Accounting for crypto assets

Executive Summary

Accounting by investment companies

US GAAP

April 2022

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In a snapshot

There is presently no explicit US GAAP on accounting for 'crypto assets' (see *What is a 'crypto asset'?* section). In the absence of such guidance, most crypto assets (e.g. bitcoin, ether, solana, cardano and polkadot) are accounted for by investment companies as 'other investments' under Subtopic 946-325 (investment companies—other investments) because they are not securities under US GAAP and they meet the US GAAP definition of an intangible asset. Subtopic 946-325 is a 'catch-all' for all investments that are not a security under US GAAP, an equity method investment or a joint venture.

As an other investment under Subtopic 946-325, crypto intangible assets are adjusted (up or down) to fair value each period while they are held by the investment company.

Sales of crypto intangible assets are generally subject to the nonfinancial asset sale guidance in Subtopic 610-20 (gains and losses from the derecognition of nonfinancial assets) because they are nonfinancial assets and no Subtopic 610-20 scope exception applies. Realized gains or losses are generally determined by investment companies on a specific identification or average cost method.

Income earned from crypto asset activities such as mining or staking is generally subject, or accounted for by analogy, to Topic 606 (revenue from contracts with customers).

Central bank digital currencies (CBDCs) do not meet the definition of a crypto asset (see *What is a 'crypto asset'?* section). Some 'stablecoins' may be crypto intangible assets, while other stablecoins meet the definition of a financial asset or financial instrument under US GAAP and therefore are not accounted for as crypto intangible assets.

This Executive Summary is an overview of the accounting for crypto intangible assets by investment companies. The AICPA's Practice Aid (the AICPA Guide), Accounting for and auditing of digital assets, expands on some of the concepts outlined herein, while the KPMG Executive Summary, Accounting for crypto assets – entities that are not broker-dealers or investment companies, outlines the accounting for crypto intangible assets by commercial entities. In addition, KPMG digital assets Hot Topics delve deeper into specific digital asset issues.

Applicability

Investment companies in the scope of Topic 946 that have acquired 'crypto assets' (see *What is a 'crypto asset'?* section) through purchase, mining or staking activities or any other means.

Are you an 'investment company'?

Subtopic 946-10 outlines when an entity is an 'investment company' under US GAAP. [946-10-15-4 – 15-9]

Assessing whether an entity is an investment company often involves judgment and careful consideration of whether it has the fundamental characteristics thereof. An investment company should not have substantive activities other than investing; nor, in general, should it have significant assets or liabilities unrelated to its investing activities. An investment company or its affiliates also should not obtain, or have the objective of obtaining, returns or benefits from an investee or its affiliates that are not normally attributable to ownership interests or that are other than capital appreciation or investment income. [946-10-55-4 – 55-5, 55-8]

Question 11 of the AICPA guide further expands on these considerations in the context of digital assets. It states explicitly that "an entity's purchases of digital assets with the objective of selling them for capital appreciation would be considered investing activities consistent with those of an investment company."

Questions about investment company designation begin to arise when the entity undertakes other crypto asset activities, such as mining or staking of crypto assets. The remainder of this section addresses considerations around whether an entity that invests in crypto assets *and* undertakes mining or staking activities is an investment company.

Mining

Mining involves the active operation of computer hardware and software to perform complex calculations as a means to validate transactions on a 'proof of work' (PoW) blockchain. Bitcoin is an example of a blockchain that employs this 'proof of work' consensus mechanism (or consensus protocol).

An entity must use judgment and consider all relevant evidence to determine whether a mining operation is a '*substantive* activity other than investing activities'. Such an activity would disqualify the entity from investment company designation, even if it had previously qualified as one before undertaking the mining operation. [946-10-55-4]
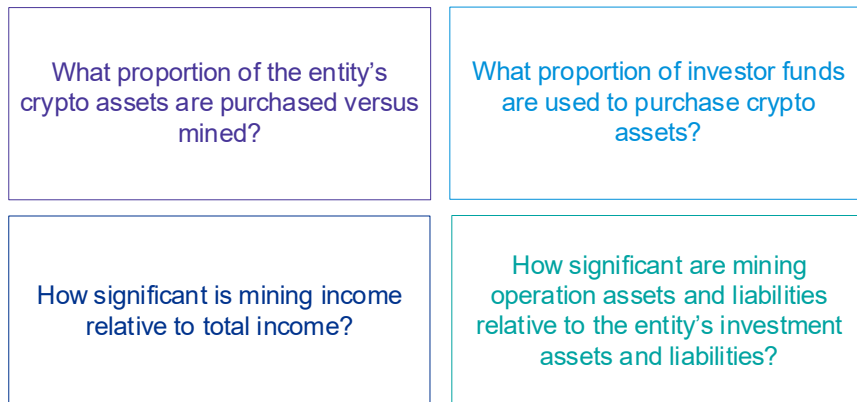
This evaluation is not limited to just the entity, but also includes a subsidiary or an affiliate that performs mining operations on behalf of the entity. This is because an entity must also evaluate whether it or its affiliates obtain, or have the objective to obtain, returns or benefits from an investee (or its affiliates) that

are (1) not normally attributable to ownership interests or (2) other than capital appreciation or investment income. [946-10-55-8]

Question 11 of the AICPA guide differentiates mining activities from the purchase and sale of crypto assets for capital appreciation. "An entity's activities in devoting resources to mining, such as procuring and operating significant computer and networking equipment in order to obtain digital assets in return for providing computing resources to a blockchain, *would generally be considered 'other than investing activities' that are inconsistent with those of an investment company.*" [emphasis added].

Therefore, it becomes relevant to evaluate whether the entity's mining activities are 'substantive'. Question 11 suggests entities consider, along with the guidance in Subtopic 946-10, the framework established by Q&A section 6910.36 of the AICPA's Technical Questions and Answers. That Q&A section examines whether loan origination activities are a substantive non-investment activity. [946-10-55-6 – 55-7]

Appendix A of Q&A section 6910.36 is a list of factors to consider in determining whether loan origination represents a substantive activity of the entity. The following reflect considerations we believe are relevant to evaluating whether mining activities are substantive, derived from the factors in that appendix.

What proportion of the entity's crypto assets are purchased versus mined?	What proportion of investor funds are used to purchase crypto assets?
How significant is mining income relative to total income?	How significant are mining operation assets and liabilities relative to the entity's investment assets and liabilities?

The more relatively significant the mining income, mined crypto assets and mining operation assets and liabilities (e.g. equipment and related debt or lease obligations), the less likely the entity is to be an investment company.

> **Observation:** In our experience, investment companies (including investees or affiliates) are not undertaking substantive mining activities. Further, entities undertaking substantive mining activities are not purporting, or aspiring, to be investment companies.
>
> Therefore, we do not discuss accounting for mining activities in this Executive Summary.

Staking

Staking involves locking (or 'bonding') an entity's crypto assets, in effect, as collateral to a 'proof of stake' (PoS) blockchain, such as Solana or Polkadot. While PoW blockchains (e.g. bitcoin) award the right to validate a transaction to the miner that first solves a complex mathematical calculation, PoS blockchains award those rights to stakers of the blockchain's native crypto asset. In general, the more of those tokens an entity stakes, the more opportunities it receives to validate transactions and earn staking rewards (i.e. generally, newly minted tokens). An entity's staked tokens are at risk of being 'slashed' (i.e. taken from the entity) for errors or malicious behavior on the blockchain network.

While an entity can decide to procure and operate the equipment and software necessary to operate its own validator 'node', unlike mining, staking does not *require* an entity to do so. This is because many PoS blockchains permit their native token holders to 'delegate' their stake to a trusted 'validator'; 'delegators' earn staking rewards from validation activities without operating a node themselves. The validator to whom they entrust their stake procures and operates the equipment and undertakes the transaction validation activities; in turn, the validator earns a share of the staking rewards attributable to the delegator's stake.

If the entity is a…	Investment company considerations
Validator	We believe the considerations about whether the entity qualifies as an investment company are broadly consistent with those for an entity that undertakes mining activities.
	While the nature and amount of computing and networking equipment necessary to validate transactions on a PoS blockchain is typically much less than what is required on a PoW blockchain, that will generally factor into whether the entity's staking activities are substantive, and not whether those activities are 'other than investing activities'.
Delegator	We believe it is reasonable to analogize delegated staking to securities lending when considering whether that staking is an investing activity. Like securities lending, delegated staking, in substance, lends to a trusted validator the right to use the entity's owned assets and gives rise to investment income for the entity. Therefore, like securities lending, staking as a delegator (even if substantive) can be considered an investing activity that does not preclude the entity being an investment company. [AICPA Investment Companies Expert Panel 07/2021]

In the *While you hold a crypto intangible asset* section, we discuss the accounting for staking activities.

What is a 'crypto asset'?

The most commonly applied and accepted definition of a crypto asset comes from the AICPA guide. It defines a crypto asset as a type of digital asset that functions as a medium of exchange, and is not any of the following:

— issued by a governmental authority;
— a contract between the asset holder and another entity; or
— a security under either the Securities Act of 1933 or the Securities Exchange Act of 1934.

Common examples of crypto assets that meet this definition (not exhaustive) include bitcoin, ether, solana and polkadot. The specific facts and circumstances will dictate whether other digital assets meet this definition.

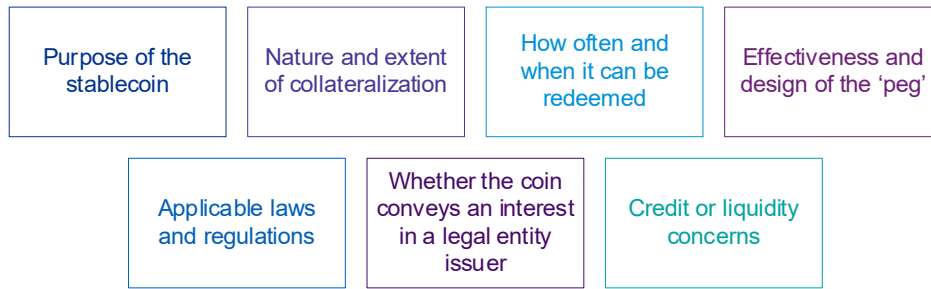## Central bank digital currencies (CBDCs)

CBDCs will generally *not* meet the definition of a crypto asset. This is because a CBDC is a digital tokenized version of a country's fiat currency. It *is* issued and regulated by that country's central bank or other monetary authority and is, therefore, backed by the full faith and credit of the country's government.

Stablecoins

Stablecoins 'peg' their value, typically, to a fiat currency (e.g. the US dollar) or commodity (e.g. gold or oil) and, in this way, differ substantially from crypto assets like bitcoin or ether. This peg has the goal of minimizing price volatility of the digital asset and is usually accomplished by the stablecoin issuer holding an appropriate reserve of the pegged asset. Examples of stablecoins include Tether, USDC and PAX Gold. Stablecoins are not the same as CBDCs because they are not issued and regulated by a government's central bank or other monetary authority.

Not all stablecoins are the same; they may or may not meet the above definition of a crypto asset, and unlike crypto assets such as those exemplified above (see *Classifying a crypto asset under US GAAP* section), a stablecoin may, for example, meet the definition of a financial asset. Alternatively, depending on the facts and circumstances, a stablecoin can meet the definition of a security or a derivative.

Understanding the rights and obligations of the stablecoin holder and issuer and the other relevant facts and circumstances is vital to determining the appropriate accounting model to apply to a stablecoin investment. Question 22 of the AICPA guide provides factors an entity should consider when determining how to account for a stablecoin investment. Those include all of the following (not exhaustive).

| Purpose of the stablecoin | Nature and extent of collateralization | How often and when it can be redeemed | Effectiveness and design of the 'peg' |

| Applicable laws and regulations | Whether the coin conveys an interest in a legal entity issuer | Credit or liquidity concerns |

Classifying a crypto asset under US GAAP

Most crypto assets (e.g. bitcoin, ether, cardano, solana, polkadot) get classified, and accounted for, as intangible assets. This, in effect, happens by default because: [ASC Master Glossary]

— they do not meet the definitions of 'cash' or 'cash equivalents', 'financial assets' or 'financial instruments', or 'inventory' (see table that follows); and
— the definition of 'intangible asset' is broad.

For an investment company, crypto intangible asset holdings represent an 'other investment' under Subtopic 946-325, and are initially and subsequently measured under that Subtopic when those assets are held solely for returns from capital appreciation, investment income or both.

Classification	Meet the definition?	Rationale
Cash or cash equivalent	✘	A crypto asset (as defined) does not meet the definition of cash because it is not legal tender issued by a government. It also does not meet the definition of a cash equivalent because it has no maturity date at which it is readily convertible to a known amount of cash. [ASC Master Glossary]
Financial instrument or financial asset	✘	A crypto asset is not cash (see preceding row) and does not give the holder either (1) an ownership interest in another entity, or (2) a contractual right to receive cash or another financial asset or instrument. [ASC Master Glossary]
Inventory	✘	A crypto asset is not a tangible asset, so it does not meet the definition of inventory. [ASC Master Glossary]

Classification	Meet the definition?	Rationale
Intangible asset	✔	A crypto asset generally meets the definition of an intangible asset as an asset (other than a financial asset or goodwill) that lacks physical substance and meets the asset recognition criteria in FASB's Conceptual Framework. [ASC Master Glossary, 350-30-25-4]

When you buy or otherwise acquire a crypto intangible asset

The initial recognition and measurement of a crypto intangible asset differs depending on how it is acquired. The following reflect common ways investment companies acquire their crypto intangible assets.

Purchasing

An investment company that purchases a crypto intangible asset (e.g. through an exchange using investor funds) records it at its 'transaction price', which includes any commissions and other charges incurred to complete the purchase transaction. [946-325-30-1]

Purchases through custodial accounts

Investment companies frequently do not hold their own crypto intangible assets (i.e. in their own crypto wallet); they engage a third party (custodian) to hold them. The custodian may hold the private cryptographic keys necessary to execute a transaction with those assets.

An investment company purchasing crypto assets through a custodial account may, for accounting purposes, either have:

— a crypto intangible asset; or
— a right to receive a crypto intangible asset in the future (i.e. a crypto asset receivable) from the custodian.

This distinction between having a crypto intangible asset or a crypto intangible asset receivable does not affect the Topic 946 classification (i.e. as an other investment) or subsequent measurement basis of the asset (i.e. at recurring fair value under Subtopic 946-325). However, it is expected to affect how the investment is presented in the Schedule of Investments (see *Schedule of investments* section).

To determine what type of asset it has, an investment company evaluates whether it (1) controls the crypto intangible asset under the Topic 606 definition

of control (i.e. whether it has the right to direct the use of and obtain substantially all the remaining benefits from the crypto asset) and (2) has a crypto intangible asset that meets the essential characteristics of an asset as described in the Conceptual Framework. If not, the investment company generally only has a crypto intangible asset receivable. Question 10 of the AICPA guide lists factors an entity might consider to assist in its evaluation, including the following (not exhaustive).

Does depositor control when and whether to withdraw the crypto assets?	Who has title, interest and legal ownership of the crypto assets?	Does custodian obtain the right to sell, transfer, loan, encumber or pledge the crypto assets?	What legal and regulatory frameworks apply?
Are the crypto assets segregated from the custodian's own crypto assets?	Are the crypto assets segregated from other depositors' crypto assets?	Are the crypto assets isolated from custodian's creditors in event of bankruptcy, liquidation, otherwise?	Does depositor bear the risk of loss if the deposited digital asset is not retrievable by the custodian?

Investor contributions

An investment company that accepts digital assets as a contribution from an investor would generally record both the asset received and the contribution of equity at fair value. [946-20-25-7]

Staking

An investment company may obtain a crypto intangible asset through staking activities (see *Are you an investment company?* section). A crypto intangible asset earned through staking is initially measured at its fair value as of the Topic 606 contract inception date. See the 'Staking revenue' discussion in the *While you hold a crypto intangible asset* section below.

While you hold a crypto intangible asset

Fair value

An investment company measures its 'other investments', including crypto intangible assets, after initial recognition at fair value. [946-325-35-1]

This means, that unlike commercial entities, an investment company recognizes both decreases *and* increases in the fair value of a crypto intangible asset.

Determining the fair value of a crypto intangible asset involves judgment, typically more so for newer or obscure crypto assets. Judgments include determining whether a principal (or most advantageous) market exists and assessing the reliability of the information therefrom. For widely held crypto

intangible assets, there is typically a principal market accessible to the entity, such as a large cryptocurrency exchange, from which the entity can obtain reliable, quoted prices for identical assets to establish the fair value of its own crypto assets.

Entity-specific restrictions

Entity-specific restrictions – e.g. on sale or transfer because of the entity's election to stake its crypto assets – do not affect the fair value measurement of a crypto asset. In contrast, any asset-specific restrictions would affect a crypto asset's fair value measurement (see Question C30 of KPMG Handbook, Fair value measurement).

Accounting policy for cut-off

Because crypto asset markets often operate continuously without close, an investment company may adopt an accounting policy to use the market prices of its crypto assets at a time other than the close of its reporting period. For example, it may elect to use the close of business on the balance sheet date, close of the stock market (i.e. 4:00 pm eastern time in the United States), or some other reasonable and consistent time convention.

However, as also expressed in Question 20 of the AICPA guide, when that time precedes the close of the reporting period, the entity needs to consider whether transactions that occur after the elected measurement time but before the close of the reporting period, support a change (see also Question G140 of KPMG Handbook, Fair value measurement). [820-10-35-41C]

While an adjustment to a quoted market price (e.g. to a security price after market close) would normally affect the levelling of the measurement within the Topic 820 fair value hierarchy, using an updated market price for a crypto asset – available because the crypto asset market does not close – may not have such an effect.

Transfers to custodial accounts

An entity (including an investment company) may decide to transfer crypto intangible assets it already owns and holds to a custodial wallet. In those cases, we have observed questions about whether the entity should continue to recognize those assets as its own.

Because the entity typically has the substantive right to withdraw the crypto intangible assets it has placed in custody, the entity will continue to recognize those assets as its own.

An entity only derecognizes an intangible asset – crypto or otherwise – when the control transfer criteria in Subtopic 610-20 are met, and those criteria are not met when the transferor (i.e. the entity here) has the substantive right to repurchase the intangible asset. In this case, even if the custodian can direct the use of the custodied crypto asset while in its custody, the entity's withdrawal right is effectively a repurchase right. [350-10-40-1, 40-3; 606-10-55-66, 55-68; 610-20-25-6 – 25-7]

Stablecoins

As noted above, a stablecoin may represent a crypto intangible asset, a financial asset or a security. If a stablecoin meets the US GAAP definition of a security, an investment company accounts for it under Subtopic 946-320 (investment companies—debt and equity securities). Otherwise, the investment company accounts for it under Subtopic 946-325. Practically speaking, the impact of this distinction is largely limited to presentation of the asset on the Schedule of Investments (see *Schedule of investments* section).

Staking

In this section, we summarize how investment companies should (1) account for staked crypto intangible assets and (2) recognize revenue from staking.

Staking is described in the *Are you an investment company?* section. However, as outlined in that section, an entity that undertakes significant staking activities *as a validator* may not qualify as an investment company.

Accounting for the staked crypto intangible assets

Regardless of whether a staking entity is a validator or delegator, it must determine if it should derecognize its staked crypto assets. In general, staking entities will *not* derecognize their staked crypto assets. This is because crypto intangible assets are derecognized by an entity only when the criteria in Subtopic 610-20 are met. [350-10-40-1, 40-3]

— While the staking entity generally forfeits its ability to sell or otherwise transfer its crypto assets while staked, no other entity obtains the right to direct their use (note: they remain in the staking entity's wallet, whether a validator or a delegator) during that period of time. [606-10-25-25, 610-20-25-6]

— In addition, the staking entity's right to de-stake its crypto assets is akin to a call option such that, even *if* another party was deemed to obtain control of the entity's crypto assets while staked, the derecognition criteria in Subtopic 610-20 would not be met. [606-10-55-68, 610-20-25-6]

Because the staked assets are not derecognized, the staking entity continues to account for them in the same manner as its other held crypto intangible assets.

Staking revenue

As an inflow of crypto assets from rendering the service, or carrying out the activity, of validating blockchain transactions, staking income generally meets the definition of 'revenue' in the Conceptual Framework. This is regardless of whether the inflow derives from transaction fees (typically paid by the transaction initiator) or staking rewards (generally, new crypto asset tokens minted by the blockchain and paid to a staking entity). [CON 8.E80]

Key considerations for recognizing staking revenue depend on whether the investment company is a validator or a delegator.

— A **validator** operates its own 'node' (i.e. equipment and software) to validate blockchain transactions.

— A **delegator** 'lends' the use of its crypto assets to a trusted validator, while undertaking no validation activities itself; the delegator and the validator share the staking rewards the delegator would solely earn as a validator.

In our experience, most investment companies engage in staking as a delegator, and classify staking revenue as a component of investment income.

The following table outlines key staking revenue recognition considerations for validators and delegators.

If the staking entity is a…	Revenue recognition considerations
Validator	While transaction fees are generally accounted for as revenue from a contract with a customer (the transaction initiator) under Topic 606, staking rewards may not be treated as customer revenue if the blockchain network itself, which is minting and paying the new token rewards, is not deemed to be a 'customer'. Nevertheless, consistent with the conclusion reached for mining block rewards, which are conceptually similar, in Question 27 of the AICPA guide, we believe it is reasonable to account for this 'other revenue' using Topic 606 by analogy.
	However, blockchain staking protocols often differ in key respects (e.g. how staking rewards are calculated, when staking rewards are paid out, and the existence and duration of bonding/unbonding or warm-up/cooldown periods). Because of this, Topic 606 application can vary from blockchain to blockchain – e.g. with respect to (1) the contract inception date and contract duration (affecting the fair value of the noncash staking rewards earned, and therefore the amount of staking revenue recognized) and (2) whether the variable consideration constraint comes into play. See chapter 3, section 5.6 and section 5.3.40 of KPMG Handbook, Revenue recognition, for guidance on contract inception and duration, noncash consideration and the variable consideration constraint, respectively.
	Investment companies engaging in staking as a validator should discuss their specific facts and circumstances with their auditors or other accounting advisors, and not assume that staking revenue will be recognized under Topic 606 in the same way for all blockchains.
Delegator	As a delegator, key staking revenue recognition questions include:
	— **Which party (validator or delegator) is principal to the validation activities?**
	In general, we believe the validator is typically the principal to validation activities because it:
	– operates the node;
	– as the node operator, is the entity programmatically selected by the blockchain for the validation; and
	– is the entity with an investment in equipment and software it must recover through successful validations.

If the staking entity is a…	Revenue recognition considerations
	In addition, in many scenarios, the validator assumes the risk of 'slashing' (loss of staked crypto assets for misbehavior or failed performance) for its delegators. Section 9.3 of KPMG Handbook, Revenue recognition, addresses the principal-agent considerations guidance in Topic 606 in detail. — **If the validator is the principal, what is the nature of the delegator's performance obligation and to whom?** When the validator is the principal to the validation activities, the delegator's performance obligation is, in effect, to 'lend' the use of its staked crypto assets to the validator for the purpose of increasing the number of validations the validator gets selected to complete. — **Is the delegator's staking accounted for under Topic 606?** In general, yes. The delegator will generally account for the performance obligation identified in the previous bullet, and the staking rewards it receives in return, under Topic 606 (directly, if staking is an 'ordinary activity' for the entity – see section 2.2.10 of KPMG Handbook, Revenue recognition; by analogy otherwise). The same blockchain differences identified in the discussion for a validator similarly mean that Topic 606 application to delegator staking can differ by blockchain. Therefore, as for validators, investment companies should discuss their specific facts and circumstances with their auditors or other accounting advisors, and not assume that Topic 606 will be applied in the same way for all blockchains.

See KPMG Handbook, Revenue recognition, for additional guidance on applying Topic 606.

When you sell

Crypto intangible assets

Sales of crypto intangible assets are subject to Subtopic 610-20. Subtopic 610-20 applies the principles in Topic 606 to recognizing and measuring the gain or loss. A realized gain or loss is recognized, and any unrealized gain or loss reversed, when control of the crypto asset transfers to the purchaser. [610-20-25-5 – 25-7]

Chapter 17 of KPMG Handbook, Revenue recognition, further details the guidance in Subtopic 610-20.

Unit of account for realized gains (losses)

Under Subtopic 946-320, investment companies have an accounting policy election to determine the cost of their investment securities using either a specific identification or average cost method. [946-320-40-1]

While Subtopic 946-325 on other investments is silent in this regard, we believe that an investment company's policy election under Subtopic 946-320 should be applied consistently to its crypto intangible assets accounted for under Subtopic 946-325. If an investment company does not have an accounting policy under Subtopic 946-320 – e.g. because it is a fund holding only crypto intangible assets – we believe the entity can elect either a specific identification or average cost method by analogy to Subtopic 946-320.

This means that while commercial entities generally cannot use an average cost method (see KPMG Executive Summary, Accounting for crypto assets – entities that are not broker-dealers or investment companies), we believe investment companies can, provided they have also elected that method for all their other investments.

Crypto assets not accounted for as intangible assets

US GAAP other than Subtopic 610-20 may apply to the sale. For example, the sale of a digital asset that meets the definition of a financial asset (e.g. certain stable coins) will fall under Subtopic 860-20 (sales of financial assets). KPMG Handbook, Transfers and servicing of financial assets, provides guidance on applying that Subtopic.

Presentation and disclosure

An investment company's crypto asset investments are generally subject to the same presentation and disclosure requirements that apply to other investment classes. However, some specific observations follow.

Schedule of investments

Subtopic 946-210 (investment companies—balance sheet) requires investment companies to include a 'schedule of investments' as a separate financial statement to disclose information about their investments. [946-210-50-1]

We have observed questions from investment companies about whether certain crypto assets – e.g. bitcoin – should be included in or excluded from (like cash) the schedule of investments. We believe that crypto and other digital assets should be included in the schedule of investments if the investment company acquired them as part of a capital appreciation strategy (as opposed to for use as a medium of exchange or payment with which to purchase goods and services used in operations). [AICPA Investment Companies Expert Panel 09/2021]

Among other things, an investment company is required to categorize investments in the schedule of investments by "type of investment (such as common stocks, preferred stocks,…fixed income securities,…options purchased, options written,…and so forth)." Similarly, we believe crypto assets that are controlled by the investment company should be disclosed separately from any crypto asset receivables (e.g. from a custodian). [946-210-50-1(b), 50-6(a)(1); 946-320-S99-5D; Reg S-X Rule 12-13D]

Staked crypto assets

We believe it is appropriate to analogize staked crypto assets to restricted securities. Following this analogy, an investment company would disclose its investment in staked tokens in the notes to the financial statements. However, there is no requirement to present restricted securities separately on the schedule of investments or on the balance sheet. [946-10-S99-3, Reg S-X Rule 6-03(f)]

Fair value hierarchy

Topic 820 requires entities to disaggregate and disclose the estimated fair value of relevant assets and liabilities by their level within the fair value hierarchy. See chapter H of KPMG Handbook, Fair value measurement. The *While you hold a crypto intangible asset* section discusses measuring fair value.

For crypto intangible assets like bitcoin, ether, solana and polkadot (not exhaustive) commonly held and traded by investment companies, there are generally quoted prices for identical crypto assets (e.g. identical, fungible bitcoin or solana tokens) that can be observed in the investment company's principal market. If the entity uses the quoted price for the crypto asset in its principal market without adjustment, that would generally represent a level 1 fair value measurement, provided the market has sufficient volume and frequency to be considered 'active' (see Question H10 in KPMG Handbook, Fair value measurement).

Additional resources

For further information on crypto and other digital assets, see KPMG Financial Reporting View page, Cryptocurrencies and other digital assets.

Acknowledgments

This Executive Summary has been produced by the Department of Professional Practice of KPMG LLP in the United States.

We would like to acknowledge the efforts of the main contributors to this Executive Summary:

Scott Muir

Chase Stobbe

We would also like to acknowledge the significant contributions of Eric Goldberg, Michael Hall and Richard Sumida.

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