



RECORDING OF CRYPTO ASSETS - INTERIM GUIDANCE

WEBINAR OF THE GROUP OF EXPERTS
ON NATIONAL ACCOUNTS

-

SESSION ON DIGITALISATION

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Background

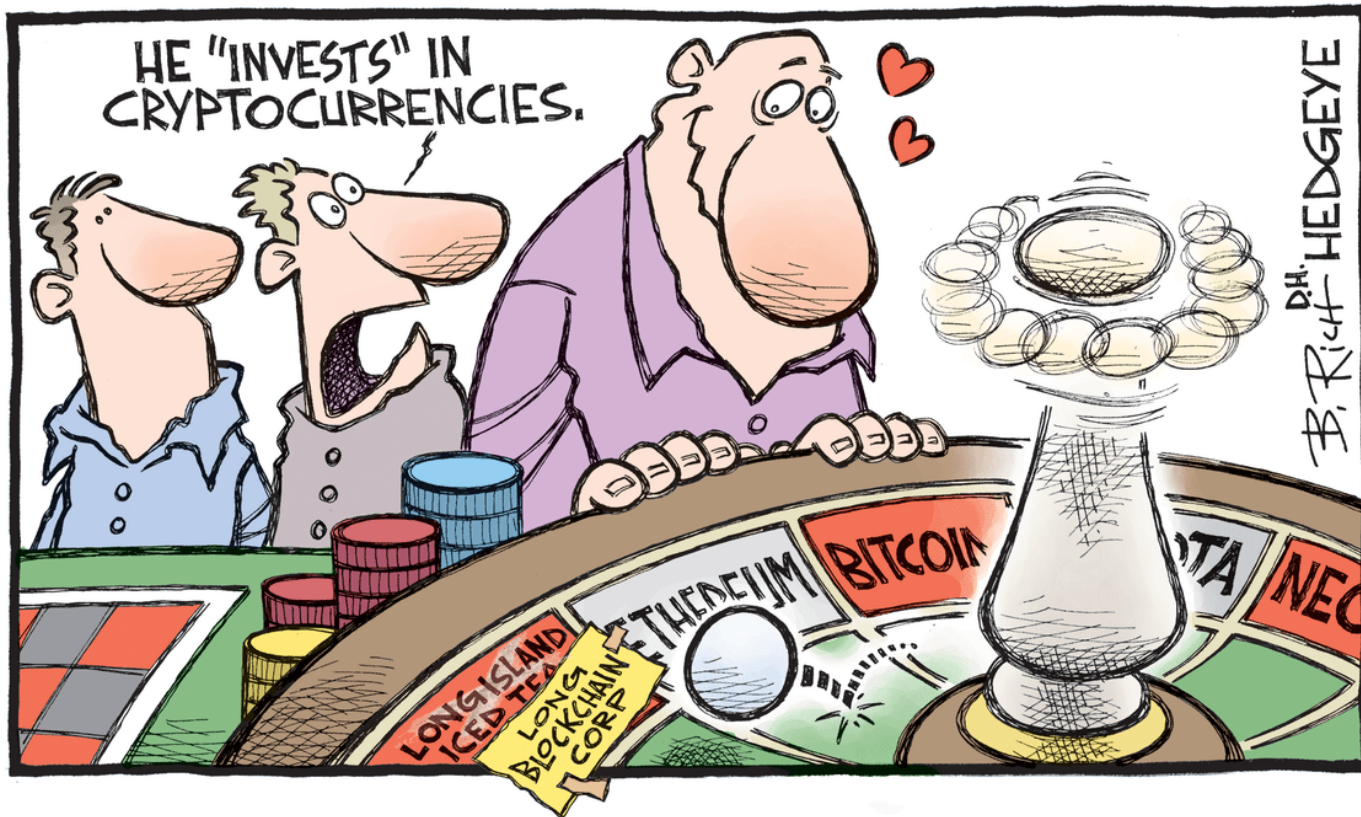


Background

- 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
- Discussion of the guidance at the meetings of the **Advisory Expert Group** on National Accounts (AEG) in 2018 and 2019
- Still **discussion** on recording of cryptocurrencies without corresponding liability



Crypto asset categorisation





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



Are all crypto assets within the asset boundary?

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)**



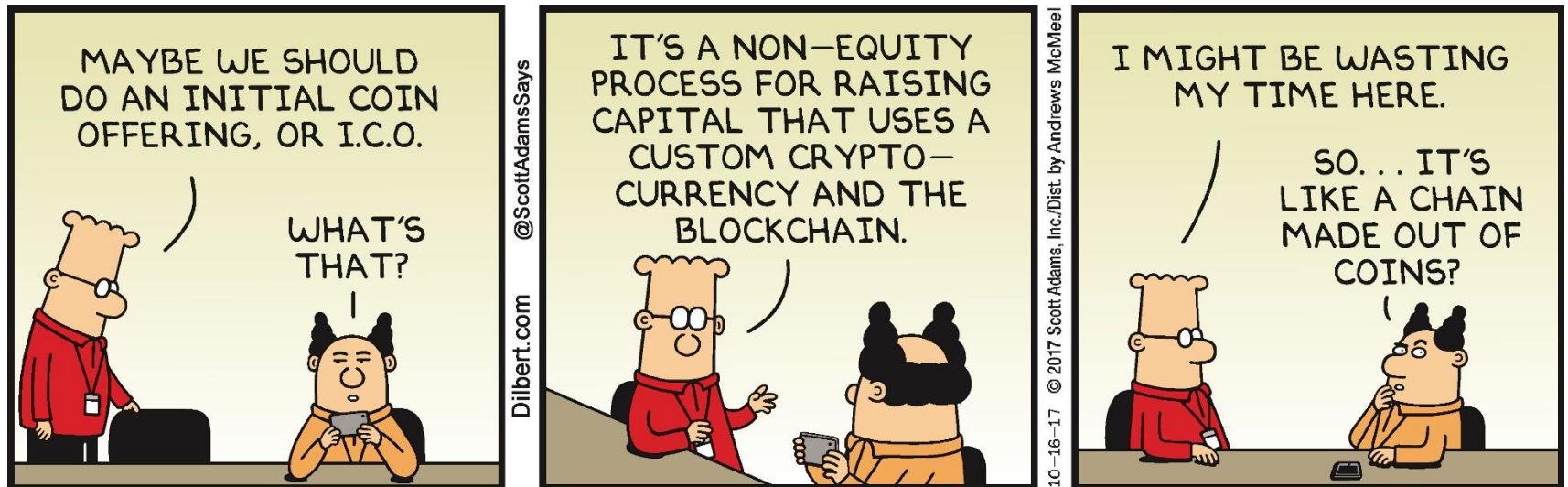
Recording of crypto assets

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





Recording 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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