



GENERAL QUESTIONS

QUESTION 1 - USE OF CRYPTO-ASSETS (LIABILITIES)

Please describe the areas in which your company (or institutional clients) use or expect to use crypto-assets (liabilities).

What are the main factors influencing the usage of crypto-assets (liabilities)?

For what purposes are crypto-assets usually held or issued by your company or institutional clients?

N/A

QUESTION 2 – WAY FORWARD

Question 2.1. As detailed in Chapters 3 and 4, this DP proposes that there is need to address accounting topics, not in scope of the IFRS IC agenda decision on cryptocurrencies and to include unaddressed holders' and issuers' accounting topics.

Do you agree that there is need to address accounting topics not in scope of the IFRS IC agenda decision on cryptocurrencies? Please explain.

It would be necessary to address all those issues that have been left out of the scope of the IFRIC decision, which only focus on certain operations. Although the wide range of operations were not considered because they were, at that moment, minority, it is foreseeable that, in the future, all these types of operations will increase significantly. The rest of the topics that are not included in the scope of the IFRIC decision must be accounted for following the existing IFRS Standards in application of IAS 8. However, this leads to a lot of diversity in the way these



products are accounted for and does less comparable the financial information between companies.

In addition, the fact that there is no regulation can lead to insecurity in entities when making use of these crypto assets / liabilities, since as has been seen throughout the DP, there is no a single way to give them an accounting treatment.

Question 2.2. Chapter 6 and Paragraphs ES35 to ES46 of the executive summary section analyses three possible approaches on the way forward for addressing IFRS requirements. Chapter 6: Paragraph 6.26, Table 6.1 outlines the pros and cons of each option. The three options are as follows:

- **Option 1: No amendment to existing IFRS requirements;**
- **Option 2: Amend and/or clarify existing IFRS requirements; and**
- **Option 3: A new Standard on crypto-assets (liabilities) or digital assets (liabilities).**

Which of the three options do you consider to be the most appropriate solution to address IFRS requirements?

Alternatively, please elaborate if you consider there to be other possible approaches towards clarifying and developing IFRS requirements for crypto-assets. If a new standard is to be developed, what should be in its scope?

We consider that of the three options the most appropriate is option 3, since option 1 it would mean to maintain the current situation and, as we said in the above question, it would cause the rise of a lot of diversity and uncertainty when it comes to acting with crypto assets, taking into account the size that crypto assets are acquiring and what they are expected to achieve.

Option 2 could be an intermediate solution, complementary to option 3. Notwithstanding, it may be complicated to implement since the introduction of modifications in the other standards it could have unexpected collateral effects. On the other hand, there are several rules in which modifications would have to be made, so it would be possible to make this



option partially, for example while developing a rule that in the future addresses all crypto assets / liabilities. In addition, this option may have the added problem that the modifications would be made with the crypto assets that currently exist in mind but being a sector that is just starting and is continually evolving. This could result in successive modifications of several same standards to adapt them to possible new products.

We support option 3, a new standard that could accommodate both, crypto assets / liabilities, and the activities that are generated around them. Although, this option may be slower to implement, we do not consider this as negative because of the changing environment of crypto-asset sector, so the standard-setting process could gradually incorporate possible qualitative changes in the sector and its use expands quantitatively (some think that the revolution of crypto-assets and blockchain could suffer a generalization like the one that has occurred with the Internet).

In case of creating a new standard, it would be desirable the scope to include:

- Crypto-assets (liabilities): understood in the broad aspect that is provided in the definition of this DP (Virtual assets that depend on cryptography, which are based on networks, whether centralized or decentralized, with or without)
- The operations of issuance, purchase, holding and sale of crypto assets, as well as any other activity that may arise in relation to crypto assets (for example, the activities of Exchanges)
- The scope of the standard should be wide so that it is open to the evolution of this market in some unpredictable way.
- It could be considered to include in the scope the possession of raw materials (commodities) or those assets that are acquired to speculate, as well as intangibles that are not realized through the entity's activity.

SPECIFIC QUESTIONS ON ACCOUNTING REQUIREMENTS

QUESTION 3 - ACCOUNTING FOR HOLDERS



Question 3.1. This DP (Chapter 3: Paragraphs 3.37 to 3.41) has identified that applicable IFRS Standards for crypto-assets holders (IAS 2 and IAS 38) do not explicitly address situations where crypto-assets are considered to be held as nonfinancial asset investments. Furthermore, as outlined in Chapter 3: Paragraphs 3.42 to 3.48, there are situations where the measurement requirements under IAS 2 or IAS 38 may not allow FVPL or FVOCI to reflect the economic characteristics of crypto-assets with trading or investment asset attributes. For example, under IAS 38, FVOCI is only allowed if there is an active market.

Do you agree that standard-setting activity is needed to address the limitations of IAS 2 and IAS 38 requirements towards addressing non-financial asset investments; namely that: IAS 38 does not allow FVPL when cryptocurrencies are held as trading or investment assets; and IAS 38 does not allow fair value measurement when markets are inactive?

We consider that in the same way that a separate standard has been made to reflect the characteristics of real estate assets, a separate standard should be developed that considers the particularities of these assets, so that they faithfully reflect the economic background of the holding of these assets. In this way, it could be considered how to measure the fair value of these assets with more appropriate forms of action than just whether the markets are active or not.

On the other hand, IAS 38, when it addresses the valuation of intangible assets, has in mind assets with very different characteristics from those of crypto assets. Therefore, when valuing these, or registering them in books, it does not provide useful guidance. For example, this standard focuses on research and development expenses and for crypto assets the guidance should be very different.

At the time IAS 2 and IAS 38 were developed, the option for accounting for inventories or intangible assets for investment purposes was not considered, that is to say, the asset is expected to be realized or it is intended to sell or consume it in its normal operating cycle. Therefore, the measurement approaches were established only considering the realization of these assets through the normal cycle of the entity that owns them. However, although IAS 38 establishes that the purpose for which an entity maintains an element with these



characteristics is not relevant for its classification as intangible and that all those elements must be within the scope of the standard, it would be more transparent and it would provide more adequate information if intangible assets were separated as it was done with IAS 40 *Real Estate Investments* in order to be able to account for them more adequately with the economic fund of the operation that actually leads the entity to keep those assets on balance.

Question 3.2.

Do you agree that there is need to clarify crypto-asset holders' eligibility to apply IFRS 9? Please explain.

Do you have views on whether or not IAS 32 needs to be updated to include crypto-assets (tokens) with functional equivalence to equity or debt securities, within the IAS 32 definition of financial instruments (financial assets for holders and financial liabilities for issuers) or alternatively whether crypto-assets should be classified as a unique asset and allowing accounting treatment similar to financial instruments where appropriate? Please explain.

There are many crypto assets that comply with the economic background of financial assets, therefore it would be coherent that the same criteria could be applied as in the classification and valuation of IFRS 9. However, due to the diversity of situations that can occur in the holding of crypto-assets and the diversity of characteristics that these may have, it may be necessary to clarify the criteria that holders must meet in order to apply IFRS 9.

Regarding whether the modification of IAS 32 to include crypto-assets (liabilities), we consider that it would be more appropriate to classify crypto assets as a unique asset and to allow an accounting treatment similar to financial instruments to where appropriate, since there are some crypto assets with very specific characteristics that give them their own entity.

Question 3.3.

Do you have views on whether or not the definition of cash or cash equivalents needs to be updated?



Updating the definition of cash or cash equivalents to accommodate crypto assets that have very similar characteristics to these but also have some peculiarities could have unexpected consequences. We think that IFRS Standards should respect the monetary decisions taken by the monetary authorities who have the competence of the issuance of the national currencies. If the development of central banks digital currencies becomes a fact, this type of crypto-asset could be included in cash, without the need of modifying its accounting definition.

Question 3.4.

This DP (Chapter 3: Paragraphs 3.79 to 3.93) proposes that the clarification of IFRS requirements is needed for holders on behalf of others (e.g. custodial services) including on interpretation of the indicators of economic control.

Clarification is also needed for accounting by holders of utility tokens and hybrid tokens, and for holdings arising from barter transactions and proof-of-work mining activities (Chapter 3: Paragraphs 3.64 to 3.76). For hybrid tokens, there is a question of whether the predominant component should be considered or if/how bifurcation principles should be applied to determine their classification and measurement. For utility tokens, there is also a question of the appropriate recognition and measurement of atypical tradeable rights (e.g. rights to update network functionality; and rights to contribute resources and effort to the system) and the lack of IFRS guidance for prepayment assets.

Do you agree that the aforementioned areas need clarification in IFRS requirements as has been identified in this DP?

A clarification would be necessary, either by giving guidelines to apply in existing standards or by issuing a new IFRS that regulates crypto assets. This topic is very broad and can lead to a lot of diversity in the way of accounting among the holders if it is not regulated. In fact, this diversity could generate that the same crypto-asset is recorded as an asset by the depositing client and by the intermediary agent at the same time.

QUESTION 4 - ACCOUNTING FOR ISSUERS



Question 4.1.

This DP (Chapter 4: Paragraphs 4.23 to 4.29) concludes that in the absence of clarification by the IASB, the preliminary conclusion of this research is that ICO issuers (and issuers in similar offerings) can apply one or a combination of the following IFRS Standards: IFRS 9 *Financial Instruments*, IAS 32 *Financial Instruments: Presentation*, IFRS 15 *Revenue from Contracts with Customers*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IFRS 13 *Fair Value Measurement*.

Do you consider that existing IFRS Standards provide a suitable basis to account for crypto-liabilities by issuers of ICOs, IEOs and STOs? Please explain.

Existing IFRS Standards may provide an adequate basis for accounting for these operations, but in some cases, due to the characteristics of the ICO, it may be difficult to determine which part of the issuance has to be accounted for with each of the existing standards, since issuers, in the development of its ICO, are not thinking about the existing products on the market, which are those that until now fit adequately with the IFRS standards. The product that it will be develop and tailored to its needs will become more complicated to address and it will be easier if the final product looks more like a product on the conventional market. Probably, in certain circumstances, the issuer will need a lot of judgment to, with the existing rules, give an accounting treatment to the operation which reflects the true image. For example, in issuances in which the ICO contains particular conditions, hybrid tokens, prefunctional Tokens (SAFT) that are refundable until the issuance is firm, or in the case of own tokens delivered or received in exchange for services to third parties.

Question 4.2

The DP (Chapter 4: Paragraph 4.28) highlights a number of areas that could pose concerns with the application of IFRS 15 for an entity issuing crypto-assets through ICOs (or other offerings such as IEOs and STOs).



In cases when an issuing entity establishes that the issuance of crypto-assets falls within the scope of IFRS 15, which areas, if any, would you consider need further guidance/clarification for an entity to apply the principles in IFRS 15?

Please explain.

We consider that it will be necessary more guidance for those issuances in which the crypto-asset is issued with an associated service, but the acquirer obtains it as a store of value. It may be because there is a market that values the crypto-asset more than the service worths, or because it is expected that said service has more value in the future.

The tokens that are reacquired by the issuing company either by acquiring them in the market would also need clarification or it could also be that they are accepted as a means of payment in exchange for goods or services.

The costs of the issue would also need further clarification, as these costs should be treated in a similar way to the costs in the provision of services, to the extent that current income is to be obtained. In addition, it would be necessary to regulate what should be the treatment of costs in those issues that have a certain risk of not going ahead and it is necessary to return the amounts obtained.

Question 4.3.

The DP (Chapter 4: Paragraphs 4.25 and 4.29) highlights a number of areas that could pose concerns with the application of IAS 37 for an entity issuing crypto-assets through ICO (or other offerings such as IEOs and STOs).

In cases when an issuing entity establishes that the issuance of crypto-liabilities qualify as a financial liability under IAS 32/IFRS 9 or as a provision under IAS 37, which areas, if any, would you consider need further guidance/clarification for an entity to apply these Standards? Please explain.

We consider that the treatment of issuance costs when issuing a financial liability, as well as in hybrid tokens, it would need additional guidance about which part is considered a liability.



QUESTION 5 - VALUATION

Question 5.1.

The DP (Chapter 5: Paragraphs 5.44 and 5.45) observes that when considering fair value measurement under IFRS 13, determining an active market for crypto-assets is not always straightforward.

Do you consider that the guidance in IFRS 13 provides an adequate basis to determine an active market for crypto-assets (and, if applicable, related crypto-liabilities) when these are measured at fair value?

The crypto-assets business has particularities that significantly affect transactions with crypto-assets and the traditional conception of an active market may not provide an adequate basis for determining the markets where crypto-assets transactions take place.

Question 5.2.

The DP (Chapter 5: Paragraph 5.42) observes that there is an emergence of valuation methodologies, that might differ from the fair value measurement guidance in IFRS 13, tailored for crypto-assets.

In the absence of an active market under IFRS 13, do you consider that IFRS 13 provides an adequate basis to determine an appropriate valuation technique to measure crypto-assets (and, if applicable, related crypto-liabilities) at fair value? If not, what alternative measurement bases do you propose?

We believe that it would be necessary to clarify IFRS 13 so that the guidelines they contemplate can be applicable to crypto-assets, since they are very complex assets to measure in a very changing environment.

In some cases, crypto assets can be exchanged in markets that are not considered an active market according to the definition of IFRS 13 but that offer a more adequate valuation than the



alternatives proposed by the standard at level 2. As seen in this DP, the variety of crypto assets is so great that finding a similar asset in an active market can be very difficult. So, it would be good to adapt the fair value hierarchy to specify the variables of level 2 and level 3 based on the general model of the crypto-assets sector and not so much on the crypto-assets that exist today. It would be more appropriate to address this problem in the Standard of crypto-assets instead of changing IFRS 13.

On the other hand, the historical value may be of no interest at the information level since crypto-assets, as they are currently known, have so much volatility that it can make traditional valuations not provide relevant information from the point of view of information in financial statements.

QUESTION 6 - OTHER

Question 6.1. *Do you have other comments on the accounting for crypto-assets (liabilities), or on any other matter in the DP not addressed by the above questions?*

Crypto-assets have particular characteristics that substantially differentiate them from other assets, although in the background they have similarities with some of the, as securities, monetary assets, services and commodities. So, in the long run the best option would be to consider all these assets and liabilities in a own group. Currently, the volume of crypto-assets in entities that report under IFRS would not justify the creation of a new standard, however, according to some information sectors, crypto-assets could reach a very significant prevalence in the medium term. It would be desirable that the standard-setting process initiates the research to be prepared in case the publication of the new standard would become indispensable.