



THE RIPPLE EFFECT

Stories of purpose and lasting impact

A person with a beard and a red turban is shown in profile, looking through a telescope. The background is a warm, orange and yellow sunset sky. The person's hand is visible, holding the telescope.

So you say your company wants to invest in crypto

How would you even do that? One bold outlier takes on the complexities.

NORMAL RULES OF **TAX AND ACCOUNTING** MAY NOT APPLY. **NOW WHAT?**

THE SITUATION

Early cartographers had one phrase for the blank spots in their knowledge—*terra incognita*—and another to indicate the risks of exploring that territory: *hic svnt dracones*. Here be dragons.

Today's business leaders may find investing in cryptocurrencies every bit as mysterious and risky. Among those pioneers: leadership at [Strategy Inc](#) (Strategy), a company that provides business intelligence, mobile software, and cloud-based services.

In December 2020, the company announced that it had made a total of more than \$1 billion in bitcoin purchases that year—an investment it said would “provide the opportunity for better returns and preserve the value of our capital over time compared to holding cash.” It was head-turning news, not least because at the time there was no map for this kind of bold move.

Five years later, regulators are starting to weigh in, and companies such as DeFi Development Corporation are incorporating cryptocurrency as a major element of their business models. And though a framework hasn't emerged, Strategy continues to be the largest in corporate crypto investing, the stored value of its ongoing bitcoin purchases now valued at nearly \$60 billion.

Why still no clear map? Largely because the industry is constantly evolving. But now that regulators have acted, Strategy has a head start.

This means a host of investment considerations—like accounting and tax—must confront the unknown with different approaches to ensure that corporate investors comply with the potentially pertinent (and emergent) regulations. Approaches like disciplined analysis, fresh thinking and rethinking, consultation with regulators and legal counsel, dedicated collaboration across competencies, and, above all, rigorous execution.

A trusted services provider can be valuable in situations like these, and that's where Deloitte's Blockchain & Digital Assets team fits in. Like any company investing in digital assets, Strategy faced (and will likely continue to face) a complex and ongoing set of challenges given the unique business model and a continually shifting set of rules. Despite the dragons, they still want to cross into *terra incognita*. How might that work?



THE SOLVE

How indeed. The treatment and management of bitcoin investments may vary depending on a company's strategy, its industry, the countries in which it operates, and a host of other variables. That's why we provided Strategy with perspective on the parameters of the situation, as well as ongoing analysis to help advise the company through the myriad processes, contingencies, and regulations that it needs to consider in sustaining its investment strategy.

For instance, were they continuously monitoring evolving accounting rules and tax regulations? Recent guidelines from the Financial Accounting Standards Board (FASB) now require companies to mark their crypto holdings to market value rather than the previous cost-minus-impairment model.

What about Treasury regulations? The Internal Revenue Service (IRS) has, in the past year, released a regulation package concerning basis tracking methodologies—a significant development for companies dealing with digital assets.

Then there's evaluating risk and controls—a very different exercise when dealing in bitcoin than other investment types (in fact, so different that it involves rethinking the entire risk and control framework).

To address these complexities—and given that digital asset challenges often require specialization from multiple disciplines—we recommended a collaborative, cross-functional approach, in which departments and external advisers worked closely together to navigate issues spanning accounting, tax, risk, and compliance.

These (and other) considerations aren't just complex; they're still in flux. But Strategy continues to focus on monitoring processes, procedures, and risk exposure regarding digital assets across its entire value chain. And in the process, it has started the outlines of an entirely new map for itself.

**INVESTMENT RULES FOR DIGITAL ASSETS ARE
STILL EVOLVING. EVOLVE WITH THEM.**

THE IMPACT

Strategy's brand as an innovative company—both in terms of the services and products it delivers as well as its strategy—has been enhanced through its bold bitcoin investment strategy, with other companies contacting Strategy's leadership to discuss “how they did it.”

With an assist from Deloitte, Strategy now has an overall approach in place for managing, tracking, and accounting for its bitcoin investments. This can help the company maintain its investments effectively and strategically as the landscape changes.

As noted, onboarding digital assets into a company's investment portfolio goes beyond developing appropriate processes. It often takes a change in mindset on the part of a host of teams inside and outside the company. Deloitte helped Strategy expand that level of understanding and stakeholder buy-in.



VISIONARY COMPANIES AREN'T ASKING 'WHY CRYPTO?'
THEY'RE ASKING HOW.

LET'S CONNECT.

Do these challenges sound familiar?



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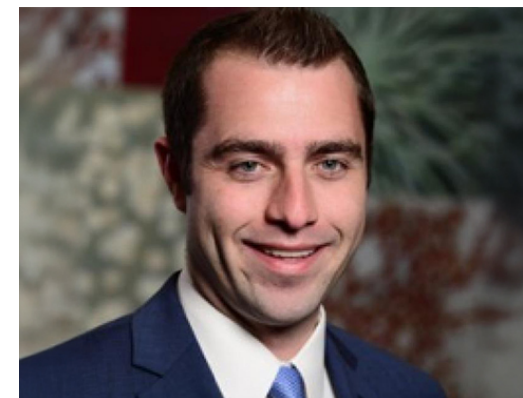
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