



# Bitcoin Treasury Framework

BTC Treasury Adoption Guidance

## Company Configuration

COMPANY TYPE

Government Entity

COMPANY SIZE

Large (251-1000 employees)

INDUSTRY

Financial Services

JURISDICTION

Canada

PLANNED ALLOCATION

2% of Treasury

RISK ASSESSMENT

Low 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:** 2% of treasury reserves

**Risk Level:** Low

**Assessment:** Conservative approach, suitable for initial adoption

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Google Gemini 3 Flash Preview

Live Data:

No

This framework is designed for a Large Government Entity (251-1000 employees) in the Canadian Financial Services sector. It adheres to the 2025 regulatory environment, specifically accounting for recent OSFI guidelines and CRA tax adjustments.

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## • 1. REGULATORY LANDSCAPE

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- **Legal Status:** Bitcoin is not legal tender in Canada but is recognized as a digital asset and commodity. It is legal to own, trade, and use for payments under the \*Proceeds of Crime (Money Laundering) and Terrorist Financing Act\* (PCMLTFA).
- **Tax Treatment:** The Canada Revenue Agency (CRA) treats Bitcoin as a commodity. Transactions are subject to capital gains rules. For corporations, the 2024 budget increased the capital gains inclusion rate to **66.7%** on all gains (no \$250k threshold for corporations).
- **Regulatory Oversight:** As a financial services entity, you fall under **OSFI (Office of the Superintendent of Financial Institutions)** oversight. OSFI's 2025 capital adequacy requirements categorize Bitcoin as a "Group 2" asset, requiring a higher risk-weighting (1,250%) for regulated banks/insurers.
- **Compliance Requirements:** Entities must register with **FINTRAC** if providing virtual currency exchange services. For treasury holding only, compliance focuses on KYC (Know Your Customer) and AML (Anti-Money Laundering) protocols when interacting with registered Canadian Digital Asset Platforms.

## • 2. ACCOUNTING CONSIDERATIONS

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- **IFRS Standards:** Under IFRS (which most Canadian government entities/FIs follow), Bitcoin is typically classified as an **Intangible Asset (IAS 38)**. If held for sale in the ordinary course of business, it may fall under **Inventories (IAS 2)**.
- **Valuation Method:** Most entities use the **Cost Model** (recorded at cost, written down for impairment). However, the **Revaluation Model** is permitted if an active market exists, allowing for fair value adjustments through Other Comprehensive Income (OCI).

- **Impairment Rules:** Under IAS 38, if the market price drops below the carrying value, an impairment loss must be recognized. Notably, under the cost model, you cannot "write up" the value if the price recovers above the original cost.
- **Balance Sheet Classification:** Bitcoin should be listed as a "Non-Current Intangible Asset" unless it is intended for liquidation within 12 months, in which case it is a "Current Asset."

### • 3. CUSTODY & SECURITY

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- **Institutional Custody:** For a large government entity, **qualified custodians** (e.g., Fidelity Digital Assets Canada or Coinbase Custody Canada) are mandatory to meet fiduciary standards. Avoid "Exchange Wallets."
- **Multi-Signature (Multi-Sig) Setup:** Implement a **3-of-5 or 4-of-6** signature requirement. Signatories should include the CFO, Treasurer, and a designated Compliance Officer.
- **SOC Reporting:** Ensure the chosen custodian provides **SOC 1 Type II and SOC 2 Type II** reports annually to verify internal controls over financial reporting and data security.
- **Cold Storage:** 95%+ of the treasury's Bitcoin should be held in "Cold Storage" (offline, air-gapped hardware). Only a small "hot" buffer should exist for immediate liquidity needs.

### • 4. GOVERNANCE FRAMEWORK

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- **Investment Policy Statement (IPS):** Amend the IPS to include "Digital Assets." Set a maximum allocation cap (e.g., **1% to 5% of total liquid reserves**) to ensure Bitcoin remains a minority diversification asset.
- **Board Approval:** Require formal Board of Directors' approval for the initial pilot, with quarterly reviews of performance and risk exposure.
- **Execution Strategy:** Utilize **Dollar-Cost Averaging (DCA)** over a 6–12 month period to mitigate entry-price risk. Avoid lump-sum purchases exceeding \$5M CAD in a single day to minimize slippage.
- **Rebalancing Policy:** Establish a "rebalancing trigger" (e.g., if Bitcoin grows to exceed 10% of the total portfolio, sell back down to the target 5% allocation).

## • 5. RISK MANAGEMENT

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- **Volatility Management:** Use a **Value at Risk (VaR)** model to calculate the potential loss over a 30-day period. Ensure the entity can withstand a 50-80% drawdown in the Bitcoin sleeve without impacting core operations.
- **Counterparty Risk:** Only interact with **CIRO-registered** (Canadian Investment Regulatory Organization) platforms. Ensure the custodian has **Specie Insurance** covering at least \$100M+ in digital assets.
- **Operational Risk:** Establish "Segregation of Duties" where the person initiating a transaction cannot be the person who approves or signs the transaction.
- **Public Perception Risk:** Develop a communication strategy to explain the rationale (inflation hedge/diversification) to stakeholders and taxpayers to mitigate political blowback.

## • 6. TREASURY IMPLEMENTATION ROADMAP

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- **Phase 1: Education (Month 1):** Internal workshops for Treasury, Legal, and Tax teams on Bitcoin mechanics and Canadian law.
- **Phase 2: Stakeholder Alignment (Month 2):** Secure "Buy-in" from the Board and relevant Ministry oversight bodies.
- **Phase 3: Policy Drafting (Month 3):** Finalize the IPS, Custody Policy, and AML/KYC internal controls.
- **Phase 4: Vendor RFP (Month 4):** Selection of a qualified Canadian custodian and a CIRO-regulated execution desk.
- **Phase 5: Technical Testing (Month 5):** Perform "Penny Tests" (small transfers) to verify multi-sig workflows and withdrawal procedures.
- **Phase 6: Initial Execution (Month 6):** Commence DCA program for the first 25% of the target allocation.
- **Phase 7: Monitoring & Reporting (Ongoing):** Monthly valuation reporting and quarterly security audits.

## • 7. DUE DILIGENCE CHECKLIST

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- ☐ Is the custodian a "Qualified Custodian" under Canadian securities law?
- ☐ Has the Tax department confirmed the 66.7% capital gains impact?
- ☐ Is there a "Break Glass" protocol for emergency key recovery?
- ☐ Does the entity have the internal expertise to verify on-chain transactions?
- ☐ Have OSFI Group 2 capital requirements been factored into the balance sheet?
- ☐ Is the vendor registered with FINTRAC as a Money Services Business (MSB)?

## • 8. KEY RESOURCES & CONTACTS

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- **OSFI (Office of the Superintendent of Financial Institutions):** Guidance on crypto-asset exposure for FIs.
- **CRA (Canada Revenue Agency):** Digital NGO/Commodity tax guidelines.
- **FINTRAC:** Compliance requirements for virtual currency transactions.
- **Canadian Blockchain Consortium:** Industry body for provincial and federal policy advocacy.
- **CSA (Canadian Securities Administrators):** For updates on "Staff Notice 21-329" regarding crypto-asset trading platforms.



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BTC Treasury Strategy Guide

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