DRAFT

To:

Central Bank of Brazil
Director of Regulation
Quadra 3, Bloco "B", 9th floor, Headquarters Building,
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August 2025

Public Consultation No. 122/2024 of the Central Bank of Brazil on the proposed regulation of the draft resolutions of the National Monetary Council and the Central Bank of Brazil establishing the criteria to be observed by financial institutions and other institutions authorized to operate by the Central Bank of Brazil in the recognition, measuring, writing off, and accounting for virtual assets and utility tokens

Coinbase Global, Inc., together with Coinbase Brasil LTDA and its other subsidiaries (**Coinbase**), appreciates the opportunity to respond to Public Consultation No. 122/2024 (**Resolution**) published by the Central Bank of Brazil (**BCB**).

Coinbase began in 2012 with the idea that anyone, anywhere, should be able to send and receive Bitcoin easily and securely. Today, we are a publicly traded US company and offer a trusted and easy-to-use platform that millions of verified users in over 100 countries rely on to access the crypto economy.

We are the platform of choice for many of the largest and most sophisticated participants in the virtual asset markets, who demand high standards of compliance, risk management, and investor protection. The practices developed by Coinbase provide useful insights that inform our comments. We view the progress Brazil is making toward its mission of becoming a global center for virtual assets very positively and appreciate the Central Bank of Brazil's thoughtful and strategic approach to regulating the sector. We look forward to supporting the BCB in developing a regulatory framework that meets its ambitions and puts Brazil in a strong competitive position in the crypto economy.

Sincerely,

Tom Duff Gordon
Vice President
International Policy

Fabio Plein
National Director, Brazil

Introduction

Coinbase's mission is to increase economic freedom for people around the world. In Brazil, people are embracing virtual assets as a powerful tool to unlock new opportunities, gain greater autonomy over their economic lives, and seamlessly connect to the global economy. Cryptography is not just a trend, it is a path for Brazilians to build their financial future and access new avenues for growth. At Coinbase, we are excited to be part of this transformative journey, empowering people in Brazil to embrace a more open, borderless, and financially inclusive world. Brazil is highly significant in terms of crypto adoption, ranking 10th globally and 1st in Latin America.[1]

Brazil is also an emerging leader in financial technology, as evidenced by its Pix payment system. This is a critical and important first step toward the adoption of a digitally native financial system. Coinbase has made a dedicated effort to expand its operations in Brazil, including integration with Pix, as we believe that a well-designed and implemented virtual asset regulatory framework will put Brazil at the forefront of the digital financial revolution. Providing legal and regulatory certainty to the market through an appropriately tailored regulatory framework will position Brazil as a global leader in virtual asset technology. Virtual assets are more than a financial innovation. They have the potential to transform every sector of the economy. The next phase of the Internet's development will be owned by creators and users and will be powered by tokens, creating a more decentralized and community-governed version of the Internet. For Brazil to remain at the forefront of virtual asset adoption and innovation, the legal framework needs to actively embrace the unique potential and capabilities of cryptocurrency and blockchain networks.

We congratulate the Central Bank of Brazil (BCB) for promoting regulatory clarity from an accounting perspective for virtual assets. As will be demonstrated in more detail below, regulation must be appropriately adapted to ensure that financial and accounting statements accurately reflect proprietary and third-party virtual asset positions.

We provide detailed comments on the Resolution in the text below. We are at the BCB's disposal for any further clarification that may be required.

Targeted topics

General considerations and summary of Coinbase's understanding

As a matter of principle, Coinbase believes that the general rule of convergence in the measurement of virtual assets based on fair value is appropriate, and congratulates the

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[1] Chainalysis Team, "*The 2024 Global Adoption Index: Central & Southern Asia and Oceania (CSAO) Region Leads the World in Terms of Global Cryptocurrency Adoption*," Chainalysis, (October 1, 2024).

Central Bank of Brazil for the excellence with which it has conducted the public consultation process and for the quality of the standard presented for consideration by the sector. The fair value measurement guideline prioritizes the relevance and timeliness of financial information, aligning reporting with how risk is actually assumed, priced, and managed on trading desks and in the treasury.

Considering that Coinbase is a US company, it follows US GAAP. In this regard, ASU 2023-08 established Subtopic 350-60, which requires, for virtual assets within its scope (qualified as intangible assets, recorded in distributed ledgers, protected by cryptography, fungible, not originated by the reporter or related parties, and not conferring ownership interests or contractual rights to goods/services), subsequent measurement at fair value with gains and losses recognized in profit or loss. It also requires specific presentation and disclosures (including balance reconciliations and fair value hierarchy). This is an important structural change from the old cost/impairment model.

In this context, the Brazilian Central Bank's position that virtual assets should be measured at fair value with effects on income when integrated into trading portfolios or used in strategies whose performance is monitored and evaluated at fair value is correct. This criterion reflects the intrinsic volatility of the crypto market, avoids mismatches, and improves comparability with international peers, especially after ASU 2023-08.

The use of fair value, however, requires technical discipline: principal/most advantageous market, input hierarchy (Levels 1, 2, 3), day-one gains policy, anti-manipulation windows (TWAP/VWAP), and independent price verification (IPV) controls.

In Coinbase's view, utility tokens should be strictly defined or even removed from the scope of the standard, since Article 3, item III of Law 14,478/2022 explicitly states that instruments that provide access to goods and services or the benefits thereof—that is, utility tokens—are not virtual assets. Utility tokens in the strict sense are those that provide access to goods or services outside the virtual asset ecosystem and are intended to provide material consumption. The designation "utility" describes a consumption function and should not serve as a semantic shortcut to exclude from fair value measurement tokens with a predominant investment purpose or with extensive trading on markets or for payment purposes.

This narrow definition reduces regulatory arbitrage and preserves comparability. Tokens used as "fuel" for crypto infrastructure (e.g., gas, staking, on-chain governance), such as ETH and SOL, may have technological utility, but if acquired and held with the expectation of return and market liquidity, the accounting/regulatory treatment should not replicate that of consumption vouchers, as they are true virtual assets. The classification focuses on economic substance and the business model.

For tokens that are genuinely useful and will be materially consumable to provide access to goods or services, there is no question of fair value measurement, as the issuer recognizes a contractual liability (deferred revenue) until the performance obligation is satisfied; the user recognizes a prepayment and then an expense upon consumption. Outside this perimeter of material consumption, the rule should return to the axis of virtual assets, which are intangible and measured at fair value.

With regard to custody, Coinbase agrees with the Brazilian Central Bank's proposal that customer assets should only be included in the custodian's balance sheet when there are clear indicators of control (in the accounting sense: ability to direct use and obtain economic benefits), including through rights of reuse or practices that effectively transfer discretion over the use of the asset. In the absence of such indicators, there are no assets of the custodian according to US GAAP concepts, and the virtual assets of customers remain off the balance sheet of the virtual asset service provider ("off-balance") in clearing accounts, according to the terminology used by the Brazilian Central Bank. This is because the economic element remains with the customer, while the custodian must maintain clearing accounts without inflating the balance sheet with positions it does not control.

Still on the issue of custody, the control criterion is aligned with the core asset/liability concept. Off-balance recognition with clearing accounts is the logical consequence when the custodian cannot direct the use or reap economic benefits, even if it holds keys or operational access for safekeeping purposes.

In summary: (i) fair value measurement in income for virtual assets; (ii) exclusion of utility tokens or their definition restricted and limited to access to materially consumable goods or services; and (iii) recognition in the balance sheet of assets held in custody only when the custodian has control and can benefit. This three-pronged approach supports reliability, comparability, and consistency with ASU 2023-08.

Convergence with Subtopic 350-60/ASU 2023-08 will promote alignment with the US market without breaking the consistency of IFRS/CPC and will provide users of financial statements with a more accurate and timely view of the risks and returns associated with virtual assets.

Virtual assets versus utility tokens: need to analyze the purpose and context of the transaction

The standard presented in Public Consultation 122 proposes different measurement and revaluation rules for utility tokens. However, utility tokens fall under the exception provided for in item III of article 3 of Law 14,478/2022, i.e., they are not virtual assets. And, because they are not virtual assets, their trading is not exclusive to virtual asset service providers; it is not subject to future asset segregation; it does not affect the prudential risk of entities.

Care must be taken when analyzing the dichotomy between "utility tokens and virtual assets," so as not to unduly exclude from the accounting and regulation inherent to virtual assets those tokens which, despite having a function linked to some computational utility, are actually used for payment and/or investment purposes, in which case they fall perfectly within the definition of virtual assets.

The BCB's regulatory competence focuses on virtual assets; utility tokens, due to their nature of material consumption (Article 3, III, Law 14,478/2022), tend to fall outside this scope, except when used for investment purposes, in which case they become virtual assets.

It is recommended that utility tokens be excluded from the scope of the rule, since virtual asset service providers trade virtual assets and not utility tokens. If it is not possible to exclude utility tokens from the scope of the rule, it should be clarified that, regardless of the function of the token, if there is a payment purpose or if the investment purpose prevails, we will be dealing with virtual assets, measured at fair value. Thus, a narrow definition of utility token is achieved.

The narrow definition of utility tokens prevents widely investable instruments from escaping the perimeter of virtual assets and being treated as mere advances on consumption. The distinction proposed by Coinbase is a practical test to separate (i) vouchers for goods or services that can be consumed in the real world from (ii) tokens from crypto ecosystems intended for investment purposes. In this case, when classified as virtual assets, fair value measurement is applicable with recognition in profit or loss when integrated into trading or treasury activities.

As a legal and accounting premise, the classification of a crypto asset cannot derive from the technical label that describes its mechanics of use, but rather from its economic substance and predominant purpose of holding. As already highlighted above, the caput of Article 3 of Law 14,478/2022 provides the criterion: when the asset has a payment purpose or is acquired, held, and traded with the expectation of return, it has an investment purpose and qualifies as a virtual asset and is included in the regulatory perimeter applicable to virtual asset service providers (PSAV). In light of FASB Subtopic 350-60 (ASU 2023-08), this framework guides the choice of measurement, presentation, and disclosure standards, avoiding formal classifications that conceal risk or distort information for users of financial statements.

Concrete examples illustrate this thesis. ETH and SOL tokens enable the payment of *gas* fees, the execution of smart contracts, and other network functionalities; functionally, therefore, there is "utility." However, when listed on Coinbase, these tokens are subject to continuous price formation in order books and liquidity pools, with broad tradability and active risk management by participants. In this context, treating them as consumption vouchers for accounting and regulatory purposes would unduly shift such assets from the virtual asset regime, with potential prudential impacts (e.g., absence of intermediation by PSAV and future asset segregation). In terms of reporting, the consequence would be equally inappropriate: instead of fair value measurement, entities would be required to treat performance obligations, producing a mismatch with economic reality.

For genuinely utility tokens, the distinction should be strict and exceptional: cases in which the token enables the material consumption of a good or service outside the crypto ecosystem, such as access to a course, an event, or a physical product. In this case, the issuer has a contractual liability with deferred revenue until the performance obligation is satisfied, and the user has a prepayment followed by an expense upon consumption. However, if the same token is acquired and held for investment purposes, and there is a market with verifiable liquidity, the classification changes to a virtual asset measured at fair value and presented in accordance with its substance.

The US experience reinforces this design. FASB ASU 2023-08 requires that virtual assets within the scope of Subtopic 350-60 be measured at fair value with effects on income, accompanied by specific disclosures; the criterion aligns reporting with how risk is internalized and managed.

In light of US GAAP, in particular ASU 2023-08, which introduced Subtopic 350-60 (Intangibles – Goodwill and Other – Crypto Assets), the classification and measurement of tokens should be based on an internal framework based on facts and circumstances. This framework aims to capture the economic substance of the instrument (rights conferred, associated obligations, purpose of use, and negotiability), ensuring that the accounting treatment accurately reflects the risk assumed and the form of realization of economic benefits.

Coinbase understands that when a token primarily functions as a medium of exchange, store of value, or investment vehicle, it should be classified as a “virtual asset” for payment or investment purposes. Tokens classified as such, when they meet the requirements of ASC 350-60 (e.g., fungibility, existence on a DLT, cryptographic security, not issued by the reporting entity, no enforceable right to goods/services), are within the scope of fair value measurement with effects on profit or loss.

Fair value measurement must identify the primary/most advantageous market, and the classification of inputs in the ASC 820 hierarchy (Levels 1, 2, and 3) becomes central to supporting the mark and avoiding initial gains based on unobservable assumptions.

Tokens whose primary purpose is to enable access/consumption of a specific product, service, or platform, typically unrelated to crypto or financial assets, are assessed as “utility tokens.” In such cases, the analysis departs from investment logic and focuses on consumption: the issuer tends to be subject to ASC 606 (performance obligations and revenue recognition), while the holder accounts for the asset as a prepaid asset rather than a generic intangible asset.

For proprietary positions in virtual assets (e.g., BTC, ETH, and other widely listed tokens), the accounting policy is to recognize the asset on the balance sheet and measure it at fair value, with gains and losses recognized in income in the period in which they occur, in accordance with ASC 350-60. Fair value is determined in accordance with ASC 820: for highly liquid assets, unadjusted active market price (Level 1) is used; where liquidity is less deep, appropriate techniques (e.g., multi-venue VWAP/TWAP, executable OTC quotes, AMM data with market impact adjustments) are applied, always with IPV governance and backtesting.

Presentation and disclosures follow this model: fair value hierarchy, price waterfall policies, balance reconciliations, and significant events required by ASU 2023-08 are disclosed. The rationale is to align reporting with how performance is monitored by management (fair value management), reducing mismatches and providing timeliness to users of the financial statements.

For utility tokens acquired or received with the intention of consumption within a specific ecosystem (e.g., access to software, event admission, service subscription), initial recognition is at cost, including directly attributable transaction costs, classified as prepaid (deferred expense). As the goods/services are received, the balance is recognized in income as an expense; therefore, it is not an asset held for investment or an intangible asset with an indefinite life.

In summary: (i) virtual assets used for payment, exchange, or investment are, as a rule, intangible assets with indefinite lives within the scope of ASC 350-60, measured at fair value with effects on income for the period; (ii) utility tokens intended for consumption are prepaid and are expensed when the goods or services are received.

In summary, the guidance to be set out in the final standard resulting from Public Consultation 122 should state: (i) "utility" tokens only escape the concept of virtual assets when they effectively function as instruments for the material consumption of goods or services, without a predominance of trading or expectation of gain (investment purpose); (ii) widely traded tokens – such as ETH, SOL, ADA, DOT – are virtual assets by virtue of their investment purpose and should be measured at fair value.

The case of *stablecoins*

Different accounting criteria should be adopted for fiat-backed stablecoins (e.g., USDC, EURC) compared to other virtual assets. Stablecoins that are contractually redeemable at par in fiat currency, with an enforceable right of redemption from an issuer or reserve administrator, are not treated as intangible assets; they qualify as financial instruments under the definition in ASC 825 (contractual rights to cash or another financial instrument). As such, they are outside the scope of Subtopic 350-60 (ASU 2023-08), which governs fair value measurement of intangible crypto assets.

Fair value measurement

In accordance with US GAAP, and in particular Subtopic 350-60 introduced by ASU 2023-08, crypto assets held in proprietary holdings, including, without limitation, BTC, ETH, and other widely listed tokens, are measured at fair value with effects on income. Such assets are recognized in the balance sheet under a separate heading and their subsequent measurement reflects fair value at the reporting date.

The determination of fair value strictly complies with the architecture of ASC 820 (Fair Value Measurement), which requires: (i) identification of the principal market or, in its absence, the most advantageous market available to the entity; (ii) classification in the fair value hierarchy (Levels 1, 2 or 3) based on the observability of inputs; and (iii) consistent use of appropriate valuation techniques (market, income and cost approaches), calibrated to observable transactions. For widely traded assets, such as BTC and ETH, there is usually an unadjusted price in an active market (Level 1), which is the preferred input.

When liquidity is less deep or dispersed across venues, measurement migrates to Level 2, favoring multi-venue executable prices, metrics such as VWAP/TWAP in anti-manipulation windows, firm OTC quotes, AMM/DEX curves (with market impact adjustments), and documented minimum spreads/depth. Level 3 is reserved for exceptional situations, with a predominance of unobservable inputs; in such cases, enhanced governance (assessment committee, independent price verification, prohibition of day-one gains if the anchor is unobservable) and expanded disclosures are required.

Virtual assets for which there is no active market or limited observable pricing may be held or offered. In such cases, the accounting policy is anchored in US GAAP, combining the recognition criteria (control of future economic benefits) with the measurement guidelines of ASC 820 (Fair Value Measurement) and, when within scope, with Subtopic 350-60 (ASU 2023-08) for virtual assets. It is important to distinguish between “offering” (service/custody, without recognition in the balance sheet) and “holding in own portfolio” (proprietary holdings); only in the latter case is there an asset of the Company, provided that control has been obtained.

Acquired virtual assets that are not traded on an active market are recorded at cost on the date the Company obtains control of the economic asset. The cost corresponds to the consideration transferred (in cash, other crypto assets, or goods) plus directly attributable transaction costs. When the acquisition is made through a non-monetary exchange (e.g., delivery of another virtual asset), the cost is measured, as a rule, at the fair value of the consideration transferred on the date of transfer of control (a criterion that, economically, approximates the cost to fair value upon entry).

Subsequent measurement. For assets that meet the definition of intangible crypto in ASC 350-60, ASU 2023-08 requires subsequent measurement at fair value, with gains and losses recognized in earnings in the period in which they occur. Only if another basis is required or permitted by US GAAP (e.g., contractual arrangements that remove the asset from the scope of 350-60) will the applicable alternative model apply. In any scenario, the determination of value must comply with the concepts of principal/most advantageous market, the hierarchy of inputs, and the technical consistency of the approaches (market/income/cost), in accordance with ASC 820.

Absence of observable prices (Level 1). When there are no unadjusted prices in active markets, the Company uses alternative methodologies compatible with Level 2 of ASC 820, such as: (i) quotations from inactive but observable markets; (ii) executable prices obtained from qualified counterparties/OTC; and (iii) recent third-party transactions, on an independent basis and at market value. If, in rare cases, such evidence is insufficient, Level 3 inputs (modeling) are allowed, calibrated to the most recent observable transactions, with Day 1 gains prohibited when non-observable inputs predominate and with enhanced governance (price waterfall, independent price verification, VWAP/TWAP windows, exclusion of outliers, and backtesting).

In summary, the policy of recognizing BTC, ETH, and other tokens listed at fair value on the balance sheet, with gains and losses in the period's results, and anchoring the valuation in the ASC 820 hierarchy (using observable prices for liquid assets and appropriate techniques for less liquid holdings) is supported by solid regulatory guidance (ASU 2023-08/ASC 820) and is consistent with best measurement and disclosure practices.

Challenges related to airdrops

Airdrops are unilateral, unsolicited distributions of virtual assets to public addresses that pose specific challenges for recognition and measurement. Treating all airdrops as "assets at fair value on the date of receipt" may result in distortions because (i) many airdrops are unsolicited (there is no past event attributable to the entity), (ii) they may be inaccessible or unredeemable (lack of control or power of disposal), and (iii) there may be no reasonable expectation of economic benefit (tokens with no market depth or "dusting attacks"). Automatic recognition, in addition to artificially inflating the asset and prudential risk, may generate undue tax effects by appearing to be income that does not actually exist.

In light of this, the recognition condition must be cumulative: (i) the entity accepts the airdrop (*opt-in* policy or formal acceptance), (ii) it has control and power of disposal over the token (operational keys, absence of locks), (iii) there is a reasonable expectation of economic benefits (minimum liquidity, possibility of conversion/use), and (iv) the measurement is reliable. The mere arrival of the token at the address is not sufficient. Until these criteria are met, it is recommended not to recognize the token for accounting purposes and only record it off-balance sheet (clearing accounts) for traceability and internal reporting purposes. When the entity rejects airdrops as a matter of policy (e.g., automatic blocking), there is no accounting event.

Once these criteria are met, measurement could be made at fair value. This discipline avoids "ex nihilo" assets, reduces prudential and fiscal asymmetry, and aligns reporting with economic substance.

Custody of third-party virtual assets: off-balance sheet accounts

In light of US GAAP and the architecture introduced by ASU 2023-08 (Subtopic 350-60), virtual assets held on behalf of customers and not for proprietary purposes do not qualify as assets or liabilities of the platform because they do not meet the present right criterion to obtain economic benefits or the ability to direct the use of the resource (control). In these arrangements, the entity acts as an agent or custodian, providing , safekeeping, settlement, and operational interface services, without appropriating the risks and rewards of the underlying asset; therefore, accounting is off-balance sheet. In this regard, the proposal of the Central Bank of Brazil is correct when it provides that the custody of virtual assets of third parties (customers) shall be recorded off-balance sheet and in clearing accounts and sub-ledgers individualized by customer, with effects only on service revenues (ASC 606) when performance obligations are fulfilled.

This means that, as such assets do not belong to the Company nor do they confer accounting control, no measurement basis (cost, fair value or other) applies to them in the primary financial statements. Any references to observable prices (ASC 820) are used only for informational purposes in customer statements or operating reports, with no impact on the Company's results or balance sheet.

This is because, in the custodial arrangement, the Company acts exclusively as a fiduciary service provider, without ownership or the right to direct the economic benefits generated by the customer's tokens; consequently, there are no assets or liabilities to recognize. The accounting counterpart of the service is treated separately as contract revenue in accordance with ASC 606, when and to the extent that the performance obligations are satisfied.

It is important to distinguish this scenario from cases where there are clear indicators of control or use of the assets under custody. Only in such cases does the entity recognize (i) an asset representing the resources under its control (measured at fair value in accordance with ASC 820) and (ii) a corresponding liability for the obligation to return the assets to the customer, reflecting the economic symmetry of the arrangement. In the absence of these indicators—that is, when the platform cannot direct the use or collect its own benefits—off-balance sheet treatment with subledger and clearing accounts prevails.

The accounting policy should be: virtual customer assets do not form part of the company's balance sheet when it acts solely as a custodian; recognition is made off-balance sheet, with traceability through subledgers, periodic reconciliations, and robust reporting to the customer (including reference values obtained from observable prices at the date/time of deposit). This design preserves the reliability of reporting, avoids inflating assets/liabilities with items without accounting control, and anchors the practice in US GAAP asset/liability concepts and fair value measurement (ASC 820) only when applicable to the company's own exposure. Unless specific regulatory provisions require separate presentation, this approach ensures consistency, comparability, and consistency with the economic role effectively performed by the custodian.

Issuance of tokens: the case of wrapped tokens

Technically, wrapping consists of enveloping a virtual asset (the *underlying asset*) through a smart contract that locks the origin r asset in a wallet or smart custody contract and issues a mirror token (wrapped) that represents a 1:1 redemption right on the underlying asset. The process is reversible: when unwrapped, the wrapped token is burned and the original token is released to the holder. In this architecture, Coinbase does not unilaterally issue virtual assets that are not backed by collateral; when it issues cbETH, cbBTC, and similar tokens, the issuance results from a deposit of the underlying asset and merely creates a digital receipt with *pegged* conversion parity (less any fees).

In the case of customer tokens, it is emphasized that, whether they are the original underlying tokens or wrapped tokens, all are off-balance sheet. In light of US GAAP asset recognition principles (control of future economic benefits and ability to direct use), Coinbase acts as a custodian/agent, without appropriating the risks and benefits inherent to these crypto assets. Thus, neither the original tokens deposited by users nor the wrapped tokens issued on their behalf are recognized as assets or liabilities in the Company's financial statements. Such balances are controlled in clearing accounts, in the terminology adopted by the Central Bank of Brazil, i.e., off-balance sheet.

When Coinbase wraps proprietary positions (e.g., converts its own ETH into cbETH for operational purposes), there is no derecognition of the underlying asset or separate recognition of the wrapped asset: economically, the wrapped asset is merely a mirrored representation of the same asset under another protocol or smart contract, without the creation of a new controlled resource. Consequently, only the original token remains recognized and measured at fair value in accordance with ASU 2023-08 / Subtopic 350-60 (with variations in earnings, following ASC 820); the corresponding wrapped asset is not recorded, avoiding double counting of the same economic interest. Any income/variations associated with the arrangement (e.g., staking rewards from the underlying) follow the policy applicable to proprietary positions.

This design preserves informational reliability, prevents the balance sheet from being inflated with items without accounting control, and aligns reporting with US GAAP principles (recognition of assets, ASC 606, ASC 820, ASU 2023-08), with technological consistency regarding the nature of wrapping as reversible enveloping and not as the generation of a new economic asset.

Staking and staking-as-a-service

Coinbase's participation in staking programs, both in proprietary operations (on its own behalf) and in user-directed programs (staking-as-a-service), requires legal and accounting treatment that reconciles Subtopic 350-60 introduced by ASU 2023-08 with the fair value measurement guidelines of ASC 820 and, when there is revenue from services with customers, with ASC 606 (principal vs. agent). In economic terms, staking rewards are protocol-determined allocations with no human contractual counterpart and may generate (i) own assets when the Company acts on its own behalf, and (ii) obligations to customers when the operation is directed by the user and the fruits belong to them.

Rewards arising from protocols are recognized when the entity obtains control over the allocated virtual asset – that is, when the protocol irrevocably credits the “reward” to the wallet under the entity’s control and the asset becomes available for transfer or sale. Usual operational restrictions of the ecosystem (e.g., unbonding or cooldown periods) do not, by themselves, preclude a conclusion about control, but may be relevant for disclosures and for the assessment of liquidity risk. At that date, the “past event” and the present right to future economic benefits are consolidated, fulfilling the recognition criteria under US GAAP.

At the time of recognition, proprietary staking rewards are measured at fair value based on observable prices in the primary market for the respective crypto asset, in accordance with ASC 820 (input hierarchy Levels 1–3).

Rewards held as own assets are included in the cryptoasset portfolio within the scope of Subtopic 350-60 and are subsequently measured at fair value, with gains and losses recognized in earnings in the period in which they occur.

When rewards belong to the customer in user-driven programs, the Company does not recognize them as its own assets or revenues; instead, it records a liability payable to the customer and a related expense, if and when the obligation arises.

The distinction between own rewards and customer rewards arises from the “principal versus agent assessment.” When the entity acts as an agent, brokering staking on behalf of the user, it recognizes only its fee as contract revenue, not appropriating the users' protocol rewards as revenue. When acting on its own behalf (proprietary staking), the economic effects of the rewards are recognized in earnings at fair value, not as contract revenue with the customer, but as a result of its own exposure to crypto assets.

The staking-as-a-service offering consists of the platform brokering the delegation of client tokens to validators in supported proof-of-stake protocols. From a legal and accounting perspective, the entity assumes the role of agent (facilitator), providing technical and operational infrastructure for the holder to participate in staking and earn protocol rewards. There is no transfer of economic ownership of the user's virtual assets to the entity, nor does the entity assume any risks or benefits related to such assets.

In accordance with US GAAP asset recognition principles, customer tokens and protocol rewards credited to the customer remain off the entity's balance sheet. In the absence of control over the economic benefits and no right to direct the use of the assets for its own benefit, no assets or liabilities of the entity are recognized; the balances are tracked in sub-ledgers by customer and in off-balance-sheet accounts.

Revenue associated with the service arises from the principal versus agent assessment under ASC 606. Acting as an agent, the Company does not recognize the gross value of protocol rewards as revenue or as its own assets; it only recognizes its contractual remuneration (fee), corresponding to the consideration for facilitating staking and distributing rewards to users. This fee may be settled by withholding cash from the rewards or by separate invoicing, without changing the conclusion.

When the remuneration is denominated in virtual assets and defined as a percentage of the reward actually earned by the user, there is non-monetary and variable consideration. In this case, revenue is recognized when the performance obligation is satisfied (i.e., when the entity has completed the facilitation for the reward cycle) and the variability is resolved, measured at the fair value of the virtual asset on the date of satisfaction (observing the hierarchy of ASC 820).

Discontinuity

When a virtual asset becomes discontinued, delisted, or non-tradable, whether due to the closure of the issuer/protocol, regulatory action, technological failure, or sustained loss of liquidity, the entity proceeds with a formal revaluation of the measurement. The starting point is to verify whether there is still a principal/most advantageous market accessible and whether future economic benefits remain.

In light of fair value principles (ASC 820) and the policy applicable to the asset class (e.g., ASC 350-60 for virtual assets within the scope of fair value measurement with effects on profit or loss), the entity updates the measurement on the date of the event or on the first subsequent reporting date, recording the impacts in a timely manner.

In the absence of a Level 1 observable price, the entity uses alternative techniques consistent with the ASC 820 hierarchy, giving preference to observable inputs whenever available: broker/OTC indications with firm execution, recent order book data (depth, spreads, executable volumes), quotes from inactive markets and, when relevant, evidence of third-party transactions at market conditions.

If, at the end of this process, it is concluded that the fair value is negligible or nil due to total loss of marketability and/or extinction of economic benefit, the entity recognizes the entire loss. In such case, the fair value of the loss is recognized in earnings for the period.

Supplementary notes

The Company presents, in the notes to the financial statements, all disclosures required by US GAAP and specific standards applicable to digital assets, revenue recognition, risks, and related parties. The inclusion of each item follows the materiality criterion, understood as the ability of its omission or distortion to influence the economic decisions of users: quantitative parameters (effect on balances, performance, and financial position) and qualitative characteristics (exposure to risks, uncertainties, emerging practices, and regulatory impact) are therefore combined. Significant judgments and estimates are described, for example, principal versus agent conclusions in service programs, determination of the principal market, and assumptions for sensitive measurements, as well as transactions with related parties and relevant concentrations by digital asset class, counterparty, custodian, or jurisdiction.

The notes also detail custody arrangements (including segregation of portfolios and client rights), changes in accounting policies or operating practices, and the measurement techniques used for digital assets, with the ASC 820 input hierarchy (Levels 1, 2, and 3), price waterfall policies, independent price verification procedures, and sensitivity analyses when applicable. In addition, contingent losses, regulatory proceedings, and other subsequent events that may affect the measurement or recoverability of assets are disclosed. The objective is to ensure transparency, comparability, and reliability: users should understand the nature of the risks, the measurement basis, and the potential effects of relevant uncertainties on the reported results and financial position.