FALL 2021

2021 blockchain symposium: crypto moves mainstream

INTRODUCTION

Blockchain continues to mature and shapeshift, growing its applications and user base in the process. What started as a little-known technology, best known in relation to the crypto asset bitcoin is now a seismic force that, while still evolving, is already transforming entire industries.

"Blockchain is a trillion-dollar market now," Erik Asgeirsson, president and CEO of CPA.com, said in his opening remarks at the fourth annual Blockchain in Accountancy Symposium, sponsored by the American Institute of Certified Public Accountants (AICPA) and CPA.com in partnership with the Wall Street Blockchain Alliance (WSBA). "In some aspects, blockchain is moving to the plateau of productivity," a designation, coined by Gartner, that indicates an emerging technology has moved from the volatile stages of early maturation to steady adoption and productive new use cases.

Meanwhile, the global market cap at the time of the Symposium for crypto assets is approaching $2 trillion, up from $250 billion last year; the number of crypto exchanges surged past 10,000 worldwide. "We are seeing greater access and innovation in this space," said Ron Quaranta, chairman of the WSBA. While crypto assets remain volatile, solutions are being developed to stabilize the category, notably stablecoins and Central Bank Digital Currency (CBDC). "The evolution of the market is tied to the prices of these crypto assets," Quaranta said. "When you see increased exchange-traded fund applications in the US, you realize the marketplace is evolving to minimize the challenges of volatility over time."

The Blockchain Symposium has helped the AICPA set strategies related to guidance and practice. The event is an annual gathering that brings together blockchain experts, solution developers, technologists, and practitioners to learn from one another and

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discuss how to think about, prepare for, and guide the accounting profession as blockchain continues to mature. "When we convened for the first Blockchain Symposium four years ago, we were still defining what the emerging technology was, and looking at potential impacts on the profession. Today, blockchain is mainstream and in the news on a daily basis." Kacee Johnson, senior director of strategy and innovation at CPA.com said in an introductory session to the virtual Symposium, which took place on June 29 and 30. "One of our goals today is to digest what the next evolution looks like, and how we can best prepare."

Led by Asgeirsson, Susan Coffey, CPA, CGMA, CEO of public accounting at the AICPA, Johnson, and Quaranta, the event was attended by approximately 100 thought leaders and subject matter experts in the space. Throughout the Symposium's history, leadership has worked to identify key issues blockchain is poised to impact on the profession as a whole.

"At the AICPA and CPA.com, we think a lot about the blockchain ecosystem," Coffey said, which includes client advisory, tech, accounting, financial reporting, firm practice management, audit, and tax services. The Symposium presents a unique opportunity to unite experts across the ecosystem for in-depth conversations that "help advance our research and innovation." And while this group only meets once a year, the AICPA, CPA.com, and WSBA are hard at work year-round, working on guidance and solutions that help lead the transformation of the category.

ACCELERATING ADOPTION

Keeping up-to-date on developments in blockchain requires nimbleness and speed. Since its emergence in 2009, the technology has rapidly evolved at a pace that only continues to accelerate.

Friedman LLP, a New York-based top 40 firm, entered the blockchain space in 2015. "The conversations we were having back then were vastly different from conversations we are having today," said Robert Graham, CPA, a partner and digital currency practice leader at Friedman. A mere five years ago, he'd regularly attend financial events where, if digital assets were mentioned at all, the response was dismissive.

"When you'd talk to bankers about crypto they'd laugh you out of the room saying, 'If we wait long enough this will go away,'" Graham recalled. Today, these same bankers are requesting webinars and presentations on the fundamentals of crypto assets. While these shifts are the most prevalent in finance, they are also taking place in a diverse range of industries, including healthcare, digital media, supply chains, and real estate.

"The level of interest is growing a lot," Graham said.

A number of recent indicators illustrate this. Since the last Symposium, for example, major brands including Visa, JP Morgan, MasterCard, PayPal, and Goldman Sachs have started allowing crypto exchanges on their networks. It's not just financial institutions, either. The prestigious auction art house Sotheby's now accepts bitcoin and ether, as do consumer companies ranging from Yum Brands (which owns KFC, Taco Bell, and Pizza Hut), to Xbox, and Starbucks, all of which accept crypto payments at select locations. More broadly, companies that up until a year or so ago had no use for crypto or blockchain technology are waking up to how it can impact their business moving forward.

> *"Blockchain will be part of new solutions, and we won't even realize it."*
>
> *- **Ron Quaranta**, Founder, Wall Street Blockchain Alliance*

As a result, they are more engaged. The most proactive are not just aware of blockchain-enabled changes but are actively preparing for them. From a consumer perspective, "We are beginning to see a seeping into the background of industry," Quaranta said. "Blockchain will be part of new solutions, and we won't even realize it."

OPEN REGULATORY QUESTIONS

Given that blockchain—and its many use cases—is evolving so quickly, it's not a surprise the regulatory framework remains in flux. "Government regulators are always one step behind the technology," said Amy Wang Miller, CPA, a senior manager with the AICPA. "Our responsibility is to educate them and convince them that they need to face this."

The AICPA has been aggressive in this capacity, regularly contacting the IRS and other government agencies for guidance on a list of complex questions. For example, "with Decentralized Finance (DeFi), if there is a taxable event you need to know how to account for it—but it's complicated," Miller said. Interlocking sets of complex issues impact loans, insurance, mining, and a host of other applications. The AICPA has been pushing the IRS to provide authoritative guidance since the first Symposium in 2018.

But even guidance that seeks to clarify can cause further confusion. Take the IRS' 1031 ruling, which states that exchanges between crypto assets such as Bitcoin, Ether, and Litecoin do not qualify as like-kind exchanges if the transaction occurred prior to January 1, 2018. "Our question is: What are the rules now?" Miller said. Without additional comment from the IRS, it remains unclear whether section 1031 applies to the current exchange of crypto assets. It's frustrating for practitioners and taxpayers, a problem that extends beyond any single use case. The IRS, as is true for many regulatory bodies, provides guidance in retrospect.

In a bid for more up-to-date guidance, the AICPA is working on a new set of comments, which formally requests that the IRS provide further clarification on a range of murky or unaddressed regulatory questions. (Clearer guidelines are emerging in a trickle. In August, for example, the U.S. Treasury Department indicated proposed IRS reporting requirements will only apply to crypto brokers, not miners, hardware developers, or other entities operating in the space.)

In addition to a number of longstanding issues, the AICPA's new comments will include queries on foreign currency, given the move by a number of South American countries to designate Bitcoin as a legal tender. (The trend raises new uncertainties, including whether foreign gains and losses from crypto assets will be taxed as ordinary income.)

Another open question: How will the IRS treat staking, or the process of participating in transactional validation on a blockchain in return for a reward, typically in crypto assets? "Is it akin to crops at the time of harvest, or is it taxed as income at the time of receipt?" said Justin Woodward, the co-founder of TaxBit, an IRS compliant software provider for reporting on crypto taxes. Given that staking is a relatively recent phenomenon, the lack of clarity follows a standard pattern: "We are seeing technology evolution outpacing regulation," Woodward said.

Reporting individual crypto assets can also be a confusing headache. As the blockchain space matures, the number of external sources practitioners can use to gather external data on crypto holdings continues to grow. The quality of these sources varies dramatically, however. While some exchanges "provide phenomenal data" others supply sparse or faulty information, according to Woodward. From a practitioner's perspective, of course, there must be measures in place to confirm the data is accurate. For now, verifying this information is largely left to the taxpayer and their accountant. But as crypto's market cap continues to expand, the IRS will likely start auditing the exchanges directly, Woodward said. "It's easier to audit a few hundred exchanges than it is to audit hundreds of millions of taxpayers who are potentially trading digital assets."

Despite these continued uncertainties, there has been progress, including the knowledge of those tasked with leading regulatory action—notably the U.S. Securities and Exchange Commission (SEC) Chair Gary Gensler, a President Biden appointee who replaced former SEC Chair Jay Clayton and has been **outspoken** about the need for crypto enforcement.

AUDITING ON THE BLOCKCHAIN

For the accounting profession, a central issue will be determining auditing standards for digital assets. On its face, this is somewhat ironic: blockchain is a data synchronization technology. While "it's easy to get wrapped up in the drama and jargon," the technology is fundamentally "a series of changes to a shared dataset where each change can be verified," said David Barrett, CEO and founder of Expensify, a provider of expense management software built on blockchain technology. In theory, assets on a public blockchain are confirmed as accurate and immutable at the moment of transaction.

The reality is more complex, of course, particularly when you take into account private blockchains. Unlike public blockchains, which are open and typically large, with thousands of individuals, decentralized nodes sharing and verifying data, private blockchains have permissioned controls. Often, they are operated by a single entity or small group of entities.

The vast majority of crypto assets exist on public blockchains. (Bitcoin, for example, is one of the largest and highest-profile crypto assets recorded on public blockchains.) Its open, decentralized structure should automatically verify transactions and holdings. But not all blockchains are created equal. What's more, auditors often need to validate the relevance and reliability of information regarding digital assets from an external source.

"One of the areas we have been paying particular attention to in recent years is the use of new information technologies for financial reporting by preparers and auditors," said Dima Andriyenko, the acting deputy chief auditor at the Public Company Accounting Oversight Board (PCAOB), a nonprofit established by Congress to oversee au-

> *"As far as the roadmap for auditors, start with risk and work your way to obtaining the evidence you need,"*
>
> *- **Dima Andriyenko**, CPA, Acting Deputy Chief Auditor, PCAOB*

dits of public companies. Last year, PCAOB published a spotlight document on audits involving crypto assets, which outlines certain auditor responsibilities and provides considerations at the firm level and at the audit engagement level. But audit practices are still evolving. "We will continue to review audits that involve crypto assets, and PCAOB inspectors will select certain audits for review when crypto balances are material to the financial statements," Andriyenko said.

In talking to firms that perform audits for clients with significant crypto holdings, Andriyenko has identified three successful strategies: harnessing software tools specifically built for collecting information on digital assets, training staff on how to handle crypto assets, and implementing consultation protocols, in which challenging or murky issues are run by one of the firm's blockchain subject matter experts.

Andriyenko noted a few good practices for auditing cryptoassets including using audit software tools specifically built for collecting information on digital assets, training staff on how to audit crypto assets, and implementing consultation protocols, in which challenging issues are reviewed by the firm's blockchain subject matter experts.

While new auditing issues may arise, according to Andriyenko, it's important not to lose sight of the fundamentals: "I always come back to the auditor's role in this ecosystem," he said during a session at the Symposium, which focused on tech and regulatory updates. The asset class and underlying technology are new, but the auditor's role is consistent: "Obtain sufficient and appropriate audit evidence to support management's assertions in the financial statements," he said. Although this may be more difficult to do in a rapidly developing industry like crypto, it remains an auditor's responsibility under PCAOB standards.

USE CASES

Decentralized Finance

Decentralized finance, or DeFi, runs on the blockchain. Instead of relying on central financial intermediaries, DeFi uses blockchain-based smart contracts to facilitate direct financial transactions.

Another way to think about DeFi is that it essentially converts traditional financial services into self-executing code, or smart contracts, which can be accessed by anyone, said Greg Murphy, the chief financial officer at neobanking provider BlockBank.

DeFi has no use for a traditional central intermediary like a bank or financial institution because the rules and regulations exist within the code itself. And unlike traditional finance, DeFi is permissionless. "Anyone can participate from wherever they are," Murphy said. And instead of a list of qualifications set by a third-party, participation is solely based on your available assets. There is no intermediary; "You interact directly with a smart contract," Murphy said. "We are starting to hear about some DeFi platforms moving to a more regulated stance, where Know Your Customer (KYC) services provide identification as well as tranches and price ranges to encourage more institutional participation," said Kell Canty, CEO of Verady, a crypto asset tax, accounting, and data technology company. But as it stands, DeFi represents "a true global marketplace where anyone with a wallet can participate."

DeFi takes the traditional financial infrastructure, "leverages lending hypothecation, peer to peer transactions, and applies it to digital assets," Canty said. The use cases include crypto assets but aren't limited to them: DeFi can be used for any digitized or tokenized product, including securities or real estate transactions. The use cases include crypto assets but aren't limited to them: DeFi can be used for any digitized product, including securities or real estate transactions. "It's fundamentally changing how people are using their assets," Canty said.

Created more than half a decade ago, DeFi really took off in 2020. "Last summer was referred to as DeFi summer," said Kayvan Sadeghi, a partner at the law firm of Schiff Hardin. "The space exploded and, in some ways, caught regulators off guard by how fast it grew. It's a tough space to regulate."

DeFi has grown "leaps and bounds in the past 18 months," Murphy agreed, with the total value of assets locked into DeFi protocols approaching $100 billion.

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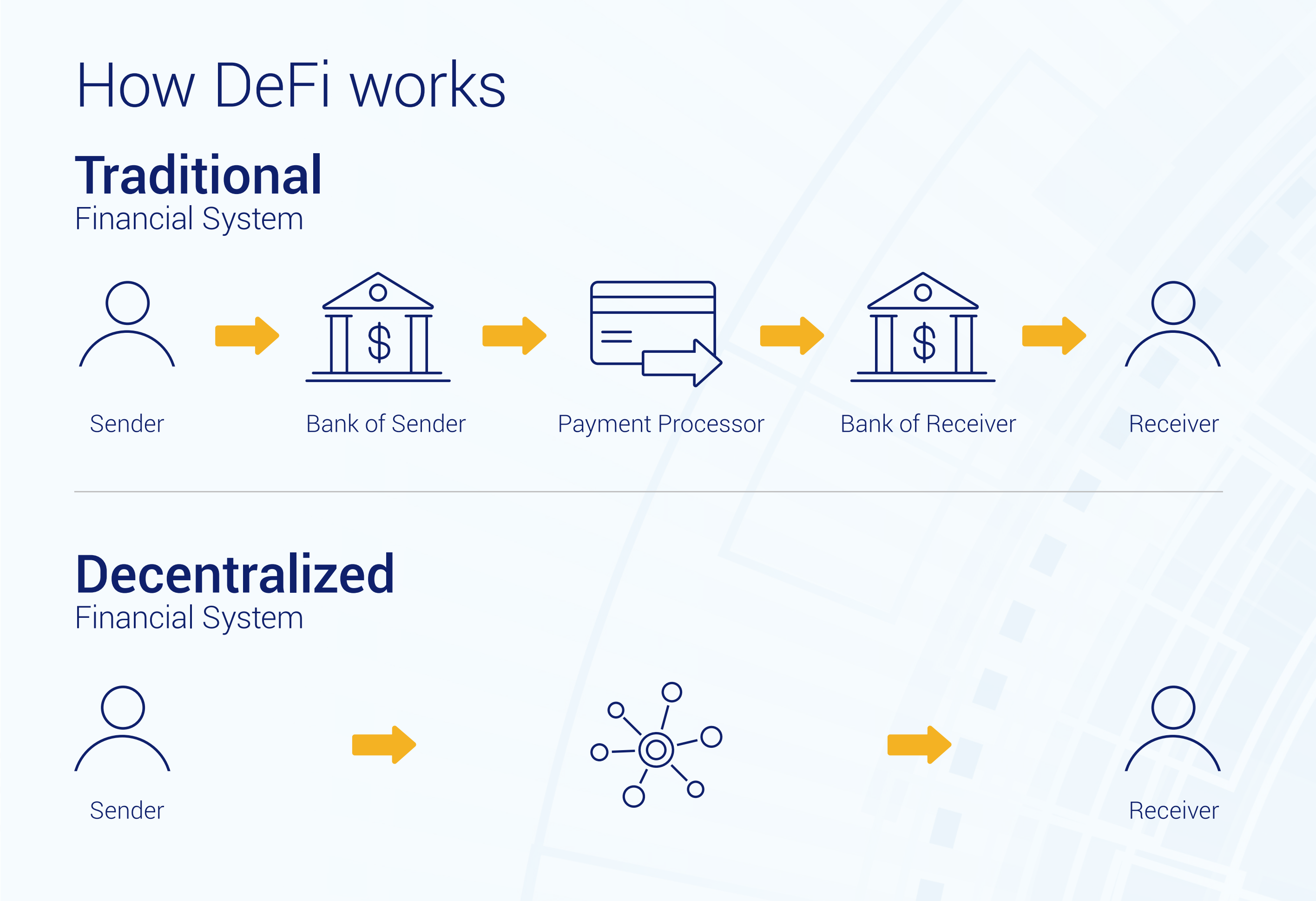

USE CASES CONT.

NFTs and Copyrights

Non-fungible tokens (NFTs) are digital assets stored on a blockchain that are unique and can't be exchanged. They can represent digital files, including photos, video, and audio.

Created in 2014, the category gained wider adoption in 2017 and shot to cultural prominence in March 2021 when an NFT collage of digital drawings sold at a Christie's auction for $69 million. Since then, the space has attracted waves of media attention and some serious money (in June 2021, for example, 'va,' a CryptoPunk NFT, sold for $11.7 million in a Sotheby's auction.) During the first half of 2021, NFT sales surpassed $2.5 billion.

As is true for most emerging technologies, NFTs have created thorny legal questions. According to Olta Andoni, an intellectual property attorney, member of the WSBA, and Chief Legal Officer at Nifty's, the technology's ability to grow and mature will depend on how these issues are addressed.

A fundamental concern centers around digital ownership and copyright. NFTs are an asset, as well as representation of "digital ownership or digital certificate of authenticity for an increasing number of collectibles," Andoni said. Because an NFT conveys ownership, it does not mean that it conveys ownership of the digital asset or the underlying artwork. Without specifically stated license terms granting to the NFT owner the intellectual property rights of the underlying asset, the category's existence will always raise a host of unresolved questions regarding copyright.

Payments

Once a novelty, crypto is becoming a more standard payment option, with large payment platforms including eBay and PayPal now supporting crypto payments. "We are at around $4 billion in annual crypto payments," Asgeirsson said. "By some forecasts, that will grow 10-fold, to $40 billion by 2025."

As the chief financial officer of APMEX, the world's largest online retailer of precious metals, Doug Sterk's experience with crypto provides a template for how other businesses, including conservative, traditional organizations, can support crypto payments. Over 20-years old, APMEX began accepting crypto assets in November 2017. The decision was prompted by requests from multiple customers: "In a commodity business, we try to separate ourselves via service," Sterk said. And so, the company looked into how it could offer the payment feature. Following four months of due diligence—in which it determined there was no significant corresponding legal or liability risk—APMEX partnered with crypto payment service provider BitPay and began accepting a number of digital assets.

The method came with some significant advantages, notably fraud protection. "Fraud is a large part of the business—what we sell attracts bad actors—and so we have controls built in around different payment methods, including how long we wait until we ship," Sterk said. Unlike with credit cards and wire transfers, crypto assets don't support chargebacks, eliminating the risk of the company experiencing a loss on a shipment.

2021: Around
$4 billion
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By 2025: Around
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Since 2017, Sterk has seen interest and activity in digital payments steadily increase. To date, the company has generated roughly $100 million in revenue from crypto, with annual figures trending upwards. (This year, it's on target to accept around $40 million to $50 million in digital assets.)

A conservative organization, APMEX is not in the business of holding onto these assets, however. "Just as we do with precious metals, we are fully hedged," Sterk said, the company uses BitPay to receive USD and settle next day, eliminating risk of volatile markets.

For larger, more traditional firms, this model could serve as a strategy for minimizing concerns about supporting crypto payments, said Friedman's Graham. "The larger the institution, the more risky this is to them. A lot of it comes down to, what are they willing to do from a risk perspective?" For some institutions, this means accepting digital assets but opting out of holding speculative positions. For others, it means not being a principal or agent in crypto transactions to avoid complications from an accounting or tax perspective.

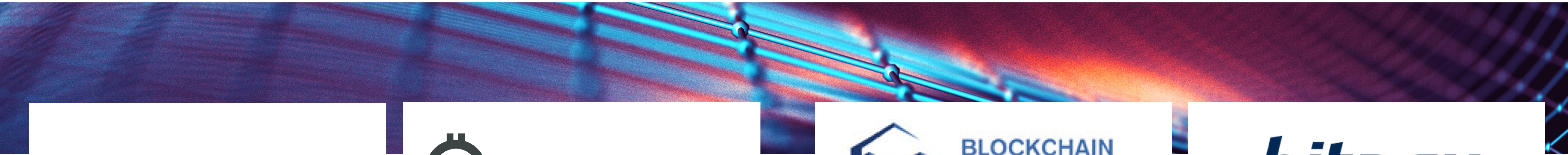
There's no one-size-fits-all solution for deciding whether to accept digital assets or how, exactly, to go about doing so. But as the space continues to mature, crypto payment solutions are growing more varied and sophisticated.

For any institution considering whether to accept crypto, there are three fundamental questions:

1. What are the available methods for accepting digital payments?
2. How could crypto impact my company's risk function should it be audited?
3. How will crypto payments be reported come tax time?

"It's a lot of fact-gathering to build a case for whether this is something they are going to do now, explore in a year or two, or look at even further down the road," Graham said.

SPOTLIGHT ON TECH



LukkaTax for Professionals

Founded in 2014, Lukka serves the largest crypto asset institutions with middle and back-office data & software solutions. "Crypto data is inherently very different from traditional transaction data," said CEO Robert Materazzi. In order to fulfill traditional reporting requirements, such as a form 1040, information on crypto assets needs to be sourced and normalized using technology built for the unique characteristics of crypto transaction data. Lukka builds a variety of data and software products "to solve those intricacies so CPAs don't have to," Materazzi said, allowing them to focus on supporting their clients.

In 2019, Lukka partnered with CPA.com on LukkaTax for Professionals, a do-it-yourself crypto tax preparation product for tax professionals. In addition to collecting the client's data, the interface generates required attachments for form 1040 Schedule 1 or form 8949 as required.

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> *- **Robert Materazzi.** CEO. Lukka Tax*

Carbon Block

Climate change cannot be dismissed. As a result, companies' investments to combat their carbon footprints—often in the form of carbon offsets—are expanding.

The problem? There isn't a standard for recording and reporting the scale or impact of these efforts. Instead, the typical course is to hire a consulting firm to analyze carbon offset investments and their impact. There are significant drawbacks to this model, however: not only is it time-intensive, but the results are often riddled with mistakes, from duplication errors to outright fraud.

Carbon Block was built to improve, standardize, and automate the reporting practice. "We use Blockchain to create a permanent ledger that deals with a lot of those issues," Peter Moreira, the company's chief financial officer, said, including "confirming the measurement values to the chain so we can have greater reliance on the value of these carbon offsets."

Blockchain Intelligence Group

Blockchain Intelligence Group builds technology to power compliance and intelligence for the cryptocurrency future. Accountants, banks and crypto companies depend on its technology to adapt and mature. Financial professionals trust it to monitor risk from crypto transactions. Investigators, forensic accountants and law enforcement quickly identify and track illicit activity with its software.

"We're a publicly traded company focused on the future of compliance, finance and crypto. — and about two years ago we acquired a crypto exchange business," said Blockchain Intelligence Group President Lance Morginn.

Today, the company is trusted globally by banks, crypto companies, law enforcement, fintechs, regtechs and governments to score crypto transaction risk and flag addresses connected to terrorism financing, money laundering, sanctioned entities, extortion, child exploitation and more.

BitPay

BitPay supports nearly a dozen crypto assets, 40% of which are stablecoins. "We started with Bitcoin," said Jagruti Solanki, the company's chief financial officer; additional offerings gradually grew from there. Since its launch in 2011, the company has noticed a shift in consumer behavior. Whereas in earlier days, people tended to hold onto their crypto assets, as the industry evolved, crypto payments became more and more common.

Today, BitPay makes the decision to accept a new crypto asset based on whether there is an active user base clamoring to spend it. "We started accepting Doge a few months back," Solanki said. "The driving factor was the community is asking for it."

BitPay makes the majority of its revenue by working with businesses (like APMEX), enabling them to accept crypto assets from customers. "We settle our customers within the next business day, which can be done with a checkout function on the customers' website or an email billing function," Solanki said.

PROFESSIONAL UPDATES

AICPA/CPA.com & Blockchain

The AICPA's work advocating for its members never stops. "It's important we stay ahead and make sure the profession is prepared to deal with the myriad of opportunities blockchain presents," said Coffey. While the Symposium only takes place once a year, it fosters conversations and partnerships that set the stage for how the profession thinks about and approaches the technology. "These sessions have allowed us to develop a host of resources and connect with all of you within the blockchain community," Coffey said.

At a high level, the AICPA is focused on progressing five areas related to blockchain:

- Thought leadership, to meaningfully engage with how blockchain is already impacting the profession
- Advocacy, at both the national and global levels to ensure the profession is well represented, has a voice, plays a significant role shaping regulatory decisions
- Guidance, to provide the profession with much-needed standardization in lieu of comprehensive regulations
- Partnerships, with a focus on identifying and promoting the use of practical tools
- Learning and development, including webcasts, webinars, whitepapers, and glossaries that make the technology accessible and actionable

The AICPA's working groups form a key component of these overarching goals. Each group is formed from experts and thought leaders in blockchain, risk, audit, accounting, as well as the intersection of these areas.

The working groups convene regularly throughout the year. In addition to discussing complex and often evolving issues, they are tasked with creating guidance that can be distributed among the more than 44,000 firms in the U.S.

At this year's Symposium, each group presented an overview of the major developments or publications that have taken place since last year.

AICPA WORKING GROUPS

ISACA-AICPA Joint Blockchain Working Group: Identifying Risk

For the past few years, the AICPA has partnered with the ISACA, an international professional association focused on IT governance, to develop a document that identifies and documents risks associated with blockchain technology. Published in April 2021, the Blockchain Risk: Considerations for Professionals is a free resource available on both the AICPA and ISACA's websites.

Risk was an essential topic, said Diana Krupica, CPA, lead manager, emerging assurance technology at the AICPA, because firms are increasingly called on to support their clients in analyzing risk profiles associated with launching and operating private blockchains.

"We realized that identifying the 'what could go wrongs' was a key step in the success of any blockchain," Krupica said. While the document focused on private blockchains, many of the issues also apply to public or hybrid blockchains. The document is broken into five central component parts:

- Governance
- Infrastructure
- Data
- Key management
- Smart Contracts

As with much of the group's guidance, the document was designed to be accessible to a wide variety of readers, including CPAs, auditors, management, and developers. "It's not limited to one type of user," Krupica said. "We try as much as possible to take into account the perspectives of all the different players in the ecosystem: the holders, exchangers, custodians, validators, and developers."

AICPA Digital Assets Working Group

This working group has developed a Practice Aid that covers both accounting and auditing topics for digital assets. New sections are continually added to the practice aid as they are published.

AICPA WORKING GROUPS CONT.

Auditing

The digital assets working group strives to provide nonauthoritative guidance on auditing digital assets under Generally Accepted Auditing Standards (GAAS), including client acceptance, which is "fundamental to the rest of the work the group has done," said Shelby Murphy, audit & assurance managing director, Deloitte & Touche LLP. For a organization taking on a new client, understanding the "risks, types of evidence, and different ways of applying professional standards" is essential. "There can be a lot of challenges," Murphy continued. "We wanted to emphasize that it's important to understand the entity and think, upfront, about how to best perform the audit."

Auditing topics in the Practice Aid include:

- **Skills** (to enable auditors understand the ever-evolving competencies required)
- **Risk identification** (specific to individual blockchains or digital assets, as each has its own unique risk profile)

The Practice Aid also includes a "meaty section" on risk assessment, Murphy said, one that is grounded in professional standards and intended primarily for external auditors.

Key focus areas include:

- Assessing management's processes and controls
- Monitoring and reporting
- Digital assets held by third parties, as well as assessing third parties that are holding digital assets on behalf of others

Up next: developing further guidance for auditing digital assets when an entity uses the services of a third party service organization in their operations and the use of SOC reports, Murphy said. This should provide clarity on a central challenge within the ecosystem: situations in which digital assets are secured by third parties, and the controls exist outside the organization. "The key is to understand the SOC report, including the controls, before using them as audit evidence," she said. The group continues to encounter engaging questions and topics it plans to address in upcoming guidance. For example: "If you have a third-party custodian, what type of evidence do you get if you have a segregated account versus a commingled account?" Murphy asked. "And if you get confirmation from a custodian or exchange, how do you go about determining whether that confirmation is reliable?"

Accounting

As with audit, the accounting subgroup aims to publish content that is applicable and digestible by a wide audience within the accounting profession. "We want to put out guidance that is helpful," said Matthew Schell, a partner at Crowe LLP. The group is also deeply invested in identifying issues practitioners encounter on a regular basis, so it can work towards developing a standard approach for tackling them. "The better we can build consensus and understand the questions that people have, the better we'll do," Schell said.

That said, in a sector as fast-paced as blockchain, it's foolish to set anything in stone. "Oftentimes, we adopt a 'factors to consider' type approach as opposed to an answer," he said. "A lot of times the answer is, 'Well, it depends.'"

The accounting subgroup is hard at work on additional topics, including derivatives, crypto lending and borrowing, and mining. These additional topics are expected to be published in the near future. It's intended to provide clarity on a number of complicated topics, including:

- **Derivatives**. A detailed, methodical examination of how to evaluate a derivative analysis, starting with the definition of a derivative itself.
- **Crypto C-Fi lending transactions**. Covering derecognition issues, questions about embedded derivatives, and how to address the problem of double accounting.

In the future, the accounting subgroup is preparing to address staking, which is likely to become a bigger issue. There are many scenarios to discuss, notably presentation, timing of recognition, and fair value considerations. Other likely topics include decentralized finance and "how do we include impairment in some of those different types of items?" he said. "We've started outlining some of these topics."

WSBA Accounting Working Group

"Our goal with the working group is to complement and hone in on other areas of blockchain and crypto assets as they impact accounting, finance, and markets overall," said Dr. Sean Stein Smith, CPA, a professor at Lehman College and chair of the WSBA Accounting Working Group. That means focusing on areas on quickly evolving aspects of the technology that aren't being covered by the auditing or digital asset groups. In addition to a monthly podcast that discusses relevant news related to blockchain, the group has published two white papers since the 2020 Symposium:

- Understanding Central Bank Digital Currencies. A primer on what CBDCs are, how they work, and emerging issues linked to governance and maintenance.
- Decentralized Finance. A primer on DeFi, as it relates to accounting.

A LOOK AHEAD

Blockchain's influence is expanding as its adoption and use cases increase. "The pace of innovation accelerates evermore," Quaranta noted.

This is exciting for practitioners, but challenging for regulators, who have the unenviable task of imposing rules on a protean force. "The problems regulators face are evolving even more quickly than they were before," said Sadeghi. "It's that classic game of cat and mouse."

And while regulatory delay and red tape can be frustrating for technology enthusiasts as well as the profession as a whole, real progress continues to be made. It's important to remember that hand wringing and negative press about the slow pace of regulatory change has been present from the beginning. In the face of an endless series of new questions and added complexity, the technology continues to advance, steadily if not always as quickly as many in the profession (as well as their clients) might like.

Blockchain has passed a critical inflection point: no longer considered a fad, it's use cases are being taken seriously across a variety of industries. They're also becoming more accessible. "Solutions matter," Asgeirsson said. "And they're getting better – we are going to push harder to drive broader awareness and support the profession in its understanding and adoption of the tools and resources that continue to emerge in this category."

There's a growing, serious recognition that the technology will continue to grow and become more mainstream as finance giants lean-in to the space. The exact measurements of this growth curve depend on a number of variables, notably regulators and the push to get adequate accounting and tax guidance; the easier those processes get the larger the adoption is going to be. We are still in the education phase.

The continued acceptance of blockchain among financial and technology providers has provided the backbone to give people comfort that this is here to stay. It's not something that will go away. In other words, blockchain's ascent to wider adoption is no longer a question of if, but when.