



15 July 2016

IFRS Interpretations Committee
First Floor
30 Cannon Street
London
EC4M 6XH
United Kingdom

Email: ifric@ifrs.org

Dear Committee

ACCOUNTING FOR CRYPTOCURRENCIES

Please find below an analysis of an issue that is of increasing relevance globally. We would appreciate it if the IFRS Interpretations Committee (the Interpretations Committee) could consider this issue for their agenda.

1. Background

Cryptocurrencies are digital or virtual currencies which are not issued by any central authority and use cryptography to secure the transactions and to control the creation of new coins. Bitcoin, the first cryptocurrency to capture the public's attention, was launched in 2009 and since then hundreds of cryptocurrencies have been created and are currently being traded.

Initial adoption of cryptocurrencies and the technology behind these, Blockchain, was slow. However the industry has experienced unprecedented investment in recent years with venture capital investment alone reaching \$1.1 billion¹ in 2016. Furthermore, bitcoin's total market capitalisation has doubled from a year ago to US\$6.4 billion and there are now 624 bitcoin ATMs¹.

The industry is expanding quickly and there is a need to have clear and consistent global accounting guidance for entities operating in this industry.

2. Analysis and diversity in practice

In determining the accounting for holdings of cryptocurrencies with reference to the current International Financial Reporting Standards varying views have been expressed. These include accounting for cryptocurrencies as cash and cash equivalents, as a financial instrument, as a non-financial asset measured at the lower of cost and net realisable value, as an intangible asset measured at fair value and as inventory measured at the lower of cost and net realisable value or at fair value less costs to sell.

¹ Extracted from CoinDesk's *State of Blockchain Q1 2016* report. The full report can be viewed at <http://www.coindesk.com/research/state-blockchain-q1-2016/>
https://digitalx.com/wp-content/uploads/2015/09/DCC_Annual_Report_June_2015.pdf

An Australian example of the diversity in practice in accounting for bitcoins can be found in the accounting by DigitalX Limited (formerly Digital CC Limited) and Bitcoin Group Limited which both mine and trade bitcoins. DigitalX accounts for bitcoins as inventory at fair value less costs to sell; with changes in the fair value of bitcoin being recognised in the statement of profit and loss². Bitcoin Group accounts for bitcoins as indefinite life intangible assets at fair value. Increases in the carrying amount of bitcoin are credited to a revaluation surplus in Bitcoin Group's equity and decreases that offset previous increases are recognised against the revaluation surplus in equity; all other decreases are recognised in profit and loss³.

The significant volatility in the value of cryptocurrencies requires clear accounting principles are established to allow comparability of financial statements.

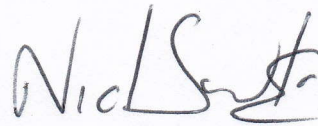
Given the growing investment in the industry and the current diversity we see in practice we believe that this issue meets the criteria for acceptance onto the Committee's agenda.

We note that in May 2016 the International Accounting Standards Board (IASB) included cryptocurrencies as a potential new project to add to the IASB's agenda. We welcome this step and would be happy to support both the IASB and the Interpretations Committee in providing background on the industry and research support.

Yours sincerely



Lee White (FCA), Chief Executive Officer
Chartered Accountants Australia and New
Zealand



Nick Giurietto, CEO & Managing Director
Australian Digital Currency and Commerce
Association

² Digital CC Limited 30 June 2015 Annual Report https://digitalx.com/wp-content/uploads/2015/09/DCC_Annual_Report_June_2015.pdf

³ Bitcoin Group Limited 30 June 2015 Financial Statements http://static.bitcoingroup.com.au/wp-content/uploads/2016/02/04053458/BGL_FY15-audited-financial-statements-final-signed.pdf