

June 26, 2025

Via electronic submission to: director@fasb.org

Mr. Jackson M. Day
Technical Director
File Reference No. **2025-ITC100**
FASB
801 Main Avenue
PO Box 5116
Norwalk, CT 06856-5116

Dear Mr. Day:

We appreciate the opportunity to comment on the Financial Accounting Standards Board's (the "FASB" or the "Board") Invitation to Comment – Agenda Consultation ("ITC"). We support the Board's mission to establish and improve financial accounting and reporting standards and we believe that a transparent process is critical to provide investors and other marketplace participants with decision useful information.

Founded in 2011, Kraken is one of the world's longest-standing and most secure crypto platforms. Our mission is to accelerate the global adoption of cryptocurrency, so that everyone can achieve financial freedom and inclusion. Globally, Kraken clients trade more than 400 digital assets and 6 different national currencies. Trusted by more than 15 million institutions, professional traders and consumers, Kraken is one of the fastest, most liquid and performant trading platforms available in the digital asset space. Kraken has set the industry standard for transparency and client trust and was the first crypto platform to conduct Proof of Reserves. Visit www.kraken.com for more information about our products and services.

We recognize and applaud the Board's engagement with us and the broader digital asset industry to date. We wholly supported the issuance of ASU 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60) ("ASU 2023-08"); we considered that to be the first in a phased approach in addressing accounting for digital assets. While great strides have been made, there is still significant work to do to align guidance with certain emerging issues within the digital asset industry.

As discussed herein, we do not believe that the current accounting standards as applied to digital assets in all situations faithfully represent the economic substance of such transactions nor provide decision-useful information.

We believe there is an urgent need for additional authoritative guidance in several areas, such as:

- Presentation of trading and transaction activities
- Stablecoins
- Crypto-based loans receivable
- Wrapped tokens

We appreciate your consideration of our comments. Our responses to select ITC questions are included in the Appendix to this letter. In light of the growing prominence of cryptocurrencies and digital assets within financial markets, there is an urgent need for timely and consistent accounting guidance. Given the pace of innovation and the diversity of use cases for crypto assets, we recommend that the FASB consider utilizing the Emerging Issues Task Force (EITF) to evaluate and address cryptocurrency accounting issues. The EITF's structure and historical effectiveness in resolving narrow, practice-specific questions make it well-suited for this task.

We would be pleased to discuss our views with you. If you have any questions about our comments or wish to discuss the matters addressed in this comment letter response, please contact myself or Kimberly Walsh @ kim.walsh@kraken.com.

Sincerely,

/s/ Rob Loban

Chief Accounting Officer
rob.loban@kraken.com

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Appendix - Questions for Respondents

Select Overall Questions for Respondents

Question 1: Please describe what type of stakeholder you (or your organization) are from the list below, including a discussion of your background and what your point of view is when responding to this ITC:

We are a private company preparer.

Question 2: Which topics in this ITC, including those related to current technical and research agenda projects, should be a top priority for the Board?

We believe that digital assets accounting should be a priority for the Board. The size of the crypto asset market is approximately $3.5 trillion as of the date of this letter and it continues to grow in size and breadth of holders.

Chapter 3—Intangibles
Crypto Assets

Question 24: What challenges, if any, are there in applying current recognition and derecognition guidance to crypto asset transactions? Are there specific transactions that are more challenging? If so, how pervasive are those transactions and does the application of the current guidance appropriately portray the economics of those transactions (and if not, why)? Please explain, including whether and how these challenges could be addressed through standard setting.

Overall, many of the technical accounting issues encountered by preparers are rooted in the fact that digital assets, that function as a store of value and sometimes as a form of payment or "money," are restricted from accounting guidance for financial assets and financial instruments and are relegated to the limited guidance available for intangible assets. Intangible assets classification has resulted in preparers having to address numerous challenges fitting what we believe to be a financial asset into intangible asset guidance.

We believe an expansion of the scope of ASU 2023-08 to include more digital assets, including but not limited to wrapped tokens for which the underlying is considered a crypto asset, would be one step towards resolving this issue and provide a cost benefit by reducing the number of accounting applications needed for similar assets. Additionally, we believe that certain stablecoins[1] should be explicitly bifurcated out of the digital asset definition.

Another example is the accounting for crypto-based lending transactions. Because digital assets are designated as an intangible asset they do not meet the scope of Topic 310, Receivables ("Topic 310"), as either a loan or a financing receivable each of which is defined as the right to receive "money." In response to specific pre-clearances which highlighted that crypto lending transactions were not being

[1] Statement on Stablecoins, SEC Division of Corporate Finance, April 4, 2025, https://www.sec.gov/newsroom/speeches-statements/statement-stablecoins-040425

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accounted for as lending or receivable assets, and therefore not subject to an assessment of credit losses, the SEC promulgated guidance for crypto-lending transactions at the 2022 and 2023 AICPA & CIMA Conference on Current SEC and PCAOB Developments in the form of panel remarks (collectively the "SEC Conference Remarks"). This guidance was communicated informally and has been further interpreted by a finite number of preparers and auditors in attendance as to its application. Because this accounting principal was not vetted in a public forum, numerous practice issues have arisen. For example, the SEC Conference Remarks precedes ASU 2023-08 and therefore it is unclear whether the SEC's use of the term "crypto assets" is aligned with the same term used and defined in ASU 2023-08. This is further exacerbated by the uncertainty of whether the SEC Speech intended to encompass other digital assets, like stablecoins or wrapped tokens excluded from the scope of ASU 2023-08. Lastly, interpretations of certain aspects of those statements are included in the AICPA's Digital Asset Working Group's practice aids, which are non-authoritative, but are widely referenced by preparers in the field.

We are requesting clarity in the form of codification for crypto lending activities. An expansion or interpretation of the scope of Topic 310, by a.) defining the term "money" as used in the definitions of both Loans and Financing Receivables in the Master Glossary in a way that includes crypto assets and stablecoins loaned, b.) amending the guidance in ASC 310-10-15-2 to include digital assets loaned as an identified asset category listed as instruments and transactions subject to the guidance in Topic 310, and c.) providing interpretive guidance that certain digital assets qualify as cash and cash equivalents if they are highly liquid investments and readily convertible to known amounts of cash and therefore meet the definition of "money" as used in the definitions of Loans and Financing Receivables and therefore subject to Topic 310. See our further discussion of cash equivalents in our response to Question 29.

Chapter 4—Other Assets and Liabilities
Definition of Cash Equivalents

Question 29: Should the FASB reconsider the definition of cash equivalents and consider including other assets that are easily liquidated? If so, what types of assets should be added to the definition of cash equivalents? Please explain.

Yes, we believe the FASB should consider defining the term stablecoins and refining the definition of cash equivalents to include certain covered[2] and other non-USD fiat backed stablecoins. At present, industry participants broadly consider stablecoins as part of an overall liquidity profile but have largely stopped short of reporting stablecoins as cash equivalents due to ambiguity in the definition of cash equivalents. Like cash, stablecoins allow for instantaneous settlement with precision and, in addition, allow for extended cut-off times. The US Treasury Department recently noted that the use of stablecoins has grown readily because they are effectively more liquid than cash, the "*Stablecoins (market cap of ~$234bn) are ubiquitously utilized as "cash on-chain," effectively serving as a new payment mechanism*".[3] We believe that the inclusion of certain stablecoins as cash equivalents would be more

[2] SEC Statement on Stablecoins, April 4, 2025, https://www.sec.gov/newsroom/speeches-statements/statement-stablecoins-040425

[3] Digital Money, TBAC Presentation, April 30, 2025, https://home.treasury.gov/system/files/221/TBACCharge2Q22025.pdf

representationally faithful of liquidity and gives users more decision useful information in evaluating a company's financial position.

We believe that certain stablecoins, like those pegged to one US dollar, to be "Readily convertible to known amounts of cash" as that phrase is used in the definition of Cash Equivalents in the Master Glossary. However, we believe that the inclusion of stablecoins in the definition of cash equivalents would require the Board to define the characteristics that would need to be present for a digital asset to meet the definition of a stablecoin cash equivalent. There are currently several definitions of a stablecoin available to draw upon worldwide. We believe that the definition provided in the SEC's Statement on Stablecoins[4] and the GENIUS Act[5] could provide an appropriate and workable starting point to a framework that could assist holders of stablecoins in their consideration of cash equivalents. By codifying the definition and application of stablecoins that qualify as a cash equivalent, the Board will reduce diversity in practice resulting from practitioners and auditors interpreting ambiguous, non-authoritative guidance and industry practice.

Chapter 6—Income and Expenses
Principal versus Agent Considerations

Question 38: What challenges, if any, do entities encounter in evaluating whether they are acting as a principal versus an agent? Are there instances where the accounting does not appropriately reflect the economics of the transactions? Please explain, including the pervasiveness of those challenges, the industries and transactions for which the accounting could be improved, and whether and how those challenges and improvements could be addressed through standard setting.

Generally, we have not experienced any challenges in evaluating whether we are acting as a principal versus an agent in transactions with customers as prescribed by Topic 606, Revenue from Contracts with Customers ("Topic 606"). However, we believe that digital asset ***trading activity*** reported gross under the principal versus agent guidance does not faithfully represent our financial results, nor the economics, of our business activities. As currently interpreted by industry participants, diversity in practice has emerged making peer analysis of performance and trends difficult, if not impossible.

As digital asset trading activities settle in minutes and hours rather than weeks or months, we believe that there is little to no useful information to be gleaned from gross presentation. In fact, we believe the opposite is true - that we are grossly misrepresenting our revenue to users of our financial statements. Gross information in this context conveys data on volumes of activity, not revenue.

As a digital asset exchange, our primary business is to transact for and with our customers in the exchange of digital assets by 1.) providing a matching service (customer-to-customer), 2.) fulfilling customer orders from our own proprietary inventory of digital assets, or 3.) filling customer orders by identifying an offsetting trade in the market place and executing that trade with the intention of

[4] ibid

[5] Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS ACT), The GENIUS ACT, S. 1582 defines *payment stablecoins* as digital assets issued for payment or settlement (including as margin or collateral) and redeemable at a predetermined fixed amount (e.g., $1)



fulfilling a customer's order on a specific identification basis. The economics of each of these three trading activity scenarios are the same – we earn a spread and/or a fee on the buy and/or sell side of the transactions. We manage our business based on these fees and spreads but the accounting presentation of certain of these transactions are markedly different.

We believe that the revenue associated with trading activity with customers should be presented on a net basis in all instances described above. We believe that gross presentation in the income statement to be misleading to users of our financial statements and we often find ourselves tasked with explaining the difference between the accounting for such transactions as compared to the economics of those activities. We strongly believe that the accounting presentation should reflect the economics in these situations with a net basis reporting.

For comparison, traditional broker-dealers performing the same activities are permitted to report similar transactions in securities on a net basis based on industry specific guidance. Specifically, ASC 940-320-45-5 states: "Trading gains and losses, which are composed of both realized and unrealized gains and losses, shall generally be presented net." Trading, as defined in the Master Glossary states that Trading is "An activity involving securities sold in the near term and held for only a short period of time. The term trading contemplates a holding period generally measured in hours and days rather than months or years." And in identifying which activities warrant consideration as trading activities the guidance offers, "The determination of what constitutes trading purposes is based on the intent of the issuer or holder and shall be consistent with the definition of trading." We believe that our trading activities in digital assets should be clearly codified as meeting the definition of trading activities and therefore reported net.

As previously discussed, the primary challenge in accounting for digital assets is their classification as an intangible asset. Due to the intangible asset classification, long-established and well-vetted and understood accounting principles are not available for use for digital assets. Since digital assets are not considered a financial asset, the scope exceptions of ASCs 610-20-15-4 or 606-10-15-2 is not applicable though many practitioners analogize to this for management reporting purposes.

To emphasize the incongruence of intangible asset classification for crypto assets, when applied against broader GAAP, we refer you to SFAS No. 140, paragraph 148 of Appendix B, Background Information and Basis for Conclusions. There the then Board discussed the exclusion of nonfinancial assets from the scope of what became Topic 860, because they believed that "management skill plays a considerable role in obtaining the greatest value from those assets" said another way, intangible assets need to be managed to extract their value – this is clearly not the case with crypto assets where there is a readily determinable principal market not controlled by management.

Another example is trading activities in tokenized securities which may be accounted for under Topic 320 and Topic 321 where gains and losses from trading activities are reported net. Investors and dealers in tokenized securities and crypto assets don't necessarily view these instruments differently. Tokenized securities accounted for under Topic 320 or Topic 321 would be excluded from consideration in ASC 610-20 and ASC 606-10 but a crypto asset, defined as an intangible, would not be afforded those scope exceptions and therefore be subject to Topic 606, including the principal versus agent guidance.

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As a path forward, we believe that the financial reporting for trading activities in digital assets can be improved through the standard-setting process that more appropriately matches their economics. Understanding that such a pervasive change to the current guidance would need to be undertaken in a large scope project, we respectfully submit the following proposals for consideration:

Proposal #1
We believe an amendment to Subtopic 350-60 for crypto assets would permit trading activities to be reported based on their economics and provide decision useful information to our stakeholders. We believe that a targeted improvement to Subtopic 350-60 will limit the impact of the change to the digital assets being targeted for improvement in this response.

We propose the following new guidance for crypto asset trading activities:

> 350-60-45-2A Realized trading gains and losses from transacting in crypto assets, and stemming from a company's normal course revenue generating operations, shall be presented net.

Proposal #2
We feel that the following scope exemption, along with the addition of the proposed 350-60-45-2A above would allow trading activities associated with digital assets to be presented in a way to best represent their economics and would provide decision useful information to our stakeholders:

> 606-10-15-2.f. Topic 350-60, Intangibles – Goodwill and Other – Crypto Assets

We urge the Board to take up the presentation of trading activities in digital assets as soon as practical.

Chapter 7—Presentation and Disclosure of Financial Reporting Information
Outdated Disclosures
Statement of Cash Flows

Question 52: Should the FASB pursue a project on the statement of cash flows? If yes, which improvements, if any, are most important? Should the FASB leverage the current guidance in Topic 230, Statement of Cash Flows? If yes, would it be preferable to retain the direct method, the indirect method, or both? Should this potential project be a broad project applicable to all entities that provide a statement of cash flows11 or limited to certain entities or industries? Please explain.

We do not believe that the FASB should pursue a project on the statement of cash flows, however, we do believe that the guidance would benefit from limited scope amendments, specifically surrounding the treatment of stablecoins and crypto asset transactions.

As previously expressed in our response to Questions 8 & 18 in the ED, we continue to question the usefulness of narrowly reporting sales of crypto assets as an operating cash flow if the consideration is converted nearly immediately to cash[6]. ASC 230 broadly defines that cash flow classification should

[6] ASC 230-10-45-27A If crypto assets accounted for in accordance with Subtopic 350-60 are received as noncash consideration in the ordinary course of business (for example, in exchange for goods and services transferred to a



be based on the nature of the cash flow, without regard to whether a cash flow stems from another item (referred to as the "nature principle") or timing, unless over the span of a year. Additionally, ASC 230 further clarifies that Cash flows from operating activities are generally the cash effects of events that enter into the determination of net income.

The current guidance forces a preparer to assess each transaction and apply an interpretation of the phrase "converted nearly immediately". Anecdotal observations and surveys of peers indicate a wide interpretation of this phrase (less than 24 hours, less than 2 days, less than a week, etc.). Regardless of the definition, operationally this information is costly to obtain, maintain and audit, as a preparer has to track each crypto asset's holding period to comply with the requirement. It is also a departure from other guidance surrounding cash flow presentation which focuses more on the nature of the transaction versus the timing. We do not believe this information is decision-useful as the need to convert (or not convert) noncash crypto assets to cash may be wholly unrelated to the timing of the consideration received. Fungible digital assets are comingled and may be converted to cash without regard to the source or timing of their acquisition. We do not believe the cost of compliance with this guidance is supported considering the limited benefit of this information.

Additionally, there is an emerging trend to borrow and finance operations using crypto assets. The nature of this activity is not operational or investing related, yet the current literature would prescribe any crypto proceeds converted nearly immediately to cash as a result of this activity to be classified as such. We do not believe that is an appropriate answer or representationally faithful to the underlying transactions. This further highlights the need to codify that crypto assets can fall into multiple categories in the statement of cash flows dependent on the nature of the activity.

Accounting for Commodities

Question 53: Should financial institutions that hold physical commodities for trading purposes be permitted to apply the fair value option? Please explain, including whether and how providing an option would provide decision-useful information.

As you are aware, there are often analogies made between digital assets and commodities. At the present time we respectfully decline to comment but we will follow any activities on this topic closely and would be happy to participate in project activities as they arise.

Question 54: Beyond financial institutions, are there other entities or industries that hold physical commodities for trading purposes that should be permitted to apply the fair value option to physical commodities? Please explain, including which types of entities or industries and whether and how providing an option would provide decision-useful information.

See response to Question 53 above.

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customer) and converted nearly immediately into cash, the cash received shall be classified as operating activities. In this context, the term nearly immediately refers to a short period of time that is expected to be within hours or a few days, rather than weeks.