



STATISTICS

INTER SECRETARIAT
WORKING GROUP ON
NATIONAL ACCOUNTS

F.18 Recording of Crypto Assets (BOPCOM 22/05)/(SNA/M4.22/15)

Joint Thirty-Ninth Meeting of the IMF Committee on
Balance of Payments Statistics and Twenty-First Meeting of
the Advisory Expert Group on National Accounts

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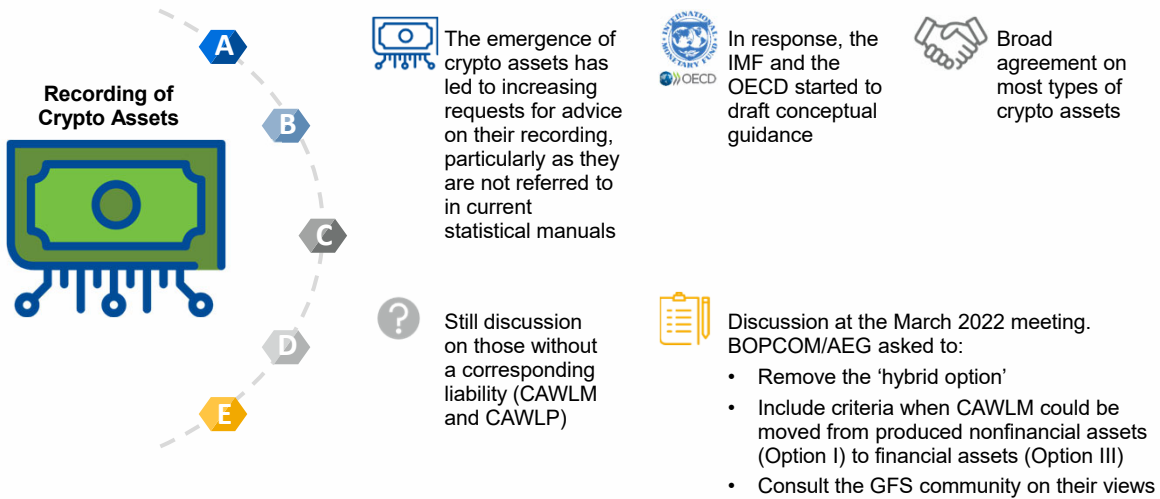
1

Outline

- **Background**
- **Recording Options: Crypto Assets Without Corresponding Liability?**
- **Outcome of Global Consultation**
- **Outcome of GFS Consultation**
- **Questions to BOPCOM-AEG**

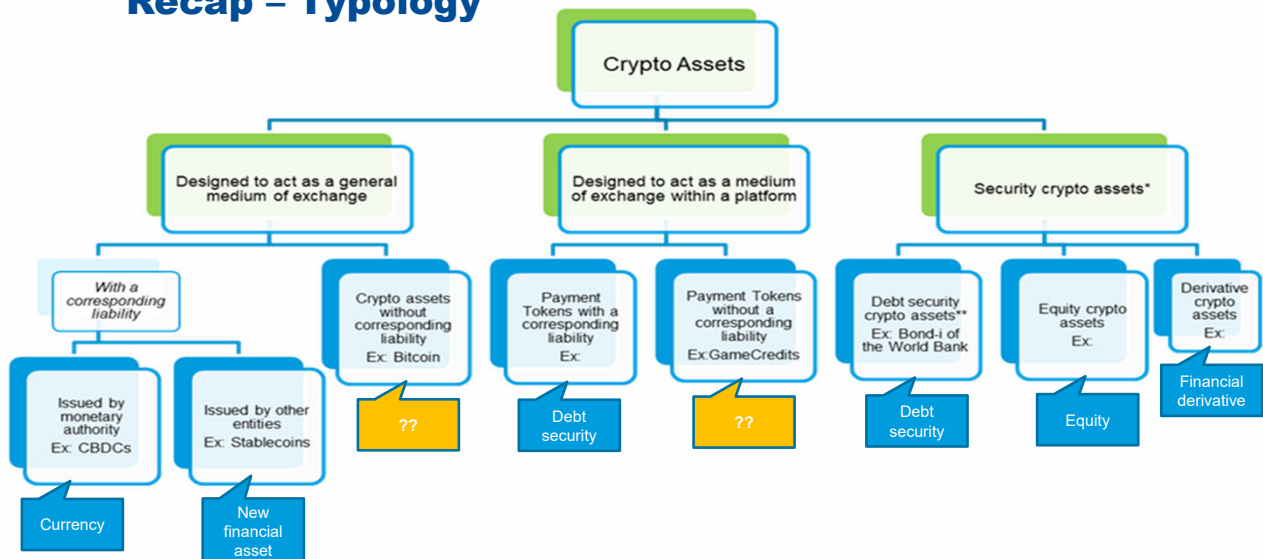
2

Background



3

Recap – Typology



4

Main Questions on CAWLM and CAWLP

Still discussion on crypto assets without a corresponding liability



Designed to act as general medium of exchange (CAWLM)



Designed to act as medium of exchange within a platform or network (CAWLP)

Main questions:



Are they financial or nonfinancial assets?



How to account for their creation?

Nonfinancial assets, because ...



- They do not represent a claim (i.e., they do not have a counterpart liability)
- They mainly act as store of value similar to valuables
- Treating them as financial assets may open door for other commodities
- Demand for CAWLM as an alternative investment asset is high compared to their use as medium of exchange

Treatment as financial assets may become relevant when they meet the definition of broad money, i.e., satisfy the following criteria:

- issued or authorized by the government
- a generally accepted means of payment
- a reliable or stable store of value (in the short-term)
- a unit of account
- a widely used medium of exchange

Table 1 in the GN can be used for assessing whether a type of CAWLM can be considered money in a country

Produced assets, because ...



• Mineable coins come into existence as result of the work of miners:

- Who first solves the cryptographic puzzle receives a coin
- Miners can increase their share of CAWLM by improving their mining capabilities
- Mineable coins come into existence using labor, capital, and other inputs
- Miners receive an explicit validation fee and newly mined CAWLM

Non-mineable coins can be regarded as being created and brought into circulation by their designer

This approach would be rather straightforward, whereas the alternatives may require various assumptions

Non-produced assets, because ...



• Miners are involved in production, not producing a coin but providing validation services:

- New coins can be brought into circulation via other ways than mining; mining is just one way of determining who gets to validate the relevant transactions
- Can we really treat non-mineable coins as produced by the designer (with a possibly large impact on some specific countries)?
- Designer determines way and pace for releasing new coins
- Remuneration via coin is way to keep explicit fees low and bring new coins into circulation
- Miners receive an explicit and an implicit fee

Designer as initial owner in case of explicit sale of a new coin (without the need to treat them as producers)

In case of release in exchange for validation services, the creation of new coins dilutes the value of existing CAWLM, so should be recorded as being paid by owners of existing coins to the new owners (in exchange for these validation services)

This requires assumptions mainly to derive the initial owners of existing coins

Overview of the Options

I

Produced nonfinancial asset

II

Nonproduced nonfinancial asset

III

Financial asset

Nonfinancial assets and the outcome of a production process undertaken by miners in the case of mineable coins and creators/issuers for non-mineable coins; the expenditure counterpart is capital formation by the producers.



- ▶ Consistent with counterpart liability criterion as applicable to all financial assets except monetary gold
- ▶ Consistent with the view that only CAWLM that qualify as money should be recorded as financial asset
- ▶ Consistent with current international accounting standards and views of some regulators (including the IMF)
- ▶ Consistent with the view that CAWLM appear for the first time in the wallet of miners
- ▶ Consistent with the view that the initial owners of the coins may not be recognized as consuming the validation services provided by miners
- ▶ Requires a revision in one of the categories of produced nonfinancial assets to include this specific type of digital valuables (possibly an update to the current definition of valuables)
- ▶ Adds to capital formation
- ▶ Leads to a transaction akin to barter trade in case CAWLM is used as medium of exchange (not yet the case)

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9

9

Overview of the Options (continued)

I

Produced nonfinancial asset

II

Nonproduced nonfinancial asset

III

Financial asset

Nonfinancial assets for which the creation dilutes the value of existing CAWLM. For that reason, they are recorded as being distributed by owners of existing coins to the new owners (e.g., the miners in case of mineable coins), in exchange for validation services.



In addition to financial/nonfinancial considerations in the previous slide, the following considerations apply:

- ▶ Consistent with the view that miners do not actually produce coins but receive them in exchange for validation services
- ▶ Would avoid the issue to treat non-mineable coins as being produced by their designer
- ▶ Requires an expansion of one of the categories of non-produced nonfinancial assets to include this specific type of non-produced nonfinancial assets (e.g., contracts, leases and licenses)
- ▶ Adds to production of and consumption/trade in services
- ▶ Practical implementation may require some assumptions on the counterpart of the implicit validation fee, which may pose challenges and consequently may affect bilateral asymmetries

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10

10

Financial assets, because ...



- CAWLM do not meet the definition of non-financial assets:

- Non-financial assets derive their value from benefits that can be obtained from their (direct or indirect) use in production activities
- The only exception are 'valuables' that derive their value from artistic and/or sentimental factors

- Instead, CAWLM derive their value from trust that they will start acting as a general medium of exchange in the future; from this perspective, it makes sense to record CAWLM as financial assets

Not all financial assets represent a claim, e.g., monetary gold and (arguably) fiat currency.

Not treating CAWLM as financial assets may lead to barter trade

As they are different from other types of financial assets, the proposal would be to classify them in a separate instrument category

Overview of the Options (continued)

I

Produced nonfinancial asset

II

Nonproduced nonfinancial asset

III

Financial asset

Financial assets for which the creation dilutes the value of existing CAWLM. For that reason, they are recorded as being distributed by owners of existing coins to the new owners (e.g., the miners in case of mineable coins), in exchange for validation services.



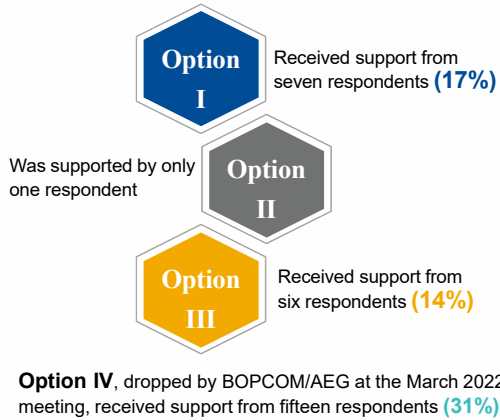
The following considerations apply:

- ▶ Consistent with the definition of nonfinancial assets
- ▶ Consistent with view that CAWLM derive value from trust they will start acting as general medium of exchange
- ▶ Consistent with view that miners do not produce coins but receive them in exchange for validation services
- ▶ Would avoid the issue to treat non-mineable coins as being produced by their designer
- ▶ Requires revision of the criteria for financial assets through additional exception to the counterpart liability rule
- ▶ Adds to production of and consumption/trade in services
- ▶ Holdings of CAWLM may increase net financial position with rest of the world, without any counterparty, creating inconsistency between total financial assets and liabilities world-wide. It may also complicate the interpretation of IIP
- ▶ Practical implementation may require assumptions on the counterpart of the implicit validation fee, which may pose challenges and affect bilateral asymmetries

Outcomes of Global Consultation

Global consultation showed that more than one-third of the respondents were undecided (36%) about the proposed options

The recommendations on the classification of the other types of crypto assets received overwhelming support from respondents



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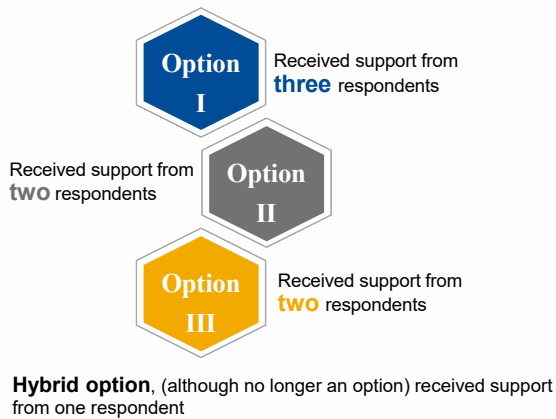
13

13

Outcomes of GFS Consultation

GFS consultation attracted 11 responses showing a slight preference for recording as non-financial asset

Most respondents did not provide GFS specific arguments



One respondent raised a specific concern on potential impact of the classification on government net lending/net borrowing for governments transacting in crypto assets



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14

14

Questions for the AEG/BOPCOM Members

1. Do you agree that the main questions on the classification of CAWLM and CAWLP discussed in the GN are (i) whether they concern financial or nonfinancial assets, and (ii) how to account for their creation?
2. Do you agree with considering the three classification options for CAWLM and CAWLP as well as related pros and cons presented in the GN? Are there any other options and pros and cons that should be considered?
3. What is your view on the classification options for CAWLM and CAWLP? Could you please elaborate?
4. Do you agree that the countries should start collecting data on ownership, transactions, and stocks of fungible crypto assets following the high-level guidance provided in Annex VI?

