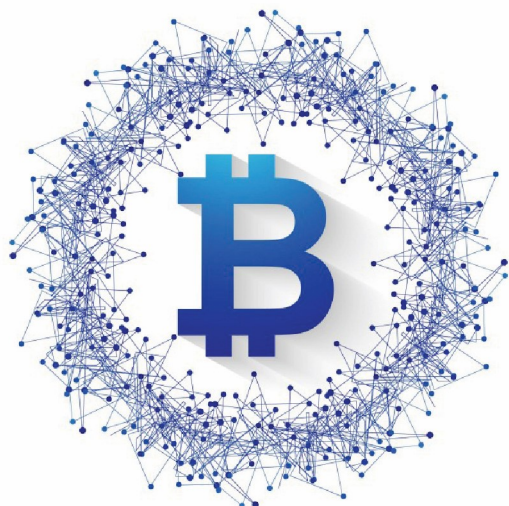


IFRS Update

Holding Of Cryptocurrencies

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Excellence is our aim.
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During the last meeting held by the IFRS Interpretations Committee (IFRIC) the subject of holding cryptocurrencies was brought up.

A tentative decision was taken to not add them to the standard-setting agenda (to be re-considered).

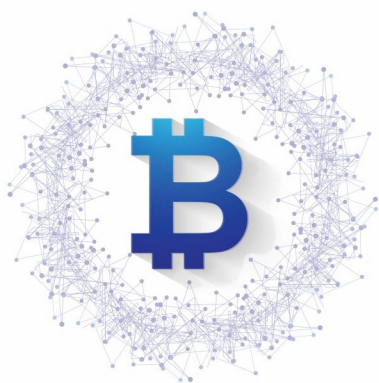
It is important to mention that although there is a wide array of crypto assets, only cryptocurrencies were subject to this discussion. Cryptocurrencies have the following characteristics:

1. A cryptocurrency is a digital or virtual currency that is recorded on a distributed ledger and uses cryptography for security.
2. A cryptocurrency is not issued by a jurisdictional authority or other party.
3. A holding of a cryptocurrency does not give rise to a contract between the holder and another party.

The Committee made a number of important observations in relation to cryptocurrencies:

- 01 **Observation:** Cryptocurrency meets the definition of an intangible asset in IAS 38.
- 02 **Observation:** If cryptocurrencies are held for sale in the ordinary course of business, IAS 2 applies. Otherwise, IAS 38 applies.
- 03 **Observation:** Cryptocurrency held is not cash, since the definition of cash under IAS 32 implies that cash is expected to be used as a medium of exchange, and as the monetary unit in pricing to such an extent that it would be the basis on which all transactions are measured and recognised. The Committee is not aware of cryptocurrency being used in this way and to such great extent.
- 04 **Observation:** Cryptocurrency held is no other type of financial asset either, since it isn't an equity instrument of another entity, and it doesn't give rise to a contractual right to the holder. Due to this, IAS 38 can still be followed, since IAS 38 scopes out financial assets.
- 05 **Observation:** Entities acting as broker-traders of cryptocurrencies are to follow IAS 2's requirements for commodity broker-traders who measure their inventories at fair value less costs to sell. Broker-traders are those who buy or sell commodities for others or on their own account. Such inventories of cryptocurrencies would presumably be acquired with the purpose of selling in the near future and generating a profit from fluctuations in prices or broker-traders' margins.
- 06 **Observation:** In addition to disclosures required by the above-mentioned standards, holders of cryptocurrency are to also consider disclosure requirements in other standards, if applicable, that is:

- IFRS 13 'Fair Value Measurement' disclosure requirements.
- IAS 1 'Presentation of Financial Statements' disclosure requirements in relation to judgements made by management.
- IAS 10 'Events after the Reporting Period' disclosure requirements in relation to material non-adjusting events. For instance, an entity holding cryptocurrencies would consider whether fair value changes after reporting period are so significant that non-disclosure could impact users' decisions.



Should you require any assistance or advice on the matter please contact
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