having characteristics other than of known security or equity instruments :**



Sub-categorisation according to commitments made

2. Accounting treatment of tokens for issuers (2/3)

- **Sub-categorisation of tokens having characteristics other than known security or equity instruments:**
 - **Debt → liability** (extinguishment according to commitment)
 - **Future services (or future delivery of goods) → deferred turnover**
 - Include utility tokens and payment/exchange tokens
 - Liability on issuance
 - Transfer to P&L according to delivery of services (or goods)
 - **No commitment → P&L as a counterpart on issuance**

2. Accounting treatment of tokens for issuers (3/3)

- **Amount recorded:**
 - Price paid by subscribers
 - Net of VAT or similar taxes if any (recorded independently)
 - If paid via tokens: conversion of tokens received in euros at market value on issuance

- **In case of tokens with hybrid nature:** allocation to the various categories.

- **In case of conditions/disclaimers,** clear disclosures on impact on accounting treatment on occurrence.

- **Tokens allocated to employees and other contributors to the activities of the issuer at privilege conditions:** recording of discount by reference to price paid by independent third parties (or market value in case of absence of subscription open to such parties at the date of allocation).

3. Accounting treatment of tokens for holders

- **Basis: distinction according to the purpose of the holder:**
 - Either for own use
 - Or for investment.

- **Tokens held for own use:**
 - Recorded as an intangible fixed asset
 - Amortised over useful life (period of expected services)
 - If goods to be delivered, pre-payment, then inventory (for sale) or fixed asset (for own use).

- **Tokens held as investment:**
 - Specific investment category
 - Valuation at fair value
 - Fair value gains or losses deferred until realisation
 - In case of deferred losses position, provision to P&L for the amount
 - Full disclosures on conditions of fair value determination due to current characteristics of markets.