

This paper provides the technical advice from EFRAG TEG to the EFRAG Board, following EFRAG TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG Board. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in EFRAG Update. EFRAG positions as approved by the EFRAG Board are published as comment letters, discussion or position papers or in any other form considered appropriate in the circumstances.

EFRAG [draft] discussion paper - Crypto-Assets (Liabilities) – Holders and Issuers Perspective Cover Note

Objective

- 1 The objective of this session is to obtain EFRAG Board members' approval of the draft Discussion Paper on crypto-assets (liabilities) (DP) (**paper 06-02**) following the EFRAG Board's first discussion of the DP at its meeting on 21 April 2020 and to agree on an appropriate approach to consultation and getting stakeholders feedback on the DP.
- 2 The draft DP was first presented to the EFRAG Board in April 2020 following the EFRAG TEG recommendation for its approval on 26 March 2020. At the 21 April 2020 Board meeting, some EFRAG Board members indicated that it would be appropriate to issue the DP before or during the summer and to have an approach to consultation to stakeholders that is cognisant of the impact of the current circumstances of the covid-19 pandemic on stakeholder priorities. The Appendix to this cover note summarises the inputs and meetings that have shaped the draft DP.
- 3 To facilitate the EFRAG Board's approval, a detailed presentation of the content within the DP shall occur during this meeting based on the slides included in the meeting material (**paper 06-03**). The draft DP had also been circulated in early May to allow Board members sufficient time to review its content before the approval meeting.

Background

- 4 As noted during the April Board meeting, this DP represents a key deliverable of the EFRAG research project on the accounting for crypto-assets and liabilities (EFRAG research) that was approved by the EFRAG Board following the EFRAG Agenda Consultation in 2018. The DP is the result of research activity mainly conducted in 2019, which involved considerable engagement with external parties that contributed to the research.
- 5 As noted in the DP, the growth potential of crypto-assets (liabilities) transactions has led to increased stakeholder attention on related market developments and risks, and drawn the attention of national standard setters, accounting firms, market practitioners and academics as well as of regulators and policy makers from the EU and beyond. The DP takes account of the work by others and makes a unique contribution by providing an in-depth look at the accounting perspective.
- 6 The **expeditious issuance of this DP can ensure the timeliness of its content**, which is related to a rapidly evolving topic, and would help to ensure that the content of DP does not become outdated and that it sufficiently reflects the state of the crypto-ecosystem. Its issuance would be also aligned timeline wise with the issuance of related publications by the various influential bodies (European Parliament, Bank of International Settlements, International Monetary Fund, European Commission, European Supervisory Agencies etc.).

Proposed approach to consultation of the DP and communication to stakeholders

- 7 To ensure an appropriate approach to consultation, and after taking account of stakeholder priorities under the current circumstances, EFRAG Secretariat seeks the EFRAG Board's guidance on which the following options to consultation could be adopted:
 - (a) **Option 1:** Issuance of the DP as soon as possible after the EFRAG Board approval and completion of the final publication process with the DP being immediately open for stakeholder feedback during consultation period of between six and nine months.
 - (b) **Option 2:** Issuance of the DP as soon as possible after the EFRAG Board approval and completion of the final publication process. However, the DP shall convey that the date to which it will be open for stakeholder responses will be confirmed at a future date. The consultation period is then envisaged to be six months.
- 8 Parallel to finalising and issuance of the DP, the EFRAG Secretariat will also develop a plan for the structured communication and outreach to potential stakeholders and organisations with interest and insights on the topic including national standard setters, regulators, industry bodies and market practitioners. The timing and approach to carrying out the outreach shall be tailored to be suitable to the targeted stakeholder audience.

Questions for EFRAG Board members

- 9 Do EFRAG Board members approve the draft Discussion Paper?
- 10 Which of the two options to consultation on the DP do the EFRAG Board members recommend?
- 11 Do EFRAG Board members have any suggestions to optimise the effectiveness of the outreach (e.g. target groups)?

Agenda Papers

- 12 In addition to this cover note, the following agenda papers have been provided for this session.
 - (a) Agenda paper 06-02 – *EFRAG [draft] discussion paper – Crypto-assets(liabilities)*. The same paper was presented in the April meeting.
 - (b) Agenda paper 06-03 – *Slide presentation of Crypto-assets (liabilities) discussion paper*.

APPENDIX- INPUTS TO THE DP

- 1 The DP was developed based on:
 - (a) A “**desktop research**” phase that reviewed a diverse body of publications including IASB and NSS, accounting firms, regulatory, legal, academic and other specialist literature; and
 - (b) A **phase to corroborate and enhance findings** that included outreach to crypto-assets experts. Outreach involved participation of experts with diverse functional backgrounds from 13 jurisdictions including leading markets.
- 2 The DP has been presented and benefited from feedback at various meetings including:
 - (a) EFRAG Board meeting (April 2020);
 - (b) EFRAG TEG has discussed the topic and a draft of the DP during seven of its meetings in 2019 and 2020 (February, May, September (EFRAG-TEG CFSS meeting), December 2019; January, and March (twice) 2020);
 - (c) EFRAG FIWG (January 2020);
 - (d) EFRAG Academic Panel (May 2019); and
 - (e) EFRAG User Panel (December 2018).
- 3 The DP has also been subject to external reviews from experts in the topic as well reviews by individual EFRAG TEG members.