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Via email to director@fasb.org

Mr. Jackson M. Day, Technical Director
Financial Accounting Standards Board
801 Main Avenue
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Statement of Cash Flows (Topic 230): Cash Equivalents — Disclosure Enhancement and Evaluation of Certain Digital Assets (File Reference No. 2026-ED400)

Dear Mr. Day,

We appreciate the opportunity to respond to the Board's exposure draft on *Cash Equivalents — Disclosure Enhancement and Evaluation of Certain Digital Assets*.

We support the Board's approach of using examples to clarify how the existing definition of cash equivalents would apply to certain digital assets, rather than revising the definition itself. At the same time, we recommend that the Board clarify aspects of the proposal, including how certain key attributes interact with the definition of cash equivalents. Also, as explained in Question 3 in the attached Appendix, we do not believe the proposed disclosure of the significant components of assets presented as cash equivalents is necessary.

We have included our responses to the Questions for Respondents in the attached Appendix.

We would be pleased to discuss our comments with the FASB staff. Please direct any questions to Adam Brown (214) 665-0673 or Thomas Faineteau (214) 243-2924.

Very truly yours,

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Appendix

Question 1: Are the proposed illustrative examples clear and operable and would they clarify the application of the Master Glossary definition of the term cash equivalents to digital assets? If not, why not, and what additional guidance would be needed and why? Do you anticipate any auditing challenges? Please explain.

We support the Board's approach of using examples to demonstrate how the existing Master Glossary definition of cash equivalents applies to certain digital assets. To improve the operability of the proposed guidance, however, we recommend that the Board clarify whether the attributes described in the Summary section and Basis for Conclusions (BC) paragraph BC15 would be required when applying the definition of cash equivalents. If those attributes are required, the Board should consider presenting them within the proposed amendments. If they are not required, we recommend that the Board revise language in the Summary and Basis for Conclusions sections suggesting that they are. Otherwise, practice might interpret them as de facto requirements.

If the Board's intent is for the attributes to be required, we also recommend that the Board clarify how the examples would be consistent with the definition of cash equivalents. The proposed amendments, including the proposed reserve and redemption attributes, might be interpreted as creating a higher threshold than that applied to other instruments that currently qualify as cash equivalents. In particular, the Board could reconsider whether a direct issuer redemption right is required and explain how market liquidity, intermediary arrangements, settlement risk, and counterparty credit risk affect the existing definition. For example, it is unclear why, in Case B, the existence of an active secondary market, on its own, would not be considered when evaluating whether a digital asset is readily convertible to known amounts of cash. For instance, we note that holders of money market fund interests currently classified as cash equivalents can obtain liquidity without transacting directly with the issuer, either through a sufficiently liquid market or through an intermediary. Paragraph BC18 also acknowledges that the existing definition does not explicitly require a direct contractual right to cash. We believe treating direct issuer redemption as a required condition may create different accounting outcomes for holders of the same instrument and could cause entities to establish issuer accounts solely to achieve a particular accounting result, even though the instrument's economics have not changed.

Additionally, although reporting and examination requirements applicable to stablecoin issuers may provide relevant evidence regarding reserve assets and related matters, entities and auditors would still need to determine whether that evidence supports management's classification conclusions. Clearer accounting requirements would promote consistent application and auditability.

Question 2: Do you agree that the amendments in this proposed Update should clarify that an entity should take into account relevant laws and regulations (for example, the Guiding and Establishing National Innovation for U.S. Stablecoins [GENIUS] Act) when establishing its cash equivalents accounting policy? Please explain, including whether that clarification is necessary, clear, operable, and auditable.

We generally agree that an entity should consider relevant laws and regulations when establishing its accounting policy for cash equivalents. This clarification is appropriate because laws such as the GENIUS Act may affect whether a digital asset can be classified as cash equivalent, considering a digital asset's reserve backing, redemption rights, liquidity, and exposure to changes in value.

However, the Board should clarify whether compliance with those laws is intended to establish that particular elements of the cash-equivalent definition are met or is instead one factor that management should consider in applying the existing definition. That is, proposed ASC 230-10-55-22 states an entity "should take into account" relevant laws and regulations, and BC23 states such laws "may affect whether" certain digital assets may be presented as cash equivalents. Therefore, it appears noncompliance with the GENIUS Act would preclude a digital asset from being considered a cash equivalent; while compliance would mean the asset is *eligible* for further evaluation as a cash equivalent.

If our understanding is correct, we recommend clarifying legal compliance is a prerequisite for cash-equivalent presentation. The guidance should distinguish management's assessment of applicable legal and regulatory requirements from its ultimate accounting classification conclusion. This clarification would improve the operability, consistency, and auditability of the proposed amendments

Question 3: Would the proposed annual disclosure requirement provide decision-useful information for investors? Please explain, including how and in what circumstances the disclosure would influence capital allocation decisions. If the proposed disclosure would not provide decision-useful information, please explain why and what additional information, if any, would be necessary for making capital allocation decisions. For example, should an entity instead be required to disclose the name and amount of each significant stablecoin holding presented as cash equivalents? If so, should the term stablecoin be defined and, if so, how? Should those disclosures be limited to stablecoins presented as cash equivalents or applied more broadly to other assets presented as cash equivalents, such as money market funds? Please explain why or why not. In your response, please consider the decision usefulness, operability, auditability, and costs of an alternative disclosure compared with the proposed disclosure.

We do not believe the proposed disclosure of the significant components of assets presented as cash equivalents is necessary. Cash equivalents are generally held for cash-management purposes and, by definition, have economic characteristics and risks similar to those of cash. Accordingly, it is unclear how the proposed disclosure would provide meaningful incremental information to users, although it would add preparation and audit costs. As such, the proposed disclosure requirement does not appear to be cost-beneficial.

Question 4: Is the proposed annual disclosure requirement clear and operable? Do you anticipate any auditing challenges? Please explain.

See our response to Question 3. However, if the Board moves forward with an annual disclosure requirement, we believe additional guidance on the meaning of "significant components" would be beneficial, including how that concept would align with existing aggregation concepts applied elsewhere in GAAP. For example, ASC 320 requires disclosures by major security type, while ASC 825 requires disaggregation by measurement category and form of financial asset. Greater alignment with those established concepts could enhance consistency and comparability while preserving the judgment contemplated in paragraph BC25.

Question 5: Are the proposed transition requirements clear and operable? If not, why not, and what transition method would be more appropriate and why? Would the proposed transition disclosures provide decision-useful information? Please explain.

We believe the proposed transition requirements are clear and operable and that prospective application of the disclosure requirements and modified prospective application of the examples are reasonable. We defer to financial statement users regarding the usefulness of the proposed transition disclosures.

Question 6: Regarding the effective date, how much time would be needed to implement the amendments in this proposed Update? Should the effective date for entities other than public business entities be different from the effective date for public business entities? If the effective dates should be different, how much additional time would entities other than public business entities need to implement the proposed amendments? Please explain.

We believe the amount of time depends on whether the Board adopts a final ASU consistent with the proposal, or incorporates changes based on feedback received through the comment letter process. For example, if the Board determines the final standard should rely primarily on the existing GAAP concepts rather than establishing new, incremental requirements for digital assets, we would not envision a significant amount of time would be necessary for implementation. Alternatively, comparatively more time would be needed for preparers and auditors to work through the issues raised above in the interest of producing comparable outcomes across entities. Specifically, the Board should consider the time needed for preparers to document their classification judgments and obtain evidence addressing reserve and redemption attributes, and for auditors to evaluate that evidence, particularly for decentralized and multinational organizations. The availability of third-party examination reports regarding available reserves, including their scope and timing, should inform that assessment.

We believe a one-year lag for nonpublic entities may be appropriate, particularly if the Board finalizes requirements for treating digital assets as cash equivalents that are unique and incremental compared to current GAAP. We also recommend providing transition language that would preserve the one-year lag even when a nonpublic company becomes public by virtue of its financial statements being filed with the SEC due to a purchase or investment by an existing SEC registrant to mitigate adoption challenges in those circumstances. Alternatively, the SEC could provide for the same type of transition relief through its guidance, such as a staff accounting bulletin or the Financial Reporting Manual. If the Board sees value in this concept, we recognize it

has broader implications for future standards and likely warrants further consideration with the SEC staff rather than limiting it to this standard.

Question 7: Would the expected benefits of the proposed amendments justify the expected costs? If not, please describe why not.

Clarifying how the existing definition of cash equivalents applies to certain digital assets would promote consistency and comparability and reduce potential diversity in practice. However, as discussed in our response to Question 1, we believe further clarifications of the proposed guidance are needed. As an alternative to those clarifications, the Board might consider requiring application the proposed examples to only digital assets to avoid unintended consequences on other instruments currently classified as cash equivalents.

Separately, for the reasons discussed in our response to Question 3, we believe the proposed disclosures are unnecessary.