August 28, 2025

VIA ELECTRONIC SUBMISSION

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Financial Accounting Standards Board
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Mr. Kurt Hohl
Office of the Chief Accountant
U.S. Securities and Exchange Commission
100 F Street NE Washington, DC 20549-1090

Commissioner Hester M. Peirce
Chair, SEC Crypto Task Force
U.S. Securities and Exchange Commission
100 F Street NE Washington, DC 20549-1090

RE: Accounting Guidance for Liquid Staking Tokens (LSTs)

Dear Members of the Financial Accounting Standards Board, the Office of the Chief Accountant of the U.S. Securities and Exchange Commission, and Members of the SEC's Crypto Task Force:

The Crypto Council for Innovation (CCI),[1] CCI's Proof of Stake Alliance ("POSA"),[2] and the undersigned organizations, representing the broader digital assets community and united by a shared goal of encouraging the responsible global regulation of digital assets, respectfully submit this letter (the "Letter") to the Financial Accounting Standards Board (FASB) and the Office of

[1] CCI is a global alliance of industry leaders in the digital asset sector that serves to educate consumers and policymakers and advocate for policy and regulations that spur responsible innovation. CCI believes that trusted partnership between government and business stakeholders is key to crafting inclusive policy that benefits consumers and industry alike.

[2] POSA, a project of CCI, advocates for forward-thinking public policy that fosters innovation in rapidly growing proof-of-stake ("PoS") systems. Since its founding in 2019, POSA has consistently advocated for the staking industry and proof-of-stake ecosystems, bringing together industry leaders and legal experts to develop research and engage in collaborative advocacy, education, and thought leadership.

the Chief Accountant (OCA) and the Crypto Task Force (CTF) of the U.S. Securities and Exchange Commission (the "Commission").

Specifically, we respectfully request that the Financial Accounting Standards Board (FASB) prioritize a technical agenda project on the accounting treatment of liquid staking tokens (LSTs). In parallel, we encourage the SEC Crypto Task Force (CTF) and the Office of the Chief Accountant (OCA) to provide near-term interpretive guidance through a Staff Accounting Bulletin (SAB).

LSTs are transferable receipts that represent ownership of staked crypto assets—similar to warehouse receipts in traditional markets. The SEC has already recognized this view in recent guidance,[3] but without clear accounting treatment, companies apply inconsistent approaches, leading to divergent financial reporting. This lack of uniformity undermines comparability and deprives investors of consistent, decision-useful information necessary to assess performance and risk.

Currently, it is unclear as to whether FASB ASU 350-60[4] requires public companies to mark their holdings of LSTs down to the lowest observed fair value in the reporting period, without allowing them to write their value back up if prices recovered. This one-way impairment would create permanent write-downs which distort earnings and book value, making it capital-inefficient for public companies to hold LSTs and misleading investors. By explicitly including LSTs within ASU 2023-08's fair value model, LSTs would be measured at fair value each reporting period just like other qualifying crypto assets, removing asymmetry, improving comparability, and allowing public companies to use LSTs as a treasury management tool for yield and liquidity without the fear of chronic impairment losses hitting earnings. Fair value treatment also aligns with economic substance, since the SEC has already stated that LSTs as defined in their statement are ownership receipts, not securities.[5]

Action by FASB will clarify questions around scope, principal market determination, and embedded economics, ensuring consistent application of U.S. GAAP and protecting investors by aligning accounting outcomes with the economic substance of these instruments. Interim

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[3] U.S. Sec. & Exch. Comm'n, Division of Corp. Fin., *Statement on Certain Liquid Staking Activities, (Aug. 5, 2025), https://www.sec.gov/newsroom/speeches-statements/corpfin-certain-liquid-staking-activities-080525. See generally* Crypto Council for Innovation, Proof of Stake Alliance, Law and Policy Considerations Relevant to Staking Services (RFI Response to SEC Crypto Task Force), at (Apr. 30, 2025), *available at* https://cryptoforinnovation.org/wp-content/uploads/2025/04/POSA-CCI-RFI-Response-to-SEC-FINAL.pdf.

[4] *See* Accounting Standards Update (ASU) No. 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets (issued December 13, 2023), *available at* https://www.fasb.org/page/ShowPdf?path=ASU%202023-08.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202023-08%E2%80%94Intangibles%E2%80%94Goodwill%20and%20Other%E2%80%94Crypto%20Assets%20(Subtopic%20350-60).

[5] U.S. Sec. & Exch. Comm'n, Div. of Corp. Fin., *Statement on Certain Liquid Staking Activities*, *supra* note 3.

guidance by the OCA is also appropriate because the current lack of clarity leads to distorted earnings, impaired capital ratios, and reduced comparability that is misleading to investors.

II. Overview of Liquid Staking Tokens (LSTs)

As background, "liquid staking" enhances the security of proof-of-stake blockchains while allowing stakers to continue to transact. When a blockchain user stakes cryptoassets directly by operating a proof-of-stake validator node or via direct delegated staking, the user typically commits some or all of the user's staked cryptoassets for as long as the cryptoassets remain staked and until such time that the relevant blockchain's "unbonding period" or other waiting time requirement concludes. As a result, these staked cryptoassets are not able to be used for any other purpose (*i.e.*, are not "liquid"). Liquid Staking offers a solution to liquidity constraints associated with staking as users who stake their cryptoassets ("Liquid Stakers" and each, a "Liquid Staker") receive transferable LSTs that evidence ownership of the staked cryptoassets, and network rewards that accrue in respect of such staked cryptoassets.[6] This allows them to use LSTs for liquidity and continued participation in DeFi and other capital-efficient activities while their staked assets remain locked and earning network rewards.

With liquid staking, users typically supply cryptoassets to a software protocol comprised of "smart contracts"[7] that (i) distributes the cryptoassets to one or more validators to be staked (and contribute to the security of the network) and (ii) provides LSTs evidencing the user's legal and beneficial ownership of the associated staked cryptoassets.[8] As stated above, LSTs are generally transferable and usable within decentralized applications, allowing Liquid Stakers to transact with their staked cryptoassets without having to withdraw them from staking.

LSTs evidence ownership of intangible commodities in the digital world in a substantially identical manner that warehouse receipts, bills of lading, dock warrants and other documents of title evidence title to tangible commodities in the physical world. For example, a person may own gold bullion or livestock but prefer to store it with a depository warehouse or syndicate for

[6] *See U.S. Federal Income Tax Analysis of Liquid Staking*, Proof of Stake Alliance (Feb. 21, 2023), *available at* https://www.proofofstakealliance.org/22123-posa-liquid-staking-legal-white-paper. In a typical liquid staking protocol or service provider arrangement, Network Rewards and slashing losses accrue to (or are deducted from) staked cryptoassets in one of two constructs. In the first construct, a Liquid Staker's LST evidences ownership of more or fewer cryptoassets (each, a "Static Receipt Token") as and when Network Rewards or losses accrue. In the other construct, a Liquid Staker receives additional Receipt Tokens or loses Receipt Tokens (each, a "Dynamic Receipt Token") as and when Network Rewards or losses accrue. In either construct, however, a Liquid Staker may redeem the Receipt Tokens with the protocol or service provider for the associated cryptoassets at any time, subject to any waiting period imposed by the relevant blockchain. Alternatively, a Liquid Staker may transfer its Receipt Tokens to a third party.

[7] Smart contracts are self-executing computer code that functions in a conditional manner (*e.g.*, "if X event occurs, Y will automatically occur thereafter").

[8] This is typically done via i) a decentralized liquid staking protocol or ii) a staking-as-a-service service provider.

safekeeping. In return for depositing the gold bullion or livestock at the depository warehouse or syndicate, the depositor receives a document of title that evidences the depositor's ownership to the commodity that is being stored. Thereafter, the depositor can transfer the document of title to a counterparty in a commercial transaction or may use it to satisfy certain delivery obligations as it demonstrates that the person delivering it to the depository warehouse or syndicate has ownership of the actual underlying commodity. The counterparty may then take delivery of the commodity by presenting the document of title to the depository warehouse or syndicate as it represents legal and beneficial ownership of such commodity. Similarly, by redeeming LSTs, the holder may take delivery of the staked cryptoassets as the LSTs represent legal and beneficial ownership of such staked cryptoassets.

Two main structures exist:

- Rebasing tokens: balances increase or decrease automatically to reflect staking rewards or slashing.

- Exchange-rate tokens: the ratio of one LST to staked assets changes as rewards accrue and/or slashing losses occur. As rewards accrue the ratio changes from one-to-one to one-to-more-than-one, with one LST representing more than one of the staked asset.

Examples of LSTs include stETH, cbETH, LsETH, mSOL, JitoSOL, sAVAX and ggAVAX. These tokens trade actively across centralized and decentralized platforms, with observable prices and sufficient liquidity to support reliable fair value measurement. Their economic characteristics closely track native cryptoassets, making them a practical proxy for assessing principal market valuation.

In short, LSTs are not novel financial instruments, but rather function like digital warehouse receipts: the holder deposits tokens with a protocol or intermediary, and receives a transferable representation of ownership.[9]

The SEC has recently reinforced this understanding. In a May 29, 2025 statement, the Division of Corporation Finance clarified that certain activities conducted in connection with protocol staking do not involve the offer or sale of securities.[1] In a subsequent August 5, 2025 statement, the Division further explained that LSTs as defined in the statement are best understood as transferable receipts evidencing ownership of staked crypto assets, ***not*** as independent securities.[10]

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[9] *See*, *e.g.*, Proof of Stake Alliance, *U.S. Federal Securities and Commodity Law Analysis of Liquid Staking Receipt Tokens*, (Feb. 21, 2023) and Proof of Stake Alliance, *U.S. Federal Income Tax Analysis of Liquid Staking*, (Feb. 21, 2023), *available at* https://www.proofofstakealliance.org/22123-posa-liquid-staking-legal-white-paper.

[10] *See* Statement on Certain Liquid Staking Activities, *supra* note 3.

III. Current U.S. GAAP Treatment and Issues

Under ASU 2023-08, certain cryptoassets are measured at fair value with changes in net income. LSTs, however, present specific accounting questions that warrant consideration including, among others, the following:

- Scope: Are LSTs in or out of scope of ASC 350-60?
- Principal Market: How should the principal market be determined when both centralized exchanges (CEXs)[11] and decentralized exchanges (DEXs)[12] exhibit significant trading activity?
- Fair Value Hierarchy: Do observable quoted prices for actively traded LSTs qualify as Level 1 inputs under ASC 820[13]?
- Embedded Economics: How should accretion from rewards and deductions from slashing be reported? As changes in the carrying amount of the LST, as other income/expense through P&L, or through other comprehensive income?
- Derecognition**:** When an LST is created by staking native assets, should the native staked assets be derecognized and the LST be recognized?
- Disclosures: Beyond recognition and measurement, what minimum disclosures should entities provide under ASC 275 and related guidance?

We have observed differing views in practice regarding whether certain cryptoassets, such as LSTs, are within the scope of ASU 2023-08. Given the widespread adoption and use of LSTs, we encourage the FASB to confirm LSTs are within the scope of Subtopic 350-60.

The conclusion that LSTs should be accounted for as an intangible asset using the historical costs less impairment model is problematic. This model also requires a review of possible impairment using the lowest intraday trading price during a period and may require a company to record a non-reversible impairment charge against earnings. What's more, the classification of LSTs under the historical cost less impairment model prevents the recording of any yield from LSTs until an actual redemption takes place.

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[11] *See* Crypto Council for Innovation, *What is an Exchange?* (Jul. 18, 2025), *available at* (https://cryptoforinnovation.org/what-is-an-exchange/.

[12] *See*, Crypto Council for Innovation, *What is a Decentralized Exchange?* (Jul. 18, 2025), *available at* https://cryptoforinnovation.org/what-is-a-decentralized-exchange/.

[13] *See* Accounting Standards Codification (ASC) Topic 820, Fair Value Measurement, *available at* https://fasb.org/page/PageContent?pageId=/projects/recentlycompleted/fair-value-measurement-topic-820-fair-value-measurement-of-equity-securities-subject-to-contractual-sale-restrictions.html.

When an LST is held for investment purposes, like a native cryptoasset (which is accounted for using fair value under Subtopic 350-60), the tokens with underlying enforceable rights are subject to the same market forces, price volatility and economic exposure to market risk. Moreover, although native cryptoassets and LSTs have very similar economic characteristics, an investor of companies that uses two different accounting models cannot evaluate that company's entire crypto asset portfolio. Those same investors, then, cannot determine the yield being generated by those crypto assets. Consequently, we believe the full economic substance of the company's crypto assets is not reflected in published financial statements and investors cannot evaluate its true economic performance.

We believe the use of the historical cost less impairment accounting model is counterintuitive and inconsistent since it may require that LSTs that evidence ownership of an in-scope crypto intangible asset to be out of scope using fair value principles under Subtopic 350-60.

Such differing conclusions between the native cryptoasset versus the LST creates inconsistent reporting, especially when a potentially out-of-scope LST is subsequently redeemed for an in-scope crypto intangible asset.

Major LSTs already meet the criteria for active market pricing, and in many cases, support Level 1 fair value classification. Absent clear guidance, however, public companies risk inconsistent reporting, impairing comparability and investor understanding.

IV. Proposed SAB Language

Below is proposed SEC Staff Accounting Bulletin language for your consideration that would provide needed guidance and clarification:

1. Scope — Application of ASU 2023-08

The staff would not object to a registrant concluding that an LST is within the scope of ASU 2023-08 when the token conveys enforceable rights only to the native staked cryptoasset and protocol-determined rewards.[14] If additional rights (e.g., unrelated yield streams) are present, other applicable GAAP (e.g., ASC 310 or ASC 815) should be considered.

2. Measurement — Principal Market and Inputs

Registrants should measure LSTs at the fair value in their principal market under ASC 820.

- Unadjusted quoted prices in active markets = Level 1.

[14] For avoidance of doubt, rebasing and exchange-rate tokens should receive the same accounting treatment with regard to valuation methodology and recognition of income.

- Adjusted or less-active markets = Level 2.

- Back-solving from the native staked asset's price is not appropriate when orderly LST markets exist.

3. Rewards and Slashing
Changes in value from rebasing or protocol-determined exchange ratios should be reflected in net income as part of fair value changes. In the case of both rebasing and exchange-rate tokens, separate revenue recognition should apply only to the receipt of additional tokens or the calculation of additional units. Material slashing events should be disclosed with financial impact.

4. Derecognition
The staff would not object to a registrant continuing to recognize the native staked tokens on the balance sheet when the registrant deposits native staked tokens to a liquid staking service and receives newly minted liquid staking tokens. Derecognition of the native staked tokens would be appropriate only upon loss of control or legal extinguishment of rights to the native token.

5. Disclosures
In addition to ASC 820, registrants should disclose:

- Principal markets and pricing sources (CEX/DEX);
- Withdrawal/unbonding constraints;
- Governance arrangements and risks; and
- Concentrations of liquidity or counterparty exposure.

V. Economic Impact

The impairment-only model makes it economically prohibitive for public companies to hold or use LSTs at scale. Because registrants must write down LSTs to the lowest observable fair value each period with no subsequent reversal, financial statements chronically understate asset values and artificially inflate reported losses, even when prices recover. This asymmetric treatment would distort earnings, erode book capital, and disincentivize responsible corporate participation in proof-of-stake networks. By contrast, extending ASU 2023-08's fair value through net income model to LSTs would eliminate this accounting penalty, allowing both upward and downward market movements to be reflected symmetrically. This change would unlock the ability of public companies to use LSTs as a capital-efficient treasury and yield management tool, while providing investors with a transparent and useful view of performance.

In short, OCA and FASB guidance on LSTs would:

- Enhance comparability across registrants by reducing diversity in practice.

- Improve transparency for investors and regulators.
- Align accounting with economic substance, consistent with SEC guidance.
- Reduce compliance costs and uncertainty for public companies.
- Support responsible participation in proof-of-stake networks, strengthening U.S. market leadership.

VI. Conclusion

We respectfully urge the FASB to add an agenda project on LST accounting, and also request that the SEC's OCA and CTF issue parallel interpretive guidance in the interim. Such a dual-track approach would immediately reduce practice diversity while providing the foundation for durable, principles-based standards.

If you have any questions or would like to discuss further, please contact Alison Mangiero, Senior Director and Head of Staking Policy and Industry Affairs at alison@cryptocouncil.org.

Respectfully submitted,

Crypto Council for Innovation (CCI)

CCI's Proof of Stake Alliance (POSA)

Alluvial

Ava Labs

Blockchain Association

CoinFund

DeFi Development Corp.

Electric Capital

The Ether Machine

Etherealize

ETHZilla Corporation

FalconX

Flow Traders Ltd.

IMA Financial Group

Jito Labs

Kiln

Lido Labs

Liquid Collective

Nonco

Pier Two

Polychain Capital

Sharplink Gaming, Inc.

Superstate

Twinstake

Validation Cloud

Veda