

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the 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 Research project on Crypto-assets Cover Note

Objective

- 1 The objective of this session is to provide EFRAG TEG members with a summary of the outreach conducted by the EFRAG Secretariat on EFRAG's Research project on the accounting for crypto-assets (hereafter referred to as EFRAG project).

EFRAG TEG and EFRAG CFSS past discussions

- 2 As discussed and agreed during past EFRAG TEG meetings, the EFRAG research project on crypto-assets (EFRAG project) is being conducted in two phases. The analysis of crypto assets activities is focused on entities and not individuals.
 - (a) Phase I focuses on the problem definition and primarily aims to identify accounting issues related to crypto-assets whilst considering the significance of crypto-assets activities and key factors that could have accounting implications including related rights and obligations and regulatory requirements.
 - (b) Phase II, which may be pursued depending on the outcome of Phase I, will focus on considering proposals to address any identified accounting issues including where clarification or enhancement of IFRS requirements may be required.
- 3 The scope of the EFRAG project includes the following crypto-assets categories:
 - (a) Crypto-currencies (coins and payment tokens);
 - (b) Asset or security tokens;
 - (c) Utility tokens;
 - (d) Other types of tokens (e.g. hybrid tokens, pre-functional tokens)
- 4 Furthermore, in the context of considering the issuance, buying, holding and selling of crypto-assets, the EFRAG project includes the following crypto-assets related activities:
 - (a) Crypto-assets issuers: Initial Coin Offerings (ICOs) and similar offerings;
 - (b) Crypto-assets holders: Payment services, investment and other holding objectives (e.g. access to distributed network goods and services);
 - (c) Crypto-assets related services: Storage and custodial services and mining services.
- 5 At the May 2019 meeting, EFRAG TEG members gave input on an ICOs issues paper and recommended a breakdown of the analysis of crypto-assets issues into

separate deliverables for the effective feedback from stakeholders. Hence, the EFRAG project will consist of two discussion papers during the problem definition phase, namely:

- (a) A discussion paper that combines the issuance and holding of crypto-assets as there are likely to be symmetrical considerations whilst assessing issuer and holder accounting issues.
 - (b) A discussion paper to be issued in 2020 that focuses on related services (i.e. custodial services and mining).
- 6 At the September 2019 meeting, EFRAG TEG-CFSS discussed an outreach plan and an issues paper that covered holders of crypto-assets.

Next steps

- 7 The Appendix to this cover note has a summary of past and future key dates for the EFRAG project including the presentation of an initial draft Discussion Paper on issuers and holders at the January 2020 TEG meeting.
- 8 The Discussion Paper on issuers and holders will consider the TEG feedback to previously presented ICOs and holders issues' papers, and any updates to previous analysis based on outreach findings and additional inputs from a hired consultancy firm. The consultancy support is focused on rights and obligations and on identifying examples of crypto-assets with unique economic characteristics that may pose accounting challenges.

Agenda Papers

- 9 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 08-02 – *EFRAG Research project on Crypto-assets – Outreach findings*

Questions for EFRAG TEG

- 10 Does EFRAG TEG have comments on the findings of the outreach?
- 11 Are there any additional topics/areas that EFRAG TEG think should be further examined before the EFRAG Secretariat start to develop an initial draft of the discussion paper (see paragraph 5(a) for discussion at a future EFRAG TEG meeting)?

Appendix

Table 1: Coverage of crypto-asset research project in TEG, TEG-CFSS and other meetings

	Related TEG Meetings	Related TEG-CFSS meetings	Board meetings*
Presented to TEG the two-phase approach and scope of phase I (problem definition) (see related paper)	February 2019		
Presented to TEG the ICOs and custodial services issues paper (see related paper)	May 2019		
Invitation for CFSS members to participate or facilitate gathering of relevant fact patterns in their jurisdictions		July 2019. Further to the invitation at the TEG-CFSS, the IASB publicised EFRAG outreach to global standard setters. A public call for interest was also issued.	
Presented to TEG-CFSS the outreach plan and holders issues paper and holders supplemental issues paper		September 2019	
Present to TEG the outreach feedback	December 2019		
Present to TEG the initial draft issuers and holders Discussion Paper	January 2020		
EFRAG Board presentation and approval to be sought after addressing any TEG feedback to enhance the Discussion Paper and obtaining TEG approval			Q1 2020

*High level update on status of research projects was provided to the EFRAG Board at the April and November 2019 meetings