RECORDING OF CRYPTO ASSETS
- INTERIM GUIDANCE

WEBINAR OF THE GROUP OF EXPERTS ON NATIONAL ACCOUNTS
- SESSION ON DIGITALISATION

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Contents

• Background
• Crypto asset categorisation
• Interim guidance for recording in SNA
• Pending issues regarding cryptocurrencies
Background
The emergence of crypto assets led to increasing requests for advice on their recording, particularly as they are not referred to in current statistical manuals.

In response, IMF and OECD started drafting guidance on their recording.


Still discussion on recording of cryptocurrencies without corresponding liability.
Crypto asset categorisation

He "invests" in cryptocurrencies.
What are crypto assets?

• Main characteristics:
  – Digital representations of value
  – Exchanged via peer-to-peer architecture (i.e. negotiable instruments)
  – Based on cryptography (avoiding double spending problem, e.g. Blockchain)

• Main motivation:
  – Transact without the intervention of a third party
  – Creation of alternatives to traditional financial instruments
Types of crypto assets

- **Cryptocurrencies** (intended as general medium of exchange)
  - Traditional cryptocurrencies (not backed by an asset)
  - **Stablecoins** (backed by asset or seignorage-based)

- **Crypto tokens**
  - **Asset** tokens (represent debt or equity claim on the issuer)
  - **Payment** tokens (used as medium of exchange within a platform)
  - **Utility** tokens (provide holders future access to goods or services)
  - Hybrid tokens (combining aspects of other tokens)

- A lot of different **terminology, classifications and definitions** are used

- **New crypto assets** may easily emerge
Need for categorization of crypto assets

• Trying to come up with appropriate definitions and clear delineations between groups of crypto assets
• Not aiming for a taxonomy of crypto assets
• The aim is to assist compilers in accurately recording crypto assets in the National Accounts
Proposed categorisation

- **Crypto assets acting as general means of payment**
  - With a corresponding liability, issued by a monetary authority
  - With a corresponding liability, not issued by a monetary authority
  - Without a corresponding liability

- **Payment tokens**
  - With a corresponding liability
  - Without a corresponding liability

- **Security crypto assets**
  - Debt security crypto assets (including utility tokens)
  - Equity crypto assets
  - Derivative crypto assets

- **Crypto assets acting as a store of value**
  - With a corresponding liability
  - Without a corresponding liability
Guidance on recording of crypto assets
Yes, crypto assets are within the asset boundary of the SNA:
• Ownership is well defined for crypto assets
• They provide economic benefits to holder

The only exception are **payment tokens without a corresponding liability**, as they only act as medium of exchange within a platform, but are not convertible into cash or another asset.
Recording of crypto assets

Acting as general means of payment

- With a **corresponding liability, issued by monetary authority**
  - Similar to traditional fiat currency
  - **Proposal:** Record as ‘currency’ (AF.21)

- With a **corresponding liability, not issued by monetary authority**
  - Different from traditional fiat currency, but clearly financial instrument
  - **Proposal:** Record as separate category under ‘currency and deposits’ (AF.2)

- **Without a corresponding liability**
  - There is no corresponding liability, but for fiat currencies this claim is also often just a matter of convention
  - They serve the same role of fiat currency
  - **Proposal:** Record as separate category under ‘currency and deposits’ (AF.2)
Recording of crypto assets

**Payment tokens**

- **Definition:** Crypto asset acting as a medium of exchange within a platform or network

- **With a corresponding liability**
  - Redeemable with the issuer (i.e. convertible into cash or other asset)
  - Financial asset as there is a corresponding liability
  - Negotiable (although limited to platform or network) debt instrument
  - **Proposal:** Record as separate category under ‘**debt securities**’ (AF.3)

- **Without a corresponding liability**
  - Not redeemable with the issuer
  - Only medium of exchange within platform
  - **Proposal:** Not recognizing it as an asset
Recording of crypto assets

Security tokens

- **Debt security tokens**
  - Negotiable instruments serving as evidence of debt
  - Also includes utility tokens (as they represent a claim on the issuer and can be exchanged peer-to-peer)
  - Financial assets as there is a corresponding liability
  - **Proposal:** Record as ‘**debt securities**’ (AF.3) with separate category for utility tokens

- **Equity tokens**
  - Provide holder with residual claim on the assets of issuer
  - **Proposal:** Record as ‘**equity**’ (AF.51)

- **Derivative tokens**
  - Provide right to buy (or sell) a particular instrument or commodity
  - **Proposal:** Record as ‘**financial derivatives**’ (AF.7)
Recording of crypto assets

Acting as a store of value

- With a **corresponding liability** (e.g. stablecoins)
  - Financial asset as there is a corresponding liability
  - Not (yet) qualifying as ‘currency and deposits’ (AF.2)
  - Seem to resemble negotiable instruments serving as evidence of debt
  - Alternatively, they could be regarded as a form of equity
  - **Proposal**: Record as ‘**debt securities**’ (AF.3)

- **Without a corresponding liability** (e.g. traditional cryptocurrencies)
  - There is no corresponding liability
  - Can be regarded as an outcome of production
  - Despite high volatility in their value, they mainly seem to serve as alternative form of investment
  - **Interim guidance** to record them as a specific type of valuables (but ongoing discussion)
  - **Proposal**: Record as separate category under ‘**valuables**’ (AN.13)
Guidance on recording of creation of crypto assets

MAYBE WE SHOULD DO AN INITIAL COIN OFFERING, OR I.C.O.

WHAT’S THAT?

IT’S A NON-EQUITY PROCESS FOR RAISING CAPITAL THAT USES A CUSTOM CRYPTO-CURRENCY AND THE BLOCKCHAIN.

I MIGHT BE WASTING MY TIME HERE.

SO... IT’S LIKE A CHAIN MADE OUT OF COINS?
Recorded of the creation of crypto assets

- Crypto assets **with corresponding liability**
  - These are the *result of a financial transaction* in which there is a simultaneous creation of an asset and liability

- Crypto assets **without corresponding liability**
  - Depends on assessment of ‘mining’ activity (see pending questions)
  - Interim guidance:
    - Activity is regarded as a *form of production*
    - Value of output is equal to sum of transaction fees and value of ‘new’ crypto assets
Pending issues
State of play regarding guidance

• **Broad agreement, except** for cryptocurrencies without corresponding liability, acting as a store of value

• **Main questions** related to this specific category:
  – How to account for their **creation**?
    • Are they the result of mining activities?
    • Do they “appear” in the same way that fiat currency “appears”?
  – Does it make sense to record some of them as non-financial assets even though they are **intended as medium of exchange**?
  – What is the **output of miners**?
    • *Cryptocurrencies or validation services*?
  – How should their output be **valued**?
    • *Sum of cost or sum of fees and value of cryptocurrency*?
  – Who is **consuming** the relevant output?
Next steps
Next steps

• Guidance note with interim guidance and issues note on pending issues is **distributed for feedback**
• A **discussion note** will be prepared on pending issues
• Further discussion on these specific issues at **next AEG meeting** (October 2020)
Thank you for your attention

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