



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

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Treasury Allocation Risk Profile

Allocation: 5% of treasury reserves

Risk Level: Low

Assessment: Conservative approach, suitable for initial adoption

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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.

• 1. REGULATORY LANDSCAPE

- **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

- **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

- **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

- **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

- **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

- **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

- [] 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

- **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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