

Alliance of Concerned Investors

Jane Adams
Jack Ciesielski
Rebecca McEnally
Janet Pegg
Lynn Turner

April 8, 2022

Chairman Gary Gensler
Commissioner Allison Herren Lee
Commissioner Hester M. Peirce
Commissioner Caroline A. Crenshaw
U.S. Securities and Exchange Commission
100 F Street, NE
Washington DC 20549

Dear Mr. Chairman and Commissioners Crenshaw, Lee, and Peirce:

We are a collection of individuals who have worked in the capital markets for multiple decades. Our functional roles have been as buy-side and sell-side research analysts, accounting standards setters and regulators, or accounting academics. All of us have one experience in common: we are fundamental investors who believe that all investors are empowered to make useful investment decisions only when they are provided with robust and timely financial information. We joined together because our common beliefs and interests in financial reporting and market regulation led us to bring voice to concerns we share about the current state of accounting standards setting, auditing and attestation standards setting and inspection, and oversight.

We support the Securities and Exchange Commission (SEC) in its role of protecting investors and maintaining the integrity of the securities markets. We applaud the Commission in its issuance of Staff Accounting Bulletin No. 121 (SAB 121). We believe that compliance with the guidance in SAB 121 will provide useful, transparent, and timely information to investors. In addition to providing investors with the information they need to evaluate risks, compliance with SAB 121 should afford regulators information to oversee and assure orderly and efficient markets.

It is especially important to investors that until legal questions surrounding how the rights and obligations arising from such crypto currency arrangements would be treated in a court proceeding should an adverse event occur, a company's exposure to its crypto currency contracts should be recognized on the balance sheet and disclosed. We also expect that as has been demonstrated with other recognition standards, for example, Financial Accounting Standards Board (FASB) Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, compliance has resulted in the better management of risks. SAB 121, which is consistent with Generally Accepted Accounting Principles, fills a reporting void which the FASB has failed to address. We had urged the FASB to take on a project on accounting for digital assets immediately in our September 22, 2021 response to the FASB Invitation to Comment on its agenda. Even though the FASB has the ability through its

Emerging Issues Task Force to provide accounting and disclosure guidance for emerging issues on a nearly real-time basis and noting that crypto currencies have been in existence for over a dozen years, the FASB remains on the sidelines instead of leading. As we recall the causes of Lehman's and MF Global's financial collapse, we add this to the list of issues that FASB has been slow to address.

As we noted in our letters of October 20, 2020 and April 19, 2021, high-quality financial reporting is an essential element for achieving the SEC's mission and maintaining a robust and efficient capital market. An inadequate and non-transparent financial reporting environment leads to the destruction of investor capital and corrodes public trust and confidence in our financial system and institutions. Elements of high-quality financial reporting include among other aspects timely delivery of transparent, neutral and unbiased financial information that is prepared comparably among peers and consistently from period to period.

By issuing SAB 121, the Commission has taken a bold first step toward improving investor information in the cryptocurrency area. One of the principal attractions of crypto investments is the ability of holders to transport large amounts of cash outside of the normal global financial and reporting channels. Investors in public companies engaging in the facilitation of such transactions deserve to understand the degree of risk exposure they are undertaking. The accounting and disclosure requirements of SAB 121 will provide these investors with more transparency than ever.

We praise the Commission for its proactive initiative and ongoing efforts in protecting investors and assuring that information about crypto currency exposures and rights and obligations (particularly when the legal right of offset has not been demonstrated) is provided to investors on a timely basis.

We welcome the opportunity to discuss these matters further with the Board and its staff. Please direct any correspondence to us at AllianceOfConcernedInvestors@gmail.com.

Very truly yours,
/s/ Jane B. Adams
/s/ Jack Ciesielski
/s/ Rebecca McEnally
/s/ Janet Pegg
/s/ Lynn E. Turner

cc: Paul Munter, Acting Chief Accountant, Securities and Exchange Commission
Richard Jones, Chair, Financial Accounting Standards Board