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Commissioner Hester M. Peirce
Crypto Task Force
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

22 May 2025

Re: SEC Crypto Task Force request for input

Dear Commissioner Peirce,

Ernst & Young LLP (EY US) appreciates the opportunity to share our views with the Securities and Exchange Commission (SEC or Commission) on the crypto matters discussed in your February 2025 statement. We support the task force's objective of providing clarity about how the federal securities laws apply to crypto markets.

As crypto assets have emerged as an asset class, new business models have been developed by both established and crypto native entities. EY US has significant experience providing assurance, tax, and business strategy and risk consulting services to these entities and has developed a deep understanding of underlying blockchain technologies and related risk management practices.

We believe our knowledge and experience in addressing certain regulatory, accounting and assurance matters in this area would be helpful to the Commission's efforts to provide regulatory clarity for crypto asset businesses and activities. Below we provide our perspective on several issues raised by the statement.

AICPA's Practice Aid

We appreciate the SEC staff's work with the American Institute of Certified Public Accountants (AICPA) in developing its Practice Aid for Accounting for and Auditing of Digital Assets (the Practice Aid). This publication addresses common accounting and auditing issues related to digital assets that financial statement preparers and auditors may encounter. The AICPA periodically updates the Practice Aid, and we encourage the SEC staff to continue working with the AICPA as it does so.

Accounting for crypto asset investments and transactions

In 2023, the Financial Accounting Standards Board (FASB or Board) issued Accounting Standards Update (ASU) 2023-08, *Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets* (ASU 2023-08). This guidance requires all entities to measure certain crypto assets (i.e., crypto assets that meet the specified criteria in ASU 2023-08) at fair value and to reflect changes from the remeasurement of those assets in net income each reporting period. The Board issued this guidance to address stakeholder feedback that the previous accounting for crypto assets as indefinite-lived intangible assets under the cost-less-impairment model in ASC 350 did not provide investors with relevant information because it only reflected decreases in the value of assets until sold. The guidance also requires entities to provide interim and annual disclosures about the types of crypto assets they hold and changes in holdings during the reporting period.

We believe the FASB is best positioned to establish accounting standards as issues arise and are determined to be sufficiently pervasive. As crypto asset businesses and transactions mature and evolve, new issues may arise where the existing accounting guidance does not reflect the economics of the transactions, or the disclosures may be insufficient for an investor to understand the economics. We encourage the SEC to monitor crypto asset activities to help identify transactions that could warrant additional standard setting and to refer such cases to the FASB for a possible standard-setting project.

The FASB recently launched an invitation to comment requesting feedback on its future standard-setting agenda. We plan to recommend in our response that the FASB incorporate the relevant accounting issues identified in the Practice Aid into the Codification and update as new or emerging issues arise.

Auditing crypto asset investments and transactions

While crypto asset businesses continue to evolve, the following auditing procedures associated with crypto assets are generally well established:

- Agreeing balances and transactions to public blockchains – When using information from public blockchains as audit evidence, auditors should establish that such information is relevant to the audit and reliable. Such information can be accessed in several ways, including through an auditor-developed tool, a third-party vendor or public block explorers. There is also inherent flexibility in using information from public blockchains as audit evidence, as such evidence can be gathered directly from a publicly available source rather than from an entity's management or its third-party vendors.

- Verifying access to the private keys associated with public addresses – When an entity maintains custody over private keys for its own crypto asset holding and/or those of its customers, the auditor generally tests that the entity has access to the private keys. This procedure can be performed in several ways, including executing an outgoing test transaction, signing an offline message (i.e., digital signature validation) and verifying outgoing transactions made in the normal course of business.

- Evaluating process and controls – Depending on the circumstances, an auditor may also test controls around the financial reporting of crypto asset balances and activities. These controls may include prevent controls (e.g., physical and/or logical access to private keys) and timely detect controls (e.g., reconciling an entity's crypto asset holdings to the relevant public blockchains) addressing the unauthorized acquisition, use or disposition of crypto assets. As the crypto asset industry has evolved in recent years, we have observed that crypto businesses are increasingly adopting controls, such as multi-signature requirements, limits on transaction size and/or frequency, and pre-approval of authorized payees (i.e., address whitelisting).

- Evaluating process and controls at third-party custodians – When an entity uses a third party to maintain custody over private keys, the auditor may need to obtain audit evidence regarding the custodian's processes and controls over maintaining private key security and access. This is particularly important when the entity's assets are commingled with assets of the custodian's other customers. As the crypto asset industry has evolved, several institutional custodians have begun providing their customers with controls examination reports (e.g., a SOC 1 Type 2 report), which allows the customer and an auditor to obtain an understanding of the design and operating effectiveness of the relevant controls at the custodian. Control examination reports also help support the reliability of other evidence obtained, such as third-party confirmations from the custodian.

Non-audit attestations

The transparency afforded by public blockchains can be useful to market participants and regulators. However, the information on public blockchains often presents only a partial view of an entity's crypto asset activities. The following examples illustrate this point, and how specific non-audit attestations can help provide a more complete picture of those activities:

- Institutional custodians maintain custody of an institutional customer's private keys. While the public addresses and balances on those addresses are available on the public blockchain, there is certain other information that is not. For example, the custodian's internal records track its customers' aggregate balances, which should be accounted for in any comparison between the amounts the custodian controls on the public blockchain and the total crypto assets owned by the custodian and its customers. Institutional custodians now often issue SOC 1 Type 2 reports to provide their customers with information about the custodian's internal controls that are relevant to the customers' financial statement assertions and internal control over financial reporting.

- The crypto assets that have been issued by so-called stablecoin issuers can be identified on a public blockchain. However, the assets managed by the issuer to support the redemption requests of holders are maintained off-chain, in cash accounts at banks and/or in investment accounts at financial institutions. The AICPA in March issued the *2025 Criteria for Stablecoin Reporting: Specific to Asset-Backed Fiat-Pegged Tokens*, which can be used in attestation reports to provide stablecoin holders and regulators transparency regarding the assets supporting redemption and related information (e.g., asset type, method used to measure valuation, nature of counterparties holding redemption assets, mechanisms to mitigate loss of redemption assets).

As market participants request and/or regulators require new attestation services, we believe it is important that such services should include well-defined subject matter that is measured and evaluated consistently against suitable criteria to report relevant, transparent and comparable information to stakeholders.

Further, we believe auditors are well positioned to provide such attestation services because they are required to apply well-established professional standards to implement a robust system of quality management, to be independent and to perform procedures to obtain sufficient appropriate evidence to form conclusions.

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As the Commission advances in its work to address blockchain and crypto assets, potential consideration will be given to issues impacting SEC rules beyond those identified in the February statement, including auditor independence rules. We would be pleased to discuss this issue as well as our comments above with the Commission or the Crypto Task Force at their convenience.

Very truly yours,

Ernst + Young LLP

Copy to:

Chairman Paul S. Atkins
Commissioner Caroline A. Crenshaw
Commissioner Hester Peirce
Commissioner Mark T. Uyeda
Mr. Ryan Wolfe, Acting Chief Accountant, Office of the Chief Accountant