

26 April 2019

Ms. Sue Lloyd
Chair of the IFRS Interpretations Committee
International Accounting Standards Board
Columbus Building, 7 Westferry Circus
Canary Wharf, London, E14 4HD
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Comments on the Tentative Agenda Decision Relating to the Holdings of Cryptocurrencies

1. The Accounting Standards Board of Japan (the “ASBJ” or “we”) welcome the opportunity to comment on the IFRS Interpretation Committee (the “Committee”)’s tentative agenda decision relating to the holdings of cryptocurrencies, proposed in the March 2019 IFRIC Update.
2. We agree with the interpretation provided in the tentative agenda decision regarding the application of existing IFRS Standards. However, we believe that the application of existing IFRS Standards, as stated, may result in inappropriate outcomes which do not provide the most relevant information, from the viewpoint of relevant financial reporting. Accordingly, considering the social impact of cryptocurrencies and the priority within the IASB’s standard-setting projects, we believe that IFRS Standards need to be amended in a timely manner.

Measurement of cryptocurrencies

3. When an entity holds cryptocurrencies with an active market, we believe that measuring such cryptocurrencies at fair value through profit or loss (FVTPL) generally would provide the most relevant information to users of financial statements.
4. In many cases, the price risk of cryptocurrencies is significant, and cryptocurrencies themselves do not have an inherent or underlying value. Therefore, in such cases, the only way an entity can generate cash flows is to sell them at the market.

5. As for the measurement of such cryptocurrencies, the IASB staff stated, in paragraph 50 of Agenda Paper 3 for discussions at the April 2018 Accounting Standards Advisory Forum (ASAF) meeting, that its informal outreach noted that FVTPL provides the most useful information. Consistent with this view, we believe that cryptocurrencies with an active market (such as Bitcoins) generally should be measured at FVTPL to provide the most relevant information.

Amending IFRS Standards

6. Our understanding is that, under the tentative agenda decision, an entity that does not hold cryptocurrencies for sale in its ordinary course of business would apply IAS 38 and thus would be required to measure its cryptocurrencies using either the cost model or the revaluation model. We believe that this may result in inappropriate outcomes which do not provide the most relevant information, from the viewpoint of relevant financial reporting.
7. We understand that, since the IASB Board meeting in January 2018, the IASB and the Committee have discussed various alternatives to account for cryptocurrencies, including the alternative to develop a new standard regarding investments, the alternative to amend existing IFRS Standards, and the alternative to consider how to apply IAS 8, but the IASB eventually concluded that it would be too early to amend IFRS Standards.
8. However, we believe that IFRS Standards need to be amended in a timely manner to measure certain cryptocurrencies with an active market at FVTPL, considering the social impact of cryptocurrencies and the priority of the IASB's standard-setting projects.
9. We hope our comments are helpful for the Committee's and the IASB's consideration in the future. If you have any questions, please feel free to contact us.

Yours sincerely,



Atsushi Kogasaka

Chair

Accounting Standards Board of Japan