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May 7, 2025

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549

Re: *Crypto Task Force Written Input*

Dear Ms. Countryman:

Deloitte & Touche LLP is pleased to respond to Commissioner Hester Peirce's February 21, 2025, request for public input on the regulation of the crypto market. We appreciate the opportunity to provide our thoughts on some of the important issues that the Securities & Exchange Commission (SEC or Commission) will be considering. We have been listening with interest to the roundtable discussions convened by the Commission, and we look forward to the upcoming roundtables, as well as other avenues for public input, which are important for the development of regulations that are consistent with the Commission's goal to both foster innovation and protect investors.

In this letter, we have included observations specific to our role as auditors of and advisers to SEC-regulated entities that transact with, have custody of, and/or hold digital assets.

General observations from our participation in the capital markets

The markets would benefit from a regulatory framework for digital assets that considers their use broadly and addresses various digital asset types that may have different regulatory considerations. In our experience, the need for clarity exists not just in the emerging digital assets industry, but also across industries and types of entities that may be expanding into digital asset transactions or expanding their use of distributed ledger (blockchain) technology to facilitate traditional transactions (*e.g.*, technology companies, banks, broker-dealers, investment advisers and funds, and public companies). Coordination among regulators and standard setters (including globally) on issues that cross industries and established regulatory regimes will help avoid regulatory fragmentation that can hamper innovation, as well as reduce the risk of regulatory arbitrage. We therefore encourage the SEC to align its work with that of the President's Working Group on Digital Asset Markets (the Working Group), which we understand intends to propose a Federal regulatory framework governing the issuance and operation of digital assets in the United States. We also encourage the Commission to work with the prudential banking regulators that are considering similar issues, but may not have direct representation on the Working Group.

The risk of regulatory fragmentation may be reduced if existing regulatory frameworks are the starting point for consideration of any new regulation of digital assets. We believe that in most instances existing

regulatory frameworks can be tailored to address unique considerations of emerging technologies and asset types.

Based on our interaction with entities that play various roles in the market, one topic that we believe the Commission should consider in light of the unique and evolving nature of digital assets, irrespective of whether the assets are ultimately considered securities, are the requirements related to custody of client assets both for broker-dealers (*e.g.*, related to acceptable control locations under Rule 15c3-3 of the Securities and Exchange Act of 1934) and investment advisers (*e.g.*, related to the application of custody requirements under Rule 223 of the Investment Advisers Act of 1940, particularly where a qualified custodian does not exist or it may not be the safest or preferred alternative for investors).

Because of the developing nature of the market for digital assets, it also will be important that the regulatory regime for digital assets be adaptable, so that it can be applied as new products and market participants emerge. We therefore encourage the SEC to consider a principles-based framework rooted in established laws and regulations for its part of the regulation of digital assets; this will help ensure that the framework can be applied in a predictable way over time as the market continues to develop, as well as help facilitate coordination among regulators.

It is also important that the SEC coordinate with accounting and auditing standard setters (including the Financial Accounting Standards Board (FASB), the Public Company Accounting Oversight Board (PCAOB), and the American Institute of CPAs (AICPA)) because standards and best practices for digital assets already are developing alongside the growth in the digital asset markets.

Accounting considerations

The SEC staff explicitly recognized the role of the FASB when it issued Staff Accounting Bulletin (SAB) 122 in January, noting that, with the rescission of SAB 121, entities should look to the FASB's standards addressing the recognition and measurement requirements for liabilities arising from contingencies,¹ or equivalent international standards,² as appropriate. This recognition of the FASB is consistent with the fact that the SEC has treated the FASB's accounting standards as "authoritative" since 1973.³ The SEC's decision to centralize the responsibility for setting generally accepted accounting principles in the United States (US GAAP) in the FASB has benefited the markets, including because the FASB has an established deliberative process that includes robust stakeholder input.

The FASB has followed that process when considering how digital assets should be considered under US GAAP, including when it issued its December 13, 2023, Accounting Standards Update (ASU) No. 2023-08, *Accounting for and Disclosure of Crypto Assets* (Subtopic 350-60), as well as more recently in its invitation to comment on its upcoming agenda, which specifically requests stakeholder input on what additional guidance may be needed under US GAAP for digital assets.⁴ While we believe there are areas of US GAAP that may need to be further considered in light of the unique qualities of digital assets (*e.g.*, determining the appropriate classification of crypto assets given the variety of characteristics/uses; derecognition for digital assets that are classified as crypto intangible assets as well as digital assets classified as financial assets; and clarifications to the scoping criteria of ASU 2023-08), we believe the FASB is the appropriate body to lead that process.

¹ FASB Accounting Standards Codification (ASC) Subtopic 450-20, *Loss Contingencies*.

² International Accounting Standard (IAS) 37, *Provisions, Contingent Liabilities and Contingent Assets*.

³ See *SEC Policy Statement: Reaffirming the Status of the FASB as a Designated Private-Sector Standard Setter*, Release Nos. 33-8221 (April 25, 2003) (available at <https://www.sec.gov/rules-regulations/policy-statements/33-8221>).

⁴ FASB Invitation to Comment: Agenda Consultation (January 3, 2025) (available at <https://fasb.org/page/ShowPdf?path=ITC%E2%80%9494Agenda%20Consultation.pdf&title=Invitation%20to%20Comment%E2%80%9494Agenda%20Consultation>).

For the last several years, the accounting profession has also been considering the need for accounting guidance related to digital assets through the AICPA’s Digital Assets Working Group. With input from that group, the AICPA issued the *Practice aid: Accounting for and auditing of digital assets*⁵ (the AICPA Practice Aid), which includes non-authoritative interpretations of existing accounting standards. The AICPA Practice Aid provides guidance on a wide range of topics that have been largely adopted by the industry, including related to: Classification, Measurement, and Recognition; Investment Companies; Broker-Dealers; Fair Value Measurement; Stablecoins; Derivatives and Embedded Derivatives; Crypto Intangible Asset Lending and Borrowing; and Mining. Where certain accounting issues were not covered in the AICPA Practice Aid, we have seen diversity in practice develop among entities.

We believe a coordinated effort to develop US GAAP, as needed, through the FASB, with established processes to seek interpretive guidance with input from the FASB, the SEC, and the profession, will result in higher quality guidance and more clarity to all market participants than will fragmented guidance emanating from different sources.

Assurance considerations

High-quality audits are essential to trust in our capital markets. We therefore appreciate the SEC’s consideration of the audit and assurance implications in looking at the digital asset regulatory framework. While digital assets do present some unique challenges, the profession has been able to apply existing standards for public company audits issued by the PCAOB, even as the market continues to evolve. We encourage the SEC and the PCAOB to continue to engage with the profession as the digital asset market develops, so that they have a timely understanding of how PCAOB standards are being applied.

We also recommend that the SEC consider other forms of assurance that are being adopted in the industry and work with the PCAOB and the AICPA to consider whether additional guidance may be useful to standardize and align their use, consistent with accepted assurance standards. Specifically, we encourage the SEC to consider how various types of assurance can meet the goals of fostering innovation while protecting investors. Third-party assurance provided under well-understood and consistently applied standards can support both goals, by enhancing stakeholder confidence in the information provided. There are existing types of assurance services, provided under AICPA standards, that may be especially relevant to digital assets (*e.g.*, reports prepared in accordance with the AICPA’s System and Organization Controls (SOC) Reporting guidance, which can be used to provide information about processes and controls around the custody of customer crypto assets). We note that some forms of assurance⁶ that have gained prominence in the market can have value, but also can create risks when they are not well understood by the investing public (*e.g.*, because that assurance is narrowly scoped, designed only for specific users, or does not follow established standards).

The Commission should also monitor technological developments, such as artificial intelligence, that may intersect with assurance provided for digital assets.

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In addition to the specific topics discussed above, it will be important for the SEC to consider how the development and regulation of digital assets may affect other existing regulatory requirements. For

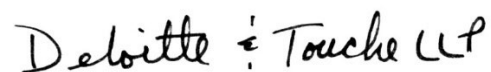
⁵ Available at <https://www.aicpa-cima.com/resources/download/accounting-for-and-auditing-of-digital-assets-practice-aid-pdf>.

⁶ We note that the SEC and PCAOB have discussed such concerns specifically related to so-called proof of reserve reports. See PCAOB [Investor Advisory-Exercise Caution With Third-Party Verification/Proof of Reserve Reports](#) and SEC [Exercise Caution with Crypto Asset Securities: Investor Alert](#).

example, since the auditor independence rules were promulgated, the evolution of technology, including blockchain, has introduced complexities that were not previously contemplated. We believe the SEC should examine how these advancements intersect with existing auditor independence rules to ensure that entities in the digital asset market, and their auditors, can effectively navigate the evolving market, while complying with the independence requirements.

We commend the Commission for its focus on this developing area, and we appreciate the opportunity to share our views. We also look forward to continuing to engage as the SEC considers the regulatory framework for digital assets. If you have any questions or would like to discuss our views further, please contact Laura McCracken at (212) 653-5738 or Consuelo Hitchcock at (202) 220-2670.

Sincerely,

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, professional style.

Deloitte & Touche LLP