



Consensys Software Inc  
5049 Edwards Ranch Rd  
Fort Worth, TX 76109, United States

June 6, 2025

Commissioner Hester M. Peirce  
Chair, SEC Crypto Task Force  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-0213

Re: Staking Services Revenue Recognition Accounting Guidance

Dear Commissioner Peirce and Members of the SEC's Crypto Task Force:

We appreciate the opportunity to respond to the Securities and Exchange Commission's request for feedback regarding the unique challenges faced by companies operating within the cryptocurrency industry. We commend the Commission's commitment to fostering an open dialogue with market participants and its willingness to consider industry perspectives as part of its ongoing regulatory efforts. In particular, we are grateful for the clarified guidance provided by the Division of Corporation Finance in its 'Statement on Certain Protocol Staking Activities' issued on May 29, 2025 (the "Staking Guidance"). This statement represents a significant step toward greater regulatory clarity for staking services providers, and we appreciate the Commission's efforts to address complex issues promptly.

This letter also relates to staking services. Below, we highlight a revenue recognition issue specific to staking that we and other companies have encountered. Staking service providers, whether custodial or non-custodial platforms, are faced with prejudicial accounting treatment when it comes to revenue generated from these services. We ask the SEC's assistance in developing a clearer and better approach to this issue that would ensure potential investors have access to accurate information on staking service businesses while embracing innovation in the digital asset ecosystem.

### Summary

Staking services-specific accounting guidance is required because current application of general revenue recognition accounting guidance in ASC 606 (Revenue from Contracts with Customers), results in misleading gross revenue recognition. Rather than a staking services provider recognizing only its service fee as revenue, it currently will often recognize not just their fee but all rewards earned by the user as gross revenue. Staking service companies are agents of their users for these purposes, so they should be required to recognize only their service fee as revenue. A Staff Accounting Bulletin or other guidance from the SEC providing guidance to this effect would greatly benefit both investors and market participants.

## Background on Staking Services

As the Commission is well aware, staking is a common transaction specific to the digital asset ecosystem and one where there has been an increasing volume of activity. Staking is the process by which holders of certain cryptocurrencies lock up their tokens as a performance bond to support the data processing and security of a blockchain network that employs a proof-of-stake consensus mechanism. As recognized in the Staking Guidance, users can stake on their own by running software on their own infrastructure, but most instead use a service that will administer the validator that is performing the block proposal and validation function. These services include custodial platforms that take control of the user's tokens and stake them on the user's behalf and non-custodial offerings where a user never relinquishes control over tokens but instead uses the software developer's validator software and back-end IT infrastructure.

In all these scenarios, the staking participant receives compensation in the form of transaction fees and newly-minted token rewards in compensation for their participation. In the solo-staking arrangement, the user receives 100% of the rewards and is responsible for 100% of any associated operational costs. In the staking as a service arrangement, a user receives a substantial portion of these rewards, while the service provider managing the validators receives only a small portion as a service fee while bearing the associated operational costs.

Consensys is a staking service provider of the non-custodial variety. Our software and back-end infrastructure allows users to stake their own ETH to validate Ethereum transactions, providing institutions and individuals alike to participate in securing the network without administrative burden, technical hassle, and the expense of running their own node software. When staking rewards are awarded by the blockchain protocol, they are directly accessible by the user and only the user, based on how the service was designed. Consensys receives a fee for providing the service, which is generally taken only when the user elects to unstake his tokens. In other situations, Consensys sends a monthly invoice to the user setting out the service fee and providing off-chain payment instructions. In either case, Consensys generally earns a single-digit percentage of the rewards the user created by staking his tokens, with the overall rewards being a low-single-digit percentage of the amount that the user staked.

## Current Revenue Accounting for Staking Activities

Consensys and other providers are required to account for the staking activities following generally accepted accounting principles in the United States of America ("US GAAP"). Under current US GAAP, there is no accounting guidance specific to staking transactions. As such, companies apply the general revenue recognition accounting guidance in ASC 606, Revenue from Contracts with Customers ("ASC 606"). It is applicable to all entities and focuses on the rules around whether an entity acts as a principal or an agent in a revenue-generating transaction.<sup>1</sup>

---

<sup>1</sup> ASC 606-10-55-37A through 55-39 provides indicators to assist in determining whether an entity is acting as a principal or an agent.

This principal/agent distinction is critical because it affects the amount of revenue recognized from a particular service. A principal recognizes revenue on a gross basis (*e.g.*, the total amount received via the transaction), while an agent recognizes revenue on a net basis (*e.g.*, the fee or commission earned rather than the entire transaction amount).

The issue Consensys and others are facing is that current interpretation of ASC 606 is treating Consensys as a principal, not an agent of the user, when providing our staking service. As a principal in the staking transaction, we must recognize the total amount of rewards from the blockchain protocol as revenue, and separately recognize as an expense the portion of the total rewards that is due to the user who staked his tokens. For illustrative purposes, if total rewards are \$100 and the user is entitled to \$95 while the Company's 5% fee results in \$5, the Company would nevertheless present \$100 in revenue and expense of \$95.

But Consensys and other similar service providers in the staking industry are not acting as principals when users employ their platforms to stake their own tokens. The nature of this relationship was correctly and helpfully observed in the Staking Guidance. Speaking of custodial offerings (but expressing a view that is more broadly applicable), the Division of Corporate Finance stated the "Custodian does not decide whether, when, or how much of an owner's Covered Crypto Assets to stake. The Custodian simply *is acting as an agent* in connection with staking the deposited Covered Crypto Assets on behalf of the owner." (Emphasis added.) This assessment is correct, and the same conclusion should follow from the principal/agent analysis under ASC 606, as the economic substance of these arrangements is an agency relationship.

Conversely, if an entity were acting as an agent in the staking transaction, it would recognize as revenue only its fee, which is a small percentage of the total rewards earned by the user. In the previous scenario described above, the Company would only present revenue of \$5, which reflects the economic reality of the service provider never owning the staked funds or having any rights to rewards that are not payable by contract as a service fee. The difference in revenue figures in this example demonstrates that gross revenue treatment meaningfully impacts Consensys and other staking providers.

### Staking-specific Guidance

Our goal should be to ensure that our financial statements provide an accurate picture of the business. Guidance clarifying that net revenue is the proper treatment under ASC 606 would improve the financial transparency of staking services. While the principal/agent distinction does not impact net income (which remains \$5 in our hypothetical), treating the staking service provider as a principal results in presenting an inflated gross revenue of \$100. Without updated guidance, companies like ours will continue to be advised that, based on ASC 606 indicators, the most defensible interpretation is to treat the staking service provider as a principal for revenue recognition. This approach risks misleading investors, does not reflect true operating results, and significantly inflates reported revenues, overstating a Company's scale and financial performance. It may leave investors unclear about a Company's actual operations, margins, and growth prospects, and portrays staking services as a low margin activity, which disincentivizes investment and competition. Further, it blurs the distinction between fee-based business

models and those that genuinely earn gross revenues, reducing the comparability and transparency across the industry. Finally, recognizing gross revenues can have significant regulatory consequences: an entity may exceed the Emerging Growth Company (“EGC”) revenue threshold (currently \$1.235 billion), losing access to the reduced reporting requirements and other accommodations available to EGCs.<sup>2</sup>

### Conclusion

We respectfully urge the Commission to further evaluate the application of principal versus agent guidance under ASC 606 to staking as a service transactions and provide a staff accounting bulletin or other guidance, similar to when the SEC provided guidance on the accounting for crypto lending transactions. It should be clear to industry and its accountants that, when a custodian or similar intermediary is acting solely at the direction of the asset owner and does not control the staking activities or is wholly entitled to associated rewards, the entity should be considered an agent for purposes of revenue recognition under ASC 606. We believe this is necessary to ensure that financial reporting in this area accurately reflects the underlying economics of these arrangements and provides investors with transparent, material information. At the very least, we encourage the SEC’s Crypto Task Force to consider collaborating with the FASB’s Emerging Issues Task Force to develop authoritative industry-specific guidance.

Clear and appropriate revenue recognition standards will not only enhance investor understanding, but also support the continued growth of companies operating in the cryptocurrency industry by providing consistency and comparability in financial reporting, enabling investors, regulators, and other stakeholders to accurately assess company performance. This clarity not only builds investor trust and attracts capital but also reduces unnecessary compliance burdens, allowing companies to focus resources on innovation and growth within the rapidly evolving digital asset ecosystem. We appreciate the Commission’s attention to this important issue and welcome the opportunity to engage further or provide additional information as needed.

Regards,

CONSENSYS SOFTWARE INC.

by: William C. Hughes  
Senior Counsel

---

<sup>2</sup> Even if recognition on a gross basis was not the current consensus view, there is still a problem if there is a diversity of practice. Such diversity in practice makes it difficult for readers of the financial statements to compare one company’s financial results to another company’s financial results.