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June 5, 2023

Ms. Hillary H. Salo
Technical Director
Financial Accounting Standards Board
801 Main Avenue, PO Box 5116
Norwalk, CT
06856-5116.

RE: Proposed Accounting Standards Update - Intangibles—Goodwill and Other—Crypto Assets - (Subtopic 350-60) - File Reference No. 2023-ED200

Dear Ms. Salo,

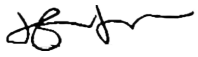
We appreciate the opportunity to provide our feedback regarding the proposed Accounting Standards Update (Subtopic 350-60) Accounting for and Disclosure of Crypto Assets (the "ASU"). We recognize and appreciate the efforts of the FASB in seeking broad stakeholder feedback on an emerging topic with limited historic precedent. Please refer to the attached Appendix where we have provided responses to the Board's specific questions.

We commend and support the Board's efforts to improve the accounting for and disclosure of certain crypto assets. We agree with the Board that the current cost-less-impairment model under ASC 350 *Intangibles—Goodwill and Other* does not provide investors, lenders, creditors, and other allocators of capital (collectively, "investors") with useful, transparent, and relevant information. In addition, the current model for presentation and disclosure requirement for crypto assets is insufficient for investors and lacks comparability.

As blockchain technology and its underlying use cases continue to expand, we look forward to the further expansion of these proposed amendments which may include but are not limited to NFTs (non-fungible tokens), stablecoins, derecognition of crypto assets, and crypto asset lending.

We would be happy to discuss our comments with the Board members or FASB staff at your convenience.

Sincerely,



Jennifer Jones
Chief Accounting Officer
jennifer.jones@coinbase.com

Appendix - Responses to Questions

Scope

Question 1: Are the proposed scope criteria understandable and operable? Please explain why or why not and, if not, what changes you would make.

Yes, the proposed scope criteria is understandable and operable. However, we believe that the criteria under ASU 350-60-50-1 (b) and (f) should be further clarified. Refer to Question 2.

Question 2: Is the population of crypto assets identified by the proposed scope criteria appropriate? Please explain why or why not.

While we generally agree with the proposed scope criteria, we believe there are 2 criteria which require further discussion and update.

ASU 350-60-50-1(b) scopes out crypto assets which provide the "*asset holder with enforceable rights to, or claims on, underlying goods, services, or other assets.*" Crypto assets and the technology underlying them is complex and this criteria scopes out certain crypto assets which we believe should be in scope, specifically wrapped tokens. Due to the nature of certain blockchains, wrapped tokens provide an operational advantage to take part in the crypto economy without creating a 'new asset.' A wrapped token is a tokenized representation of an underlying crypto asset with the same value. Instances where such tokens may exist include the ability to use the token on another blockchain or provide a simpler process to track tokens which are used in various decentralized finance (or DeFi) protocols. Additionally, wrapped tokens can support the trading of locked or restricted tokens, such as when ethereum was locked for staking during its upgrade to the beacon chain. These wrapped tokens are actively traded on various decentralized and centralized exchanges, have readily determinable fair values, and exist specifically as a representation of another token. Wrapped tokens are an important aspect of the blockchain ecosystem with a market capitalization of over $50 billion[1]. We believe that these tokens should be in scope of the proposed amendments if the underlying crypto asset meets the proposed scope criteria.

ASU 350-60-50-1(f) scopes out crypto assets which are "created or issued by the reporting entity or its related parties." We generally agree with this criteria as crypto assets created by the reporting entity or its related parties could be representative of equity and separate guidance should apply. However, there are instances where a reporting entity or its related parties may create a wrapped token which represents an underlying crypto asset. Entities create these wrapped tokens for operational purposes. As noted in our discussion above, wrapped tokens have an underlying crypto asset with its own value. We believe that wrapped tokens, whether or not created by a reporting entity or its related parties, should be included within the proposed amendments if management can provide support for the claim that the wrapped token is backed by an underlying crypto asset and those crypto assets meet the proposed scope criteria to be recorded at fair value. If the wrapped token is created or issued by the reporting entity or its related parties, the reporting entity should further be required to assess and support that it or its related parties (evaluated under ASC 850-10-20) control the appropriate amount of crypto assets backing the wrapped tokens. We also believe that the reporting and disclosure of such wrapped tokens would be covered under existing processes established by reporting entities.

[1] As of May 30, 2023, Wrapped tokens had a market capitalization of over $5 billion (Source: CoinMarketCap). DeFi related wrapped tokens have a value of over $47 billion (Source: DefiLlama and DappRadar)

Question 3: The amendments in this proposed update would apply to all entities, including private companies, not-for-profit entities, and employee benefit plans. Do you agree with that proposal? Please explain why or why not.

Yes, we agree the proposed amendments should apply to all entities to promote standardization and comparability.

Measurement

Question 4: The proposed amendments would require that an entity subsequently measure certain crypto assets at fair value in accordance with Topic 820, Fair Value Measurement. Do you agree with that proposed requirement? Please explain why or why not.

Yes, we agree with the proposed amendment to subsequently measure certain crypto assets at fair value in accordance with Topic 820, *Fair Value Measurement*. This will provide a more accurate representation of the price that would be received to sell crypto assets in an orderly transaction between market participants. Current measurement of crypto assets under an impairment model requires reporting entities to make additional fair value disclosures each reporting period in order to provide investors with meaningful information regarding the current value of our crypto asset portfolio. We believe this change in measurement will align with the information investors seek.

Question 5: The Board rejected an alternative that would have prohibited an entity from recognizing an unrealized gain but would still require recognition of losses for a crypto asset measured at fair value in an inactive market and would have required that the entity disclose the current fair value. Would this approach provide more decision-useful information than requiring that an entity recognize those unrealized gains in net income? Please explain why or why not. How would you define an inactive market for this asset class?

We agree that the Board should not provide an alternative approach. ASC 820 Fair Value Measurement provides sufficient guidance to determine the presentation and disclosure requirements for an asset in an inactive market.

Question 6: The proposed amendments would require that transaction costs to acquire crypto assets, such as commissions and other related transaction fees, be expensed as incurred unless an entity capitalizes those costs in accordance with industry-specific guidance (for example, investment companies within the scope of Topic 946, Financial Services—Investment Companies). Do you agree with that proposed requirement? Please explain why or why not.

Yes we agree with the proposed requirement to expense transaction costs to acquire crypto assets as incurred. This will simplify and standardize the accounting and better reflect and report the nature of the expense incurred within the reporting entity's financial statements.

Presentation

Question 7: The proposed amendments would require that an entity separately present crypto assets from other intangible assets in the balance sheet and, similarly, separately present changes in the fair value of those crypto assets from amortization or impairment of other intangible assets in the income statement. Do you agree with the proposed presentation requirements? Please explain why or why not.

Yes we agree that crypto assets and intangible assets should be treated as separate asset types based on their nature and characteristics and be presented separately from other intangible assets in the balance

sheet. We also agree that gains and losses arising from crypto assets should be presented separately from amortization or impairment of other intangible assets. We believe that the crypto asset gains and losses should be presented based on the nature of their activities and the Board should not provide any additional requirements on how and where such crypto asset gains and losses should be presented.

Question 8: The proposed amendments would require that for crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash, an entity would classify the cash received as an operating activity in the statement of cash flows. Do you agree with that proposed requirement? Please explain why or why not.

Yes, we agree that crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash should be classified as operating activity in the statement of cash flows. This aligns with the nature of the transaction.

Disclosure

Question 9: The proposed amendments would require that an entity disclose the cost basis of crypto assets separately for each significant crypto asset holding. The Board decided not to provide specific guidance on how an entity should determine the cost basis of its crypto assets, including its determination of the basis used to calculate and disclose realized gains and losses. Do you agree with this aspect of that proposed requirement? Please explain why or why not.

Yes, we agree with the proposed requirement to disclose the cost basis of crypto assets separately for each significant crypto asset holding. This would provide relevant and useful information to investors to understand an entity's concentration of crypto holdings and whether specific crypto assets are driving or netting overall crypto asset gains and losses. We also agree with the Board's decision to not provide specific guidance on how an entity should determine the cost basis of its crypto assets, including its determination of the basis used to calculate and disclose realized gains and losses. Entities should be allowed to use methodologies generally acceptable under other authoritative guidance (e.g. first-in, first-out).

Question 10: Are the proposed disclosure requirements operable in terms of systems, internal controls, or other similar considerations related to the required information? Please explain why or why not.

Yes, the proposed disclosure requirements are operable, though we do not believe the annual reconciliation of opening and closing balances of crypto assets should be a required disclosure. See response to Question 12.

Question 11: Should additional disclosures, such as those described in paragraph BC60 in the basis for conclusions, be required? If so, what additional information should be disclosed? How would that information influence investment and capital allocation decisions?

No, we do not believe that additional disclosures are required. Entities should provide any additional relevant disclosures for significant crypto asset holdings if they believe such additional disclosures are relevant to the investors.

Question 12: The proposed amendments would require that an entity annually disclose a reconciliation of the opening and closing balances of crypto assets, which would include additions, dispositions, gains, and losses during the reporting period. Would this proposed disclosure provide decision-useful information? Please explain how and for what purpose that information would be used or why it would not be useful. Should that information also be required on an interim basis? Please explain your response.

No, we do not believe that an annually disclosed reconciliation of the opening and closing balances of crypto assets is decision-useful information. Investors will receive such information through already disclosed gains and losses, cost and fair value by significant crypto asset holdings, as well as further evaluation and assessment of public entities' results within Management's Discussion and Analysis of Financial Position and Results of Operations ("MD&A"). Providing additional information on additions and dispositions is not relevant to many entities and can be provided as optional disclosures if meaningful to their investors.

Implementation Guidance and Illustrations

Question 13: The Board concluded that Topic 820 and Topic 850, Related Party Disclosures, provide sufficient guidance for an entity to measure the fair value of crypto assets and evaluate and disclose related party transactions that involve crypto assets. Is that guidance operable and sufficient as it relates to crypto assets? Please explain why or why not.

Yes, we agree that Topic 820, *Fair Value Measurement* provides sufficient guidance for an entity to measure the fair value of crypto assets and evaluate and disclose related party transactions that involve crypto assets. Disclosure of crypto assets should generally mirror those of other assets measured at fair value to provide greater comparability to other asset types.

Transition and Effective Date

Question 14: The proposed amendments would require that an entity apply the amendments as of the beginning of the fiscal year of adoption through a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets). Do you agree with the proposed transition guidance? Please explain why or why not.

Yes, we agree. A cumulative-effect adjustment would reduce the operational burden of restating prior periods. Such restatements could be material and cause cascading effects to non-GAAP measures such as EBITDA. A cumulative effect adjustment would allow an entity to correct its beginning balance sheet in the year of adoption without impacting previously disclosed earnings or requiring prior period adjustments to be reflected in the current period of adoption.

Question 15: How much time would be needed to implement the proposed amendments? Is additional time needed for entities other than public business entities? Should early adoption be permitted? Please explain your response.

We expect to be able to implement the proposed amendments within one quarter. We strongly support an early adoption transition option.

Benefits

Question 16: Would the proposed requirement to subsequently measure crypto assets at fair value and the accompanying disclosures benefit investors by providing them with more decision-useful information? If so, how would that information influence investment and capital allocation decisions? If not, please explain why.

Yes, we agree that the proposed requirements, with the exception of items we disagree with in questions 2, 11, and 12, would provide decision-useful information to investors.

Current accounting for crypto assets at cost less impairment could potentially misrepresent the value underlying the assets, especially with publicly available prices and volume indicators. In addition, this measurement would not always provide an accurate reflection of our economic resources, such as when there has been a decline and subsequent recovery in digital asset prices over a reporting period. This may adversely impact an investors assessment of the future net cash inflows of the Company.

As a public entity, we provide fair value and cost information for significant crypto assets within our MD&A in our quarterly and annual reports. This information helps investors understand the economic value of crypto asset holdings, where the entity has greater liquidity available, and how an entity's crypto holdings are growing based on both notional, cost, and fair value. The proposed requirements are generally aligned to additional disclosures we currently provide to investors and believe that codifying these requirements will streamline reporting and provide comparability across reporting entities that hold crypto assets.

Cost and Auditability

Question 17: To the extent not previously discussed in response to the proposed amendments above, what effect would the proposed amendments have on costs? If those proposed amendments are expected to impose significant incremental costs, please describe the nature and magnitude of those costs, differentiating between one-time costs and recurring costs. If those proposed amendments are expected to reduce costs, please explain why.

We believe that the costs of implementing the proposed amendments will be marginal as we would expect reporting entities that hold crypto assets already have robust processes to track and report crypto asset activity Any incremental costs required to transition to the proposed requirements would be offset by the reduction in time and resources required to calculate impairment under the existing methodology for intangible assets.

Question 18: Would the financial reporting and disclosure requirements included in the proposed amendments be auditable? Please explain why or why not.

Yes the financial reporting and disclosure requirements would be auditable. Crypto asset information is publicly available, including fair value and trading volume would support valuation of crypto assets held. Existing audit procedures performed for crypto assets would continue to be applicable and require limited enhancements.