

MEMO# 35997

January 24, 2025

SEC Publishes Staff Accounting Bulletin No. 122; Rescinds SAB 121

[35997]January 24, 2025TO:ICI Members

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On January 23, 2025, the SEC published Staff Accounting Bulletin No. 122 (SAB 122)[\[1\]](#) which rescinds the interpretive guidance included in Section FF of Topic 5 (Topic 5.FF) in the Staff Accounting Bulletin Series entitled *Accounting for Obligations to Safeguard Crypto-Assets an Entity Holds for its Platform Users*.

SAB 122 states that, upon application of the rescission of Topic 5.FF, "an entity that has an obligation to safeguard crypto-assets for others should determine whether to recognize a liability related to the risk of loss under such an obligation, and if so, the measurement of such a liability, by applying the recognition and measurement requirements for liabilities arising from contingencies in Financial Accounting Standards Board Accounting Standards Codification ('FASB ASC') Subtopic 450-20, Loss Contingencies, or International Accounting Standard ('IAS') 37, Provisions, Contingent Liabilities and Contingent Assets under U.S. generally accepted accounting principles and IFRS Accounting Standards, respectively."

The bulletin further notes that entities "should effect the rescission of Topic 5.FF on a fully retrospective basis in annual periods beginning after December 15, 2024." It states that entities "may elect to effect the rescission in any earlier interim or annual financial statement period included in filings with the Commission after the effective date of this SAB," and that they "should include clear disclosure of the effects of a change in accounting principle upon initial application of this rescission."

Finally, the bulletin "reminds entities that they should continue to consider existing requirements to provide disclosures that allow investors to understand an entity's

obligation to safeguard crypto-assets held for others" which include but are not limited to "Items 101, 105, and 303 of Regulation S-K; FASB ASC Subtopic 450-20; and FASB ASC Topic 275, Risks and Uncertainties."

Joshua Weinberg
Associate General Counsel, Securities Regulation

Notes

[1] See Staff Accounting Bulletin No. 122, 17 CFR Part 211, Release No. SAB 122 (Jan. 23, 2025) available at: <https://www.sec.gov/rules-regulations/staff-guidance/staff-accounting-bulletins/staff-accounting-bulletin-122>. SAB-121 went into effect in 2022 and states, among other things that, "as long as [the firm] is responsible for safeguarding the crypto-assets held for its platform users, including maintaining the cryptographic key information necessary to access the crypto-assets, the staff believes that [the firm] should present a liability on its balance sheet to reflect its obligation to safeguard the crypto-assets held for its platform users" and that "it would be appropriate for [the firm] to recognize an asset at the same time that it recognizes the safeguarding liability, measured at initial recognition and each reporting date at the fair value of the crypto-assets held for its platform users."