



# Bitcoin Treasury Framework

BTC Treasury Adoption Guidance

## Company Configuration

### COMPANY TYPE

Private Company

### COMPANY SIZE

Micro (1-10 employees)

### INDUSTRY

Technology

### JURISDICTION

United States

### 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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Google Gemini 3 Flash Preview

**Sources Consulted:**

Google Gemini 3 Flash Preview

**Live Data:**

No

This framework is designed for a micro-cap U.S. technology firm (1-10 employees) considering a Bitcoin (BTC) treasury strategy in 2025.

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## • 1. REGULATORY LANDSCAPE

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- **Legal Status:** Bitcoin is classified as a **commodity** by the CFTC and as **property** by the IRS. It is not legal tender in the U.S., but it is a legal asset for corporate balance sheets.
- **Tax Treatment:** Transactions are subject to **Capital Gains Tax**. Under IRS Notice 2014-21, using BTC to pay for services or selling it for USD triggers a taxable event based on the cost basis.
- **Regulatory Bodies:**
  - \* **SEC:** Monitors for "security" status (BTC is currently exempted as a non-security).
  - \* **FinCEN:** Requires Anti-Money Laundering (AML) and Know Your Customer (KYC) compliance for exchanges used by the company.
- **2025 Updates:** Expect movement on the **FIT21 Act**, which aims to clarify the boundary between SEC and CFTC jurisdiction. The "Lummis-Gillibrand" framework remains the benchmark for pending comprehensive federal legislation.

## • 2. ACCOUNTING CONSIDERATIONS

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- **FASB ASU 2023-08:** Effective for fiscal years beginning after Dec 15, 2024. Companies must now use **Fair Value Accounting**. This allows companies to report BTC at current market price, with changes in value recognized in net income each reporting period.
- **Balance Sheet Classification:** Generally classified as an **Intangible Asset** (Indefinite-lived), though presented at fair value under the new rules.
- **Valuation Methods:** Use "Level 1" inputs (quoted prices from active markets). Prices should be pulled from a consistent, high-volume exchange (e.g., Coinbase, Kraken) at the same time each period.
- **Tax Deductions:** Capital losses can offset capital gains. However, for C-Corps, net capital losses cannot be used to offset ordinary operating income but can be carried

back 3 years or forward 5 years.

## • 3. CUSTODY & SECURITY

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- **Collaborative Custody:** For a 1-10 person firm, **Multi-signature (Multi-sig)** is the gold standard. Use a 2-of-3 setup where the company holds two keys (in separate physical locations) and a third-party partner (e.g., Unchained, Casa) holds one to assist in recovery.
- **Institutional Custody:** If the firm prefers hands-off management, use a "qualified custodian" (e.g., Fidelity Digital Assets, Coinbase Custody). This simplifies SOC 1 & 2 reporting for audits.
- **Key Management:** Never store "seed phrases" on any internet-connected device. Use hardware security modules (HSMs) like Ledger or Trezor, stored in fireproof/waterproof safes.
- **Insurance:** Verify if your custodian has **Specie Insurance**. If self-custodying, standard D&O or Crime insurance policies rarely cover digital asset theft without specific riders.

## • 4. GOVERNANCE FRAMEWORK

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- **Board Resolution:** Formally document the authorization of BTC as a treasury reserve asset. Specify the maximum percentage of cash reserves to be converted (e.g., "Up to 10% of idle cash").
- **Investment Policy Statement (IPS):** Define the "HODL" period. A tech micro-firm should view BTC as a **3-to-5-year horizon** asset to mitigate short-term volatility risk.
- **Execution Strategy:** Use **Dollar-Cost Averaging (DCA)**. For example, deploy 1/12th of the allocated capital on the 1st of every month to smooth the entry price.
- **Exit Strategy:** Establish "rebalancing triggers." If BTC grows to represent >25% of total corporate assets, the policy may mandate selling back to the original target (e.g., 10%) to lock in gains and fund operations.

## • 5. RISK MANAGEMENT

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- **Volatility Management:** Only allocate "Excess Cash"—funds not needed for payroll or R&D for at least 18—24 months. Never use debt (leverage) to acquire BTC.
- **Counterparty Risk:** Minimize "exchange risk" by moving assets off-exchange to your custody solution within 24 hours of purchase.
- **Operational Risk:** Implement a "**Bus Factor**" plan. If the CEO (key holder) is incapacitated, the company must have a documented, secure process for the Board or legal counsel to recover access.
- **Market Timing:** Avoid "FOMO" buying during All-Time Highs (ATH). Stick to the DCA schedule regardless of market sentiment.

## • 6. TREASURY IMPLEMENTATION ROADMAP

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- **Education (Week 1-2):** Management completes a deep dive on FASB rules and multi-sig security.
- **Corporate Resolution (Week 3):** Board meets to approve the BTC Treasury Policy and IPS.
- **Account Setup (Week 4):** Open a **Corporate Account** at a regulated U.S. exchange (requires EIN, Articles of Inc, and Beneficial Ownership info).
- **Custody Architecture (Week 5):** Set up the 2-of-3 multi-sig vaults or onboard with a qualified custodian.
- **Pilot Purchase (Week 6):** Execute a small "test buy" (\$1,000—\$5,000) and move it to storage to verify the workflow.
- **Full Deployment (Month 2-12):** Begin the DCA program based on the IPS percentages.
- **Ongoing Monitoring:** Quarterly reporting of fair value to stakeholders and annual tax reconciliation.

## • 7. DUE DILIGENCE CHECKLIST

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- [ ] Does our bank allow transfers to/from crypto exchanges? (e.g., Silvergate/Signature replacements like Mercury or Axos).
- [ ] Is our CPA firm equipped to handle FASB 2023-08 fair value reporting?

- [ ] Are our "private keys" distributed such that no single person can abscond with the funds?
- [ ] Have we defined "Excess Cash" (Total Cash minus 18 months of burn)?
- [ ] Do we have a SEC-compliant "Qualified Custodian" if we choose not to self-custody?

## • 8. KEY RESOURCES & CONTACTS

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- **FASB (Financial Accounting Standards Board):** Refer to ASU 2023-08 for accounting guidance.
- **IRS Digital Assets Page:** For latest 1040/1120 reporting requirements.
- **Chamber of Digital Commerce:** Leading U.S. trade association for policy updates.
- **Bitcoin Policy Institute:** Research and whitepapers on corporate BTC adoption.
- **The Bitcoin Treasury Standard (Saylor Academy):** Open-source educational framework for corporate treasurers.



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BTC Treasury Strategy Guide

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