November 18, 2026

Technical Director
Financial Accounting Standards Board
801 Main Avenue, PO Box 5116
Norwalk, CT 06856-5116
File Reference No. 2026-ED400

Dear Technical Director:

BPM LLP appreciates the opportunity to comment on the proposed Accounting Standards Update, *Statement of Cash Flows (Topic 230): Cash Equivalents—Disclosure Enhancement and Evaluation of Certain Digital Assets*. Our technical accounting, SEC reporting and assurance practices work with a range of public and private companies that hold, transact in, or are evaluating stablecoins, including middle-market, newly public entities, and entities that participate in stablecoin issuance and payment networks.

We support the Financial Accounting Standards Board's (the "Board") decision to clarify the application of the existing definition through illustrative examples rather than revising the definition (BC13–BC14). We also agree with the Board's view that a contractual redemption right, and not merely the ability to sell in a secondary market, is central to the "readily convertible to known amounts of cash" characteristic (BC18). Our comments focus on areas where we believe the examples, as drafted, would leave significant judgment unresolved and where diversity in practice is likely to continue. The three cases in the proposal illustrate outcomes that are clear in either direction. In our experience, most fact patterns fall between them, and several of our recommendations below ask the Board to add facts or cases that illustrate those situations. Our comments are organized by issue, starting with those we consider most significant. Our comments regarding the GENIUS Act reflect our reading of the statute solely as it relates to financial reporting matters. Our comments do not constitute legal or regulatory advice and the Board should not rely upon them as such. The Board may choose to confirm its understanding of the statute with the relevant regulators, and/or legal counsel.

Issue 1: Significant fees, significant restrictions, and "on-demand" (Question 1)

The issue. Case A (paragraph 230-10-55-23) describes a holder with a contractual right to redeem on demand "with no significant fees or significant restrictions imposed," and paragraph 230-10-55-24 concludes on that basis that the units are readily convertible to known amounts of cash. The proposal does not indicate how those terms should be evaluated, and BC17 states that the examples do not provide guidance on what constitutes on-demand redemption. Based on publicly available terms, direct redemption with major issuers commonly involves:

- Minimum redemption amounts (for some issuers, $100,000 or more);
- Per-redemption fees, fixed or percentage-based;
- Onboarding, verification, and periodic re-verification requirements;
- Settlement through banking rails that operate only on business days;
- Terms that give the issuer discretion to delay or suspend redemptions; and

- The ability to freeze or block specific tokens or accounts to comply with lawful orders or sanctions requirements, or under the issuer's own terms and risk controls, for example in response to suspected fraud or theft.

In our experience, these terms are the most likely source of differing judgments between preparers and auditors when applying Case A. Section 4(a)(1)(B) of the GENIUS Act (12 U.S.C. 5903(a)(1)(B)) requires a permitted payment stablecoin issuer to publicly disclose a redemption policy that establishes clear and conspicuous procedures for timely redemption and discloses all fees associated with purchasing or redeeming its payment stablecoins, which may be changed only on at least 7 days' prior notice. We view those requirements as relevant evidence, but a statutory timely redemption standard and a fee disclosure requirement are not the same as an on-demand right with no significant fees or significant restrictions. Holders will still need to evaluate the issuer's actual terms.

Our recommendation. We recommend the Board clarify the following, either by expanding Case A or adding a case:

1. **Minimums.** We recommend the Board clarify that a minimum redemption amount is evaluated against the holder's actual position at the reporting date. A minimum that the holder's balance meets would not be a significant restriction. A minimum that the holder cannot meet would mean the holder lacks an on-demand right for that balance. We recommend the added or expanded case include a minimum redemption amount and illustrate both outcomes, so that preparers and auditors have a common reference point. For permitted payment stablecoin issuers, implementing regulations generally require issuers to accept redemptions of any amount, subject to screening and onboarding, so a minimum redemption amount would rarely be a significant restriction for a holder of those stablecoins.

2. **Fees.** Fees are evaluated relative to the amount redeemed. We recommend the added or expanded case include a specific fee, for example a fixed per-redemption fee that is small relative to the amount redeemed, and conclude on whether that fee is significant, so that preparers and auditors have a common reference point.

3. **On-demand.** We recommend the Board move the understanding described in BC17, redemption within normal processing time and without undue delay, into the examples. Implementing regulations under the GENIUS Act (for example, 12 CFR 15.12 for issuers subject to the jurisdiction of the Comptroller of the Currency) generally limit timely redemption to two business days, excluding weekends and Federal holidays, measured from receipt of a redemption request from a holder that has completed onboarding, and require issuers to accept redemptions of any amount, subject to screening and onboarding. Rather than concluding that any particular settlement period is consistent with on-demand redemption, we recommend the added or expanded case illustrate whether redemption within a regulatory timeframe of that kind, together with daily cutoff times, weekends and holidays, and the time for the holder's bank to credit the proceeds, is consistent with an on-demand right. We also recommend the Board confirm that the time required for initial onboarding is evaluated as a restriction, consistent with the minimums item, rather than as part of the redemption period, and that a fee that is significant relative to a small redemption remains relevant even where the issuer must accept redemptions of any amount.

4. **Issuer discretion.** We recommend the Board address whether a contractual term permitting the issuer to delay or suspend redemptions in specified circumstances precludes the holder from having an on-demand right. We believe such a term that applies only in remote, defined stress circumstances should not, by itself, preclude classification. Broad unilateral discretion to delay or suspend redemptions would. For permitted payment stablecoin issuers, section 4(a)(1)(B)(i) of the GENIUS Act provides that discretionary limitations on timely redemptions may be imposed only by a State qualified payment stablecoin regulator, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, or the Federal Reserve Board, consistent with section 7, which permits Federal limitations on redemptions by State qualified payment stablecoin issuers in unusual and exigent circumstances (section 7(e), 12 U.S.C. 5906(e)). We recommend the Board state that the possibility of a regulator-imposed limitation does not, by itself, preclude an on-demand right, while a limitation actually in effect at the reporting date should be evaluated as a significant restriction.

5. **Lawful orders and other freezes.** Section 4(a)(6)(B) of the GENIUS Act (12 U.S.C. 5903(a)(6)(B)) permits a permitted payment stablecoin issuer to issue payment stablecoins only if it has the technological capability to comply, and will comply, with the terms of any lawful order, a term that section 2(16) (12 U.S.C. 5901(16)) defines to include orders to seize, freeze, burn, or prevent the transfer of specific payment stablecoins. Sections 3(b)(2) and 8(a)(1) (12 U.S.C. 5902(b)(2) and 5907(a)(1)) impose a parallel condition on foreign payment stablecoin issuers. Section 4(a)(5)(A)(iv) (12 U.S.C. 5903(a)(5)(A)(iv)) separately requires a permitted payment stablecoin issuer to maintain technical capabilities, policies, and procedures to block, freeze, and reject specific or impermissible transactions that violate Federal or State laws, and issuers' terms commonly permit them to freeze tokens on their own initiative, for example in response to suspected fraud or theft, before any lawful order is issued. We recommend the Board clarify that these capabilities do not, by themselves, preclude an on-demand right for a holder whose tokens are not frozen. Tokens that are actually frozen at the reporting date would not be readily convertible to cash, regardless of whether the freeze results from a lawful order, a sanctions requirement, or the issuer's own risk controls. Where an issuer burns frozen tokens and issues replacement tokens or provides restitution, we also recommend the Board state that a right to receive replacement tokens or restitution is not a cash equivalent unless it independently meets the definition, and that the frozen tokens do not regain cash equivalent status while that process is pending.

Reasoning. Without these clarifications, two entities with identical rights against the same issuer could reach different conclusions based solely on how management and its auditor interpret "significant." For example, one entity could view a small fixed per-redemption fee as insignificant, while another concludes the same fee is a significant restriction. Because that conclusion determines whether the stablecoin is presented within or outside cash and cash equivalents, the difference would affect reported cash and cash equivalents and the statement of cash flows, and would reduce comparability for investors. That is the diversity in practice the proposal is intended to address (BC2, BC6).

Issue 2: Information needed to evaluate reserve assets, and auditability (Question 1)

The issue. BC22 acknowledges that an entity would need sufficient information to evaluate the amount and composition of the issuer's reserves. A holder generally has no access to the issuer beyond public disclosures. Those disclosures are typically periodic, point-in-time reports and

attestations that will rarely coincide with the holder's reporting date. The proposal does not state what evidence is sufficient to conclude that the reserve attribute is met, which could lead to differing expectations of what evidence is sufficient.

Our recommendation. We recommend the Board state in the Basis for Conclusions that, in evaluating the reserve attribute, a holder ordinarily may use the issuer's publicly available reserve reports and independent examination reports as its primary evidence, and is not expected to look through to the issuer's underlying reserve assets, independently verify them, or obtain information beyond what is reasonably available without undue cost and effort. The holder would still consider information that comes to its attention indicating that the reports may not be reliable or that the reserves have deteriorated, such as a late or modified report or regulatory action against the issuer. This mirrors the Board's approach in BC23 to the laws-and-regulations consideration. We also recommend the Board address:

- How a holder should consider a gap between the most recent reserve report and its reporting date;
- How a holder should consider adverse information that arises after the most recent report, such as a late report, a modified examination report, or regulatory action against the issuer; and
- Whether the evaluation differs for issuers not subject to a regulatory reporting and attestation regime, such as certain non-U.S. issuers.

Reasoning. BC23 already reflects the Board's intent not to require legal opinions for the laws-and-regulations consideration. A similar statement on reserve evidence would help avoid the cost and inconsistency of auditors setting differing evidence thresholds. Most holders of stablecoins are operating companies using them for payments and treasury, not investors with access to the issuer. Without this clarification, the cost of satisfying differing evidence thresholds would fall on the holders least able to obtain issuer information. For issuers subject to the GENIUS Act, section 4(a)(1)(C) (12 U.S.C. 5903(a)(1)(C)) requires publication of the monthly composition of reserves, section 4(a)(3)(A) requires that each month-end report be examined by a registered public accounting firm, and section 4(a)(3)(B) requires the issuer's chief executive officer and chief financial officer to certify the accuracy of the monthly report to the issuer's regulator. Under section 4(a)(10), an issuer with more than $50 billion in consolidated total outstanding issuance that is not an SEC reporting company must also prepare annual financial statements audited by a registered public accounting firm (section 4(a)(10)(A)) and publish them on its website (section 4(a)(10)(B)). Those reports are a natural source of evidence. However, an examination as of a single month-end does not speak to the holder's reporting date, and it does not establish the holder's own redemption rights, which the holder must evaluate based on its own agreements.

Issue 3: Whether a direct redemption right is required, and what makes a redemption right direct (Question 1)

The issue. BC15 describes the attributes as those a digital asset "would need" to meet the definition, while also stating that an entity should evaluate the characteristics of the definition collectively and that the examples illustrate attributes. Case B (paragraphs 230-10-55-25 and 230-10-55-26) addresses a holder that has no account with the issuer and no contractual redemption right at all, and that relies on secondary markets. None of the cases address a holder whose contractual redemption right runs through an intermediary. BC18 records the observation of some

stakeholders that the definition does not explicitly restrict qualification to assets with a direct contractual right to cash. BC19 explains the Board's reasons for including an example with a direct right, but it does not state whether an indirect right could ever be sufficient. BC19 describes indirect rights as those "exercisable through an entity other than the issuer entity that maintains the underlying reserve assets," but it does not address how that distinction applies to common custody, affiliate, and payment network arrangements. The proposal does not define "issuer". Stablecoin programs are often structured so that the legal issuer that holds the reserves is a regulated trust company or other licensed entity, while onboarding, account agreements, branding, and the cash leg of mint and redemption activity are handled by affiliates, distributors, or partner financial institutions.

We understand and do not object to the Board's reasoning in BC19 that indirect rights introduce additional counterparty credit risk; however, we ask the Board to clarify how that distinction applies. We expect some preparers and auditors to read the examples as establishing a requirement and others to read them as illustrative, which would perpetuate the diversity in practice the proposal seeks to eliminate. We also expect preparers to reach different conclusions on identical tokens depending on which entity signed the holder's account agreement or which institution moves the cash, even where that difference has no effect on the holder's credit exposure.

Our recommendation. The Board should state explicitly whether a direct contractual redemption right with the issuer is required for a stablecoin to meet the definition. We also recommend the Board clarify that whether a redemption right is direct depends on whether the holder's right to receive cash is an enforceable obligation of the issuer entity that maintains the reserve assets, without the holder depending on the credit of another entity before that obligation is discharged. The holder does not need a proprietary claim on specific reserve assets, and tracing the cash, or pre-funding by an intermediary, is not determinative if the issuer's primary obligation to the holder remains in place. That framing follows the Board's own description of indirect rights in BC19. It should not depend on where the tokens are held, which entity provides the holder's account, or which institutions transmit the cash. We believe this principle would address the following fact patterns consistently with the Board's reasoning in BC19.

Custody. An entity that maintains its own redemption account with an issuer may hold its tokens with a qualified custodian for operational, security, or internal control reasons. When the entity redeems, it instructs the custodian to transfer the tokens to the issuer, and the issuer pays cash to the entity. In that case, the holder's claim for cash runs directly against the issuer, and the custodian does not take on any obligation to pay cash. The custodian's role is limited to safekeeping and transferring the tokens. Custody carries operational risk, but that risk is not unique to digital assets. Entities commonly hold Treasury bills and money market fund shares through custodians and brokers, and that does not affect whether those assets meet the definition of cash equivalents. We believe that fact pattern is consistent with Case A, which is silent on where Entity A holds its units. However, the term "indirect redemption rights" in BC19 could be read to capture it because the custodian is involved in executing the redemption.

Affiliates of the issuer. Where the holder's account agreement is with an entity under common control with the issuer, we believe the right should be viewed as direct if the issuer itself is obligated to redeem the holder's tokens, for example because the affiliate enters into the agreement as the issuer's agent or the issuer's published terms extend its redemption obligation to the holder. In that structure, the holder is not exposed to the separate credit of the affiliate. Common control between the affiliate and the issuer would not, by itself, make the right direct. If the holder's agreement

creates an obligation only of the affiliate, or the affiliate redeems with the issuer for its own account and separately owes the holder cash, the holder is exposed to the affiliate's credit and the right is indirect. The evaluation should be based on the terms of the holder's agreement and the issuer's published terms, not on whether the entities share a brand.

Payment network and settlement partners. Some stablecoin programs operate as networks in which approved partners, such as banks and payment networks, provide the fiat on- and off-ramps. In arrangements we have observed in our practice, the holder has its own relationship with the issuer or issuing network and can mint and redeem, the issuer holds the reserves, and the cash leg of a redemption settles through one or more partner institutions. We believe the right is direct where the issuer remains obligated to the holder until the holder receives the cash and the partners act only as payment or settlement agents, similar to a wire routed through correspondent banks. If a partner instead assumes the obligation to pay the holder, so that the issuer's obligation is discharged when the partner accepts the tokens and the holder's recourse is only against the partner, the holder is exposed to the partner's credit and the analysis in BC19 applies. A partner that pre-funds a redemption for operational reasons, while the issuer remains obligated to the holder, would not by itself change that conclusion. In co-branded or white-label programs, the entity whose brand appears on the token may also differ from the entity that is legally obligated to redeem and holds the reserves. The evaluation should focus on the latter.

Distributors and other intermediaries. Custodian banks, distributors, and other intermediaries may offer mint and redemption services with the issuer on behalf of their clients. In some arrangements, the client has its own agreement with the issuer and uses the intermediary only as an operational channel, or the intermediary acts solely as the issuer's agent. In others, the intermediary is the issuer's contractual counterparty, and the client's right to cash runs only against the intermediary. We believe the first arrangement is consistent with a direct right because the issuer is obligated to the client. The second is the type of arrangement described in BC19, because the client depends on the intermediary's credit.

We recommend the Board address these fact patterns by adding facts to Case A, or a new case, in which Entity A holds its units with a third-party custodian, its account agreement is with an affiliate that acts as Issuer C's agent, Issuer C is obligated to redeem Entity A's units, and redemption proceeds are transmitted through a partner financial institution. We believe the Board should conclude that Entity A's right remains direct, because its claim for cash runs against Issuer C and no other party assumes an obligation to pay. We also recommend the Board explain in the Basis for Conclusions that a redemption right is direct when the issuer that maintains the reserve assets is obligated to pay the holder and the holder does not depend on the credit of another entity before that obligation is discharged, regardless of how the tokens are held, who provides the account, or how the cash is transmitted.

Issue 4: Reassessment and loss of qualification (Question 1)

The issue. The proposal addresses classification at a point in time. It does not address how often a holder should reassess whether its stablecoins continue to meet the definition. It also does not address presentation when an asset ceases to qualify, for example when an issuer suspends redemptions, reserves fall below one-to-one, the holder's account with the issuer is closed, the issuer loses its regulatory authorization, a legal prohibition on cash equivalent treatment takes effect, or the holder's balance falls below a redemption minimum. The reverse case, an asset that begins to

qualify after the holder onboards with the issuer or after the issuer becomes authorized, is also not addressed.

Our recommendation. The Board should clarify that classification is evaluated at each reporting date. We also recommend that the Board address how transfers into and out of cash equivalents should be presented in the statement of cash flows, including whether a change in classification without an exchange of cash is a noncash activity. We also recommend the Board confirm that a reclassification resulting from a change in the asset's attributes, the issuer's legal status, or applicable law reflects a change in facts and circumstances, not a change in the entity's accounting policy that would require restatement under paragraph 230-10-50-1 or a preferability assessment under Topic 250. Paragraph 230-10-55-22 places relevant laws and regulations within the establishment of the entity's cash equivalents policy. Because paragraph 230-10-50-1 treats a change in that policy as a change in accounting principle, a reclassification required by a change in law could be viewed as a change in accounting principle. We do not read that as the Board's intent. The entity's policy, which determines which qualifying assets it presents as cash equivalents, is unchanged; only whether a particular asset qualifies has changed. We also recommend the Board clarify that a temporary deviation in secondary-market price does not by itself determine classification where the holder's right to redeem at par is unimpaired, and conversely that an impaired redemption right precludes classification regardless of market price. We also recommend the Board consider whether events after the reporting date, such as a loss of peg, require any disclosure beyond existing subsequent events guidance, and confirm that classification as a cash equivalent does not determine the measurement or derecognition of the asset.

Reasoning. Stablecoins can stop qualifying abruptly for reasons unrelated to interest rates, which BC20 acknowledges. The presentation consequences of those changes are not addressed by existing guidance written for instruments with stated maturities. The GENIUS Act implementation timeline makes this more pressing because the legal status of some issuers will change during the periods in which entities first apply the proposed amendments (see Issue 5).

Issue 5: Applying the laws-and-regulations consideration, including the GENIUS Act (Question 2)

The issue. We agree that an entity should consider relevant laws and regulations. The parenthetical example in paragraph 230-10-55-22 refers to laws and regulations "that prohibit treating certain assets as cash equivalents." We read Section 3(g)(1) of the GENIUS Act (Pub. L. 119-27; 12 U.S.C. 5902(g)(1)) as such a provision. It provides that a payment stablecoin that is not issued by a permitted payment stablecoin issuer shall not be "treated as cash or as a cash equivalent for accounting purposes." Because that provision can be determinative, we believe the final standard should explain how it interacts with the examples rather than leaving it to a parenthetical. Laws and regulations are also relevant because they establish or affect the attributes of the asset, such as redemption procedures (section 4(a)(1)(B)), reserve requirements (section 4(a)(1)(A)), and the priority of holders' claims to the reserves in an issuer insolvency (section 11(a)(1), 12 U.S.C. 5910(1), and 11 U.S.C. 507(e) as added by section 11(d)).

Our recommendation. The Board should:

1. **Treat legal eligibility as necessary but not sufficient.** Clarify that an applicable legal prohibition precludes cash equivalent presentation regardless of the asset's attributes, and

that an issuer's regulatory approval does not by itself establish that a particular holder has an on-demand, direct redemption right. Each holder still evaluates its own rights under Case A.

2. **Address foreign-issued stablecoins.** Section 18(a) of the Act (12 U.S.C. 5916(a)) provides that the prohibitions under section 3 do not apply to a foreign payment stablecoin issuer that meets four conditions: regulation under a regime the Secretary of the Treasury has determined to be comparable, registration with the Comptroller of the Currency, holding reserves in a U.S. financial institution sufficient to meet the liquidity demands of U.S. customers unless a reciprocal arrangement provides otherwise, and domicile outside any jurisdiction subject to comprehensive U.S. sanctions or designated as a primary money laundering concern. A foreign payment stablecoin issuer is not a permitted payment stablecoin issuer, so a literal reading of section 3(g)(1) could preclude cash equivalent treatment of its stablecoins. It is not clear whether section 18(a)'s reference to the "prohibitions under section 3" extends to the accounting treatment provision in section 3(g), which is captioned "Treatment" rather than as a prohibition, although Treasury, in reading the same phrase to include the issuance limitation in section 3(a), observed that paragraph headings are not determinative (footnote 40 of its proposed rule described below). Treasury's proposed rule implementing section 3 (notice of proposed rulemaking published in the Federal Register on August 18, 2026) would expressly extend the section 18(a) exception to the issuance limitation in section 3(a) and the offer-and-sale prohibition in section 3(b)(1) (proposed 12 CFR 1523.2(a) and 1523.3(a)) and states that section 3(g)'s rules concerning the treatment of payment stablecoins for accounting purposes are outside the scope of that proposal (footnote 17). We recommend the Board acknowledge this question and indicate how a holder should evaluate stablecoins of a qualifying foreign issuer, so that the examples neither assume nor foreclose an answer the statute may provide. Our analysis should not be interpreted as a legal or regulatory conclusion on this question. The Board may choose to confirm its understanding of the intended reading with the relevant regulators and/or legal counsel.

3. **Address the implementation timeline.** Under section 20, the Act takes effect on the earlier of 18 months after enactment or 120 days after the primary Federal payment stablecoin regulators issue final implementing regulations. Because the first final implementing regulation was published on October 23, 2026, the Act takes effect on January 18, 2027. Section 3(b)(1) (12 U.S.C. 5902(b)(1)) separately prohibits digital asset service providers from offering or selling payment stablecoins not issued by a permitted payment stablecoin issuer beginning three years after enactment, or July 18, 2028. Section 3(g) contains no separate effective date, and the safe harbors in section 3(c) do not extend to section 3(g). The only transition mechanism we have identified is section 5(f) (12 U.S.C. 5904(f)), which permits the primary Federal payment stablecoin regulators to waive "the requirements of this Act" for up to 12 months from the effective date for a subsidiary of an insured depository institution or a Federal qualified payment stablecoin issuer with an application pending on that date. Section 5(f) does not extend to applicants under a state regime, and it is not clear whether a waiver under section 5(f) causes an issuer's stablecoins to be treated as issued by a permitted payment stablecoin issuer for purposes of section 3(g)(1), since the definition of that term in section 2 requires approval. Our reading, therefore, beginning on the Act's effective date, a payment stablecoin whose issuer has not yet been approved as a permitted payment stablecoin issuer may be precluded from cash equivalent treatment, even if the

stablecoin otherwise has the attributes in Case A and even if the issuer's application is pending. We recommend the Board address how entities should apply paragraph 230-10-55-22 around that date, confirm that the later July 18, 2028 date for restrictions on offers and sales does not defer the accounting provision, and consider whether the transition reconciliation in paragraph 230-10-65-4(d)(2) should also apply to reclassifications required by the Act (see Issue 8).

4. **Broaden the parenthetical.** Revise the example in paragraph 230-10-55-22 to refer both to laws and regulations that prohibit cash equivalent treatment and to those that affect the holder's rights and the attributes of the digital asset.

We also support retaining the statement in BC23 that the Board does not intend for entities to obtain legal opinions, and we recommend that it be carried forward into the final Update's Basis for Conclusions. The Act requires public lists of approved foreign issuer registrations (section 18(c)(1)(F)) and of jurisdictions determined to be comparable (section 18(b)(5)), but it does not require a published list of issuers approved under section 5. We also recommend the Board state that a holder may generally consider regulators' public records of an issuer's authorization status as evidence of that status, absent information to the contrary, and need not obtain legal opinions or perform additional legal analysis for that purpose.

Issue 6: Disclosure of significant components (Questions 3 and 4)

Our view. We support the proposed disclosure. The information should be readily available for most entities, and it improves alignment with IAS 7 (BC11, BC28).

Stablecoin holdings. On the alternative raised in Question 3, we recommend the Board require disclosure of significant stablecoin holdings by issuer. To keep the requirement workable and decision-useful, it should apply only to issuer concentrations that are significant, consistent with the judgment the Board already permits for significant components (BC25), and holdings should be aggregated by the entity legally obligated to redeem and that maintains the reserves, rather than by token brand or distributor, consistent with Issue 3.

The Board's reasoning in BC19 through BC22 is that a holder's ability to convert a stablecoin to a known amount of cash depends on the credit of the entity obligated to redeem and on the sufficiency and composition of that entity's reserves. A single aggregated "stablecoins" line does not tell investors which issuer's credit and reserves the entity is exposed to. We recognize the Board's concern in BC27 about defining the term stablecoin. One alternative would be to scope the requirement to digital assets presented as cash equivalents on the basis of the attributes described in BC15 (an on-demand contractual cash redemption right, a direct redemption right with the issuer, and segregated reserve assets), without creating a new defined term. Because Example 2 itself refers only to "certain digital assets," the scope would need to be described by reference to those attributes rather than to the example.

Alternative. If the Board concludes that issuer-level disclosure is not warranted, we believe it should confirm in the Basis for Conclusions that existing concentration-of-credit-risk disclosures under Topic 825 apply to stablecoins presented as cash equivalents (BC26).

Issue 7: Reserve composition beyond Case C, including GENIUS Act reserve assets (Question 1)

The issue. Case C (crypto assets and gold) clearly fails. However, the reserves of most fiat-backed stablecoins consist of assets that may differ from those in Case A, such as bank deposits, overnight repurchase agreements collateralized by U.S. Treasuries, and government money market funds. BC20 states that the Board does not intend the examples to provide an exhaustive list of permissible reserve assets and that entities would be expected to apply judgment. We agree, but that statement appears only in the Basis for Conclusions, and we expect the specific reserve composition described in Case A to be used in practice as the benchmark. BC20 also notes that factors other than interest rates may affect whether a stablecoin presents insignificant risk of changes in value, and BC22 counts only short-term, highly liquid reserve assets toward the one-to-one measure, but the examples do not address credit or concentration risk within the reserves, for example uninsured deposits concentrated at a single bank.

Section 4(a)(1)(A) of the GENIUS Act (12 U.S.C. 5903(a)(1)(A)) permits reserves that include demand deposits at insured depository institutions, Treasury bills, notes, or bonds with a remaining maturity or original maturity of 93 days or less, certain overnight repurchase and reverse repurchase agreements, government money market funds, other similarly liquid federal government-issued assets approved by the issuer's regulator, and tokenized forms of certain of those assets. Case A describes Treasury bills with original maturities of three months or less, which also differs slightly from the statute's 93-day threshold. The three-month original maturity convention in the definition applies to the holder's own investment, and we do not believe the Board intended to apply it to the issuer's reserve portfolio, consistent with how practice evaluates the underlying holdings of money market funds (BC20). Absent clarification, however, some may read Case A as excluding an issuer that complies with the Act but holds Treasury notes within 93 days of maturity, or tokenized reserve assets.

Our recommendation. We recommend the Board state in the examples, not only in the Basis for Conclusions, that the reserve assets illustrated in Case A are not an exclusive list, and that reserves meeting the reserve requirements of the GENIUS Act, as reflected in the issuer's examined monthly reserve reports, ordinarily satisfy the reserve attribute absent information to the contrary. This would be consistent with our recommendation in Issue 2 that a holder may use those reports as its primary evidence. On concentration, the GENIUS Act requires the primary Federal payment stablecoin regulators to issue reserve asset diversification standards, including standards on deposit concentration at banking institutions. We recommend the Board confirm that an issuer's compliance with those standards is sufficient for this purpose, so that holders are not expected to perform their own concentration analysis of the issuer's reserves.

Issue 8: Transition and effective date (Questions 5 and 6)

Our view. We support modified prospective transition for the illustrative examples, the transition reconciliation in paragraph 230-10-65-4(d)(2), and the preferability relief described in BC33. We also support the early adoption provisions in paragraph 230-10-65-4(b), including the provision that an entity adopting in an interim period applies the examples as of the beginning of the annual period that includes that interim period. Because the examples clarify an existing definition rather than change it, we believe a relatively short implementation period is appropriate for the examples. We would support a later effective date for entities other than public business entities for the disclosure

requirement, because those entities may need additional time to establish processes and controls over a new annual disclosure, even where the underlying component-level data is available.

Interaction with the GENIUS Act. As discussed in Issue 5, section 3(g)(1) of the GENIUS Act would, on our reading, preclude cash equivalent treatment for payment stablecoins not issued by a permitted payment stablecoin issuer beginning on the Act's effective date of January 18, 2027. That date will likely precede the effective date of the final Update, and reclassifications required by the Act will occur regardless of when the Update becomes effective. We therefore recommend the Board:

1. **Retain early adoption as proposed, and say why it matters here.** The early adoption provisions in paragraph 230-10-65-4(b) would allow entities to apply the illustrative examples and the statutory prohibition together in the same period rather than in two separate rounds of evaluation. We recommend the Board retain those provisions in the final Update and note that interaction in the Basis for Conclusions.

2. **Extend the transition reconciliation to reclassifications required by the Act.** We recommend that the reconciliation in paragraph 230-10-65-4(d)(2) also capture reclassifications required by section 3(g)(1) that occur in the period of adoption or in an earlier period presented, so that investors see the combined effect of the statute and the examples on opening cash and cash equivalents.

3. **Confirm the accounting-change characterization, or provide relief in the alternative.** Our primary recommendation, in Issue 4, is that the Board confirm that a reclassification required by law is a change in facts and circumstances rather than a change in accounting principle. If the Board does not adopt that view, we recommend in the alternative that the preferability relief described in BC33 be extended to reclassifications required by the Act that occur before the entity adopts the Update, so that entities are not required to treat a legally required reclassification as a voluntary change in accounting principle.

4. **Consider aligning the effective date.** Consider whether an effective date for the illustrative examples that is closer to the Act's effective date would reduce the period in which entities evaluate stablecoins under the statute without the benefit of the Board's examples.

We believe these steps would be consistent with the Board's view in BC14 that the examples clarify, rather than change, the existing definition.

Benefits and costs (Question 7)

We believe the expected benefits justify the expected costs, provided the Board addresses Issues 1 through 3 and Issue 5. Without those clarifications, we expect preparers and auditors to bear significant judgment-related costs, and diversity in practice is likely to persist.

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The views in this letter are those of BPM LLP. They are drawn from our general experience and publicly available information, and are offered to support the standard-setting process. They do not represent the views or interests of any particular client. We would be pleased to discuss our comments with the Board or staff.

Sincerely,



BPM LLP