



# Bitcoin Treasury Framework

BTC Treasury Adoption Guidance

## Company Configuration

COMPANY TYPE

Public Company

COMPANY SIZE

Large (251-1000 employees)

INDUSTRY

Technology

JURISDICTION

Canada

PLANNED ALLOCATION

10% of Treasury

RISK ASSESSMENT

Moderate Risk

## ⚠️ IMPORTANT LEGAL DISCLAIMER

This framework provides general guidance based on current information and is for informational purposes only. It does not constitute legal, tax, accounting, or financial advice. Bitcoin regulations vary significantly by jurisdiction and are subject to frequent changes. Always consult with qualified legal, tax, accounting, and financial advisors before making any treasury decisions. House of Bitcoin and its affiliates assume no liability for any decisions made based on this framework.

## Treasury Allocation Risk Profile

**Allocation:** 10% of treasury reserves

**Risk Level:** Moderate

**Assessment:** Balanced approach, requires strong governance

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Sources Consulted:

Google Gemini 3 Flash Preview

Live Data:

No

This framework is designed for a Canadian public technology company (TSX or TSX-V listed) with 251–1,000 employees, looking to integrate Bitcoin into its corporate treasury for the 2025 fiscal year.

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## • 1. REGULATORY LANDSCAPE

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- **Legal Status:** Bitcoin is recognized as a digital commodity/asset in Canada. It is legal to own and use for treasury purposes, though it is not "legal tender" (which is restricted to CAD).
- **Tax Treatment:** The Canada Revenue Agency (CRA) treats Bitcoin as a commodity. Transactions are generally subject to **Capital Gains** rules. Under the 2024 Federal Budget, the capital gains inclusion rate for corporations increased from 50% to **66.7%** on all capital gains.
- **Regulatory Bodies:**
  - \* **FINTRAC:** Regulates Money Services Businesses (MSBs); while the corporation isn't an MSB, your exchange/custodian must be.
  - \* **CSA/OSC:** The Canadian Securities Administrators provide guidance on "Crypto-Asset Trading Platforms" (CTPs). Public companies must disclose "Material Change" reports if Bitcoin holdings significantly alter the risk profile.
- **Anti-Money Laundering (AML):** Corporations must ensure their acquisition source (Exchange) complies with the \*Proceeds of Crime (Money Laundering) and Terrorist Financing Act\* (PCMLTFA).

## • 2. ACCOUNTING CONSIDERATIONS

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- **IFRS Standards:** Most Canadian public companies use IFRS. Under **IAS 38 (Intangible Assets)**, Bitcoin is typically classified as an "indefinite-lived intangible asset."
- **Valuation & Impairment:** Assets are recorded at cost. Under the "Cost Model," you must test for impairment annually (or if indicators exist). If the price drops below cost, you write it down; you cannot write it back up beyond the original cost unless using the "Revaluation Model" (which requires an active market and consistent application).

- **Balance Sheet Classification:** Usually listed under "Other Non-Current Assets" or "Intangible Assets." If the company intends to trade it within 12 months, it may arguably be classified as "Inventory" under IAS 2.
- **FASB/IFRS Convergence (2025 Update):** While US GAAP has moved to **Fair Value Accounting** (ASU 2023-08), Canadian firms under IFRS should consult with auditors (e.g., Big 4) on adopting a Fair Value approach to better reflect treasury market value.

### • 3. CUSTODY & SECURITY

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- **Institutional Custody:** For a company of this size, **Qualified Custody** is mandatory for insurance and audit purposes. Use a Canadian-regulated custodian (e.g., Tetra Trust) or a globally recognized one with a Canadian sub-entity (e.g., Fidelity Digital Assets, Coinbase Custody).
- **Multi-Signature Setup:** Implement a "M-of-N" signing ceremony. A 3-of-5 setup is recommended: Keys held by the CFO, Treasurer, CEO, a Board Member, and a third-party legal counsel/custodian.
- **SOC 1 & SOC 2 Compliance:** Only select vendors that provide SOC 1 Type II and SOC 2 Type II reports to ensure internal controls meet audit standards for public companies.
- **Specie Insurance:** Ensure the custodian carries "Specie" insurance covering private key loss, theft, or physical destruction, with a policy limit exceeding the company's total BTC exposure.

### • 4. GOVERNANCE FRAMEWORK

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- **Board Resolution:** Formally amend the Corporate Investment Policy to include "Digital Assets" as an eligible asset class. Define a **Treasury Reserve %** (e.g., 1% to 10% of excess cash).
- **Investment Policy Statement (IPS):** Define the "Hold" period (e.g., minimum 3-5 years) to signal to shareholders that this is a long-term strategic reserve, not speculative trading.
- **Execution Strategy:** Use **Algorithmic Dollar-Cost Averaging (DCA)** over 3—6 months to mitigate "Market Impact" and "Timing Risk." Avoid lump-sum purchases over \$5M in a single day.

- **Rebalancing Policy:** Establish "Upper and Lower Bounds" (e.g., if BTC exceeds 15% of total treasury due to appreciation, the excess may be liquidated to CAD to maintain the target allocation).

## • 5. RISK MANAGEMENT

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- **Volatility Management:** Use **VaR (Value at Risk)** modeling to ensure a 50% drawdown in Bitcoin does not breach the company's minimum working capital requirements or debt covenants.
- **Counterparty Risk:** Avoid "Yield" or "Lending" programs. Keep 100% of BTC in "Cold Storage" with no re-hypothecation to avoid the "FTX/Celsius" contagion risks.
- **Operational Risk:** Conduct quarterly "Fire Drills" to ensure authorized signers remember how to access/verify the custody account without moving actual funds.
- **Market Timing:** Prohibit C-Suite and Board members from trading personal Bitcoin 48 hours before or after corporate treasury announcements (Insider Trading Policy updates).

## • 6. TREASURY IMPLEMENTATION ROADMAP

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- **Phase 1: Education (Weeks 1-4):** Educate the Audit Committee and Board on Bitcoin's role as "Digital Gold" vs. "Crypto."
- **Phase 2: Policy Update (Weeks 5-8):** CFO drafts the updated Investment Policy; Board formally approves the BTC allocation.
- **Phase 3: Vendor RFP (Weeks 9-12):** Vet 3 Qualified Custodians and 2 Liquidity Providers (Exchanges/OTC Desks).
- **Phase 4: Compliance & KYC (Weeks 13-14):** Complete corporate onboarding with the chosen custodian and FINTRAC-registered exchange.
- **Phase 5: Pilot Purchase (Week 15):** Execute a "Test Buy" (\$50k—\$100k) to verify settlement workflows and audit trails.
- **Phase 6: Full Execution (Weeks 16-24):** Deploy the main capital allocation via an OTC desk using a VWAP (Volume Weighted Average Price) algorithm.
- **Phase 7: Ongoing Reporting:** Quarterly reporting of Fair Market Value in MD&A (Management Discussion and Analysis).

## • 7. DUE DILIGENCE CHECKLIST

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- ☐ Does the custodian have a Canadian presence or legal "Nexus"?
- ☐ Has the Lead Auditor (e.g., KPMG, PwC, Deloitte) approved the proposed accounting treatment?
- ☐ Do existing debt covenants/credit facilities restrict "Alternative Investments"?
- ☐ Is there a "Break Glass" procedure for emergency access to keys?
- ☐ Is the "Proof of Reserves" (PoR) provided by the custodian in real-time or monthly?
- ☐ Does the D&O (Directors & Officers) insurance policy cover digital asset-related decisions?

## • 8. KEY RESOURCES & CONTACTS

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- **Ontario Securities Commission (OSC):** Guidance on Crypto-Asset Trading Platforms.
- **FINTRAC:** Canada's financial intelligence unit for AML/KYC standards.
- **The Canadian Blockchain Consortium:** Industry association for corporate networking.
- **CPA Canada:** Professional guidance on "Accounting for Crypto-Assets" under IFRS.
- **Tetra Trust:** Canada's first licensed trust company for digital assets.



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