



Bitcoin Treasury Framework

BTC Treasury Adoption Guidance

Company Configuration

COMPANY TYPE

Public Company

COMPANY SIZE

Enterprise (1000+ employees)

INDUSTRY

Technology

JURISDICTION

United States

PLANNED ALLOCATION

10% of Treasury

RISK ASSESSMENT

Moderate Risk

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Treasury Allocation Risk Profile

Allocation: 10% of treasury reserves

Risk Level: Moderate

Assessment: Balanced approach, requires strong governance

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Google Gemini 3 Flash Preview

Live Data:

No

This framework is designed for a U.S.-based public technology company (1,000+ employees) considering Bitcoin as a treasury reserve asset in 2025.

• 1. REGULATORY LANDSCAPE

- **Legal Status:** Bitcoin is legally classified as a **commodity** by the CFTC and as **property** by the IRS. It is not considered a "security" under the SEC's Howey Test, providing greater regulatory clarity compared to other digital assets.
- **Tax Treatment:** Transactions are subject to capital gains tax. Under **IRS Notice 2014-21**, every exchange or sale is a taxable event. However, specific "wash sale" rules currently applicable to stocks do not yet apply to crypto, though legislative changes are pending.
- **Regulatory Oversight:** Compliance is governed by **FinCEN** (AML/KYC under the Bank Secrecy Act) and the **SEC** (specifically regarding financial disclosures in 10-K and 10-Q filings).
- **Pending Legislation:** The **FIT21 Act** and the **Lummis-Gillibrand Responsible Financial Innovation Act** are the primary legislative efforts aimed at defining stablecoin and spot-market oversight.
- **Reporting Requirements:** Public companies must disclose material Bitcoin holdings and related risks in SEC filings, adhering to **SAB 121** (unless exempted by recent 2024/2025 policy shifts).

• 2. ACCOUNTING CONSIDERATIONS

- **FASB ASU 2023-08 (Fair Value Accounting):** Effective for fiscal years beginning after Dec 15, 2024. Companies must now measure Bitcoin at **fair value** each reporting period. Gains and losses are recognized in net income, eliminating the previous "impairment-only" model.
- **Balance Sheet Classification:** Usually classified as an **Intangible Asset** or a **Current Asset** depending on the intended holding period. For most treasuries, it is a non-current asset.

- **Valuation Methods:** Valuation must be based on the principal market (highest volume) at the measurement date, typically using a 00:00 UTC cutoff for daily pricing.
- **Tax Impact:** Deferred tax assets/liabilities must be recognized for the difference between the fair value (book) and tax basis of the Bitcoin.

• 3. CUSTODY & SECURITY

- **Institutional Qualified Custodians:** Public companies should utilize "Qualified Custodians" (e.g., Coinbase Custody, Fidelity Digital Assets, or Anchorage Digital) to satisfy SEC custody requirements and ensure SOC 1 Type II / SOC 2 Type II compliance.
- **Multi-Signature (Multi-Sig) Setup:** Implement a **3-of-5** or **2-of-3** multi-signature architecture. This ensures no single point of failure (e.g., one executive cannot move funds alone) and provides redundancy against lost keys.
- **Insurance & Risk Mitigation:** Ensure the custodian carries **Specie Insurance** and "Crime" policies. Verify if insurance covers "cold storage" (offline) versus "hot storage" (online) risks.
- **Key Management:** Distribute physical key shards (or hardware security modules) across geographically diverse, secure locations (e.g., bank vaults) with strictly audited access logs.

• 4. GOVERNANCE FRAMEWORK

- **Board Approval:** Establish a formal **Digital Asset Subcommittee** within the Audit Committee. Board approval is required for the initial "Genesis" purchase and any allocation exceeding 5% of total cash reserves.
- **Investment Policy Statement (IPS):** Define specific allocation targets (e.g., **1% to 5% of total treasury**), acceptable volatility ranges, and a list of approved counterparties/exchanges.
- **Accumulation Strategy:** Utilize **Dollar-Cost Averaging (DCA)** over a 6–12 month period to mitigate market timing risk, rather than a single lump-sum purchase.
- **Rebalancing & Exits:** Define "Take Profit" thresholds (e.g., if BTC grows to >15% of the total balance sheet) and "Stop-Loss" triggers for emergency liquidation if the regulatory environment fundamentally shifts.

• 5. RISK MANAGEMENT

- **Volatility Management:** Use "Value at Risk" (VaR) modeling to understand how a 50%+ drawdown in Bitcoin would impact the company's quarterly earnings and debt covenants.
- **Counterparty Risk:** Diversify across at least two different custodians or execution platforms to avoid "exchange risk" (e.g., the collapse of a single provider).
- **Operational Risk:** Conduct quarterly "Fire Drills" where small amounts of BTC are moved to verify that keys, hardware, and authorized personnel are still functioning and compliant.
- **Market Timing:** Avoid buying during periods of "Extreme Greed" (using the Crypto Fear & Greed Index or RSI > 80) to optimize entry points.

• 6. TREASURY IMPLEMENTATION ROADMAP

- **Education (Month 1):** Briefing the Board, CFO, and Legal Counsel on FASB changes and the "Store of Value" thesis.
- **Policy Drafting (Month 2):** Update the Corporate Investment Policy to include "Digital Assets" as an approved asset class.
- **Vendor RFP (Month 3):** Selection of a Qualified Custodian and an Execution/OTC desk (e.g., FalconX, NYDIG, or a bank desk).
- **Operational Setup (Month 4):** Establishing whitelist addresses, testing multi-sig protocols, and integrating accounting software (e.g., Bitwave or Lukka).
- **Pilot Purchase (Month 4):** A "Trace" transaction (e.g., \$100k) to verify the end-to-end flow from bank to custodian.
- **Full Execution (Month 5-9):** Systematic DCA implementation of the target allocation.
- **Disclosure (Month 10):** First inclusion in 10-Q/10-K filings with relevant risk disclosures.

• 7. DUE DILIGENCE CHECKLIST

- ☐ Does the custodian have SOC 1 Type II and SOC 2 Type II reports?
- ☐ Are the assets held in "bankruptcy-remote" accounts (Segregated vs. Commingled)?

- ☐ Have the company's debt covenants been reviewed for restrictions on "alternative investments"?
- ☐ Is the tax department prepared to track the "cost basis" of every Satoshi?
- ☐ Is there a "Key Person" contingency plan in case an authorized signer leaves the company or is incapacitated?
- ☐ Has the External Auditor (e.g., Big 4) signed off on the proposed valuation and custody workflow?

• 8. KEY RESOURCES & CONTACTS

- **FASB (Financial Accounting Standards Board):** Refer to ASU 2023-08 for the latest crypto accounting standards.
- **MicroStrategy "Bitcoin for Corporations":** A leading industry resource for legal and governance templates.
- **The Chamber of Digital Commerce:** A leading U.S. trade association for digital asset policy.
- **Coinbase Institutional / Fidelity Digital Assets:** Primary providers of white-papers on institutional custody.
- **SEC EDGAR Database:** Review 10-K filings from MicroStrategy (MSTR), Tesla (TSLA), and Block (SQ) for disclosure templates.



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