



# Bitcoin Treasury Framework

BTC Treasury Adoption Guidance

## Company Configuration

### COMPANY TYPE

Private Company

### COMPANY SIZE

Small (11-50 employees)

### INDUSTRY

Technology

### JURISDICTION

United Kingdom

### PLANNED ALLOCATION

5% 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:** 5% of treasury reserves

**Risk Level:** Low

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

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**Primary AI Source:**

Google Gemini 3 Flash Preview

**Sources Consulted:**

Google Gemini 3 Flash Preview

**Live Data:**

No

This framework is designed for a UK-based technology SME (11-50 employees) considering Bitcoin as a treasury reserve asset in 2025.

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## • 1. REGULATORY LANDSCAPE (UNITED KINGDOM)

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- **Legal Status:** Bitcoin is not "legal tender" but is recognized as a "restricted mass market investment." It is legal to hold, trade, and use for business transactions.
- **FCA Oversight:** Since September 2023, the Financial Conduct Authority (FCA) enforces strict marketing rules. Businesses must ensure any internal promotion of Bitcoin to stakeholders is "clear, fair, and not misleading."
- **Tax Treatment:** HMRC treats Bitcoin as "Cryptoassets." For companies, gains are subject to **Corporation Tax (currently 25% for profits over £250,000)**. It is not subject to Stamp Duty.
- **The "Travel Rule":** Per the 2023 amendments to MLR (Money Laundering Regulations), UK businesses must collect and share specific information regarding the originator and beneficiary of crypto transfers over certain thresholds.
- **FSMA 2023:** The Financial Services and Markets Act 2023 has brought crypto-assets into the scope of regulated financial services, meaning future yield-generating activities (staking/lending) may require specific permissions.

## • 2. ACCOUNTING CONSIDERATIONS

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- **Standard Framework:** Under **FRS 102 (UK GAAP)** or **IAS 38 (IFRS)**, Bitcoin is typically classified as an **Intangible Asset** with an indefinite useful life, rather than cash or a financial asset.
- **Balance Sheet Classification:** It should be listed under "Intangible Assets." If held for sale in the ordinary course of business, it may be classified as "Inventory" (IAS 2).
- **Valuation & Impairment:** Most UK firms use the **Cost Model**. The asset is recorded at purchase price; if the market value drops below cost, an "impairment loss" must be recognized. Upward revaluations are generally not recognized in profit/loss unless using the Revaluation Model (rare for SMEs).

- **SME Reporting:** Small companies may have reduced disclosure requirements, but must still provide a "fair value" note in the accounts if the asset is material to the balance sheet.
- **VAT:** In the UK, the exchange of Bitcoin for Sterling is exempt from VAT; however, using Bitcoin to pay for services is treated as a "barter transaction" for VAT purposes.

## • 3. CUSTODY & SECURITY

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- **Institutional Custody:** For an SME, "Qualified Custody" (e.g., Coinbase Custody, Komainu, or Fidelity Digital Assets) is recommended over self-custody to satisfy audit requirements and reduce "key man" risk.
- **Multi-Signature (Multi-sig) Setup:** If self-custodying, use a **3-of-5 setup**. Keys should be distributed among: (1) CEO, (2) CFO, (3) Legal Counsel, (4) External Auditor/Independent Director, (5) Secure Offsite Vault.
- **FCA Register:** Only use custodians or exchanges registered with the FCA for Anti-Money Laundering (AML) purposes to ensure regulatory recourse.
- **Hardware Security Modules (HSM):** Ensure the chosen provider uses FIPS 140-2 Level 3 certified hardware to protect private keys.

## • 4. GOVERNANCE FRAMEWORK

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- **Board Resolution:** Formally document the rationale for adoption (e.g., "inflation hedge," "asymmetric upside") and set a **Maximum Allocation Ceiling** (e.g., 5% to 10% of liquid investable cash).
- **Investment Policy Statement (IPS):** Define the "HODL" period (typically 3—5 years) and specify that Bitcoin is a "Non-Operating Asset."
- **Acquisition Strategy:** Use **Dollar-Cost Averaging (DCA)** over a 6-month window to mitigate entry-price risk, rather than a lump-sum purchase.
- **Exit/Rebalancing Triggers:** Define clear "Take Profit" levels (e.g., if BTC becomes >20% of total treasury) and "Emergency Exit" triggers (e.g., if Bitcoin's protocol security is compromised).

## • 5. RISK MANAGEMENT

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- **Volatility Management:** Given Bitcoin's 60-80% historical drawdowns, the treasury must ensure remaining GBP reserves cover at least **18-24 months of operational runway**.
- **Counterparty Risk:** Avoid keeping assets on "trading" exchanges. Transfer assets to cold storage or a dedicated custodian immediately after purchase.
- **Operational Risk:** Implement a "four-eyes" principle for all outgoing transactions; two authorized signatories must approve any movement of funds.
- **Market Timing:** Avoid "FOMO" buying during All-Time Highs (ATH). Use volatility-adjusted position sizing.

## • 6. TREASURY IMPLEMENTATION ROADMAP

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- **Phase 1: Education (Weeks 1-4):** Board and Finance team attend workshops on Bitcoin fundamentals and UK tax implications.
- **Phase 2: Policy (Weeks 5-6):** Draft and approve the Corporate Investment Policy and Governance framework.
- **Phase 3: Service Selection (Weeks 7-8):** Select an FCA-registered exchange (e.g., Kraken, Gemini) and a Custodian. Open corporate accounts.
- **Phase 4: Pilot (Week 9):** Execute a "test trade" of £1,000 to verify the plumbing of the movement from bank → exchange → custody.
- **Phase 5: Execution (Months 3-6):** Commencing DCA purchases according to the IPS schedule.
- **Phase 6: Reporting (Ongoing):** Monthly reconciliation of holdings and quarterly Board reporting on "Mark-to-Market" value.

## • 7. DUE DILIGENCE CHECKLIST

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- [ ] Does the custodian have **SOC 1 Type II / SOC 2 Type II** reports?
- [ ] Is the exchange/custodian on the **FCA's AML Register**?
- [ ] Have we consulted our **Professional Indemnity (PI) Insurance** provider regarding crypto coverage?
- [ ] Is there a clear "Physical Access" protocol for backup seeds/keys?

- [ ] Has the Tax Advisor confirmed the treatment of "Hard Forks" or "Airdrops"?
- [ ] Is the bank "crypto-friendly" (e.g., Revolut Business, Monzo, or BCB Group) to avoid frozen accounts?

## • 8. KEY RESOURCES & CONTACTS

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- **FCA Cryptoasset Register:** Official list of firms compliant with UK AML/CTF regulations.
- **HMRC Cryptoassets Manual (CRYPTO):** The definitive guide for UK tax treatment.
- **CryptoUK:** The UK's self-regulatory trade association for the crypto-asset industry.
- **ICAEW Tech Faculty:** Provides specific accounting guidance for digital assets under UK GAAP.
- **The Bitcoin Standard (Adoption Guide):** Useful for board-level education on the "Store of Value" thesis.



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