











[Blockchain 101](#)
[Technology](#)
[Markets](#)
[Business](#)
[Data & Research](#)
[Consensus](#)


Join us for a free Smart Contract Legislation webinar on February 27th at 11AM EST



Square: Murky Crypto Accounting Rules Pose Risk

 189
 


 1
 


 Nikhilesh De
 



 Feb 28, 2018 at 20:00 UTC | Updated Mar 1, 2018 at 10:18 UTC

NEWS

Square Inc. has identified another business risk for publicly traded companies that deal in cryptocurrencies: unclear accounting rules.

In its [most recent annual filing](#) with the U.S. Securities and Exchange Commission (SEC), the digital payments company wrote that [Generally Accepted Accounting Principles](#) (GAAP), the U.S. accounting standard for public companies, offers no specific guidance for cryptocurrencies. This makes it difficult for Square to know how to report its profits or losses from cryptocurrency transactions.

Moreover, the document suggested that auditors or regulators could disagree with how Square accounted for cryptocurrencies. The filing continued:

"The accounting can be complex and subject to challenge or scrutiny. The final conclusions on the accounting treatment for our cryptocurrency transactions could affect the presentation of our results of operations."

In other words, if Square gets it wrong, then the company may have to restate its financials, which could hurt its stock price or operations.

Last month, the payment platform introduced bitcoin buying and selling to most states through the Cash App, allowing users to send payments in the cryptocurrency to friends and family, [as](#)

Bitcoin

\$10.8

Ethereum

\$8

Bitcoin Cash

\$1.2

Litecoin

\$

XRP

\$0

Which cryptocurrency would you use to send a transaction you don't want anyone to know anything about?

☐ Bitcoin
 ☐ Ether
 ☐ Dash
 ☐ Monero
 ☐ Zcash
 ☐ Other


VOTE

Don't miss a single story

Subscribe to our free newsletter and follow us on social media

SUBS

Features



SEC ICO Probe Underway, But Co Size of Sweep

No Blockchain Is a

[previously reported.](#)

Other risks

Additionally, Square also noted other regulatory difficulties that could arise from its bitcoin buy/sell feature.

In its filing, Square said that it does not think its bitcoin service qualifies as offering securities to its customers, meaning it should not fall under state or federal securities regulations.

Similarly, the company does not see itself as a broker-dealer or investment advisor as defined by U.S. securities laws, or as a commodities dealer.

While Square believes these conclusions are accurate, "the regulation of cryptocurrency and crypto platforms is still an evolving area and it is possible that a court or a federal or state regulator could disagree with one or more of these conclusions," the company wrote.

"If we fail to comply with regulations or prohibitions applicable to us, we could face regulatory or other enforcement actions and potential fines and other consequences," the company went on.

"Further, we might not be able to continue operating the feature, at least in current form, and to the extent that the feature is viewed by the market as a valuable asset to Square, the price of our Class A common stock could decrease."

Square is one of several prominent financial services companies that have added discussions of crypto, blockchain or distributed ledger technology to the "risk factors" sections of their annual filings this month. Others include [Bank of America](#), [JPMorgan Chase](#) and [Goldman Sachs](#).

Companies often take a "kitchen sink" approach to these passages, including a variety risks that they may consider remote - but material enough to warrant investors' attention.

[Square payment](#) image via [Mybloodtypeiscoffee](#) / [Wikimedia Commons](#)

The leader in blockchain news, CoinDesk is an independent media outlet that strives for the highest journalistic standards and abides by a [strict set of editorial policies](#). Have breaking news or a story tip to send to our journalists? Contact us at news@coindesk.com.

SEC [Square](#)



PREVIOUS ARTICLE



UK Bank HSBC Might Soon Pilot Live Blockchain Payments

NEXT ARTICLE



Genesis Trading Launches Crypto Lending Service for...

SPONSORED FINANCIAL CONTENT

[dianomi](#)

Who Will Emerge as the Apple of Cannabis?

Emerald

This Stock is Being Called a "Game Changer" for the Marijuana Industry

Leafbuyer

Motley Fool Gives Rare "Total Conviction" Buy Sign

The Motley Fool

Turn \$100 into Fortune Without Risking a Dime in the Stock Market

Crowdability

Forget Cryptocurrencies: This Will Create the First Trillionaires

Angel Publishing

Market Prediction: Gold Collapse Will Wipe Out Trillions

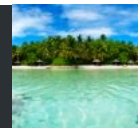
Dent Research

The No. 1 Stock to Buy Right Now (It's Not Pot)

Banyan Hill

How 1 Man Turned \$50,000 into \$5.3 Million

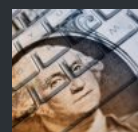
Investing Daily



What is Circle X? Circle K Exchange to Challenge More Than Coinbase



\$35 Million Refund: Developer Appeals Ethereum for Hack Reversal



Have a breaking story?

[Let us know here »](#)

RELATED STORIES



Mar 1, 2018 at 15:00 | Stan Higgins

US Regional Banks Begin to Cite Crypto as Business Risk

It's not just America's biggest banks that are worried about cryptocurrency adoption, public filings show.



Mar 1, 2018 at 03:45 | Marc Hochstein

SEC ICO Probe Underway, But Conflict on Size of Sweep

The Securities and Exchange Commission has been "shotgunning" subpoenas to token sellers, advisors, investors and exchanges. What will come of it all?



Mar 1, 2018 at 02:15 | Annaliese Milano

AriseBank ICO Fraud Case May Ensnare Additional Parties

A court filing indicates that the SEC-appointed receiver for AriseBank is searching for undisclosed assets and investigating third-party involvement.



Feb 26, 2018 at 17:00 | Stan Higgins

Goldman Sachs Latest to Label Crypto a Business Risk

Investment banking giant Goldman Sachs has cited its connection to cryptocurrencies and blockchain as a potential business risk, public records show.

0 Comments


CoinDesk

1 Login

Recommend

Share





Sort by Best



Start the discussion...

LOG IN WITH

OR SIGN UP WITH DISQUS



Name

Be the first to comment.

ALSO ON COINDESK

Meet the 'Sovereign': Marshall Islands Government to Issue Crypto Token - ...

5 comments • a day ago

Roger Johnsrud — Interesting reply. Reminds me of the movie, “Murder on the Orient Express.” Is you summary the conclusion ...

Bitcoin Brushes \$11K as Bull Case Strengthens - CoinDesk

4 comments • a day ago

Rob — beginner question: when he says, "A close today..." when does the market 'close'? Which market are we even talking about, ...

Bill Gates' 'Nonsense' Crypto Comments Draw Twitter Ire - CoinDesk

29 comments • 2 days ago

Festus Martingale — I once took a Karate class at the YMCA as a youth. The instructor said I had potential.Nevertheless, it wasn't ...


\$35 Million Refund? Developer Appeals Ethereum for Hard Fork Hack Reversal - ...

21 comments • 2 days ago

SG — No, just no. Take away finality and it isn't a Blockchain. Tools will get better with time, and in the meanwhile, accidents will ...

 Subscribe

 Add Disqus to your siteAdd DisqusAdd

 Privacy

DISQUS

