



Bitcoin Treasury Framework

BTC Treasury Adoption Guidance

Company Configuration

COMPANY TYPE

Family Office

COMPANY SIZE

Small (11-50 employees)

INDUSTRY

Financial Services

JURISDICTION

United States

PLANNED ALLOCATION

3% 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: 3% 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 U.S.-based Family Office (11-50 employees) operating in the financial services sector, navigating the transition to a Bitcoin-inclusive treasury in 2025.

• 1. REGULATORY LANDSCAPE

- **Legal Status:** Bitcoin is classified as a **commodity** by the CFTC and as "property" by the IRS. In 2025, the legal distinction remains clear: Bitcoin is not a security, though the platforms used to trade it are under heavy SEC oversight via the "Regulation Best Interest" (Reg BI) framework.
- **Tax Treatment:** Bitcoin is subject to **Capital Gains tax**. Every exchange of Bitcoin for fiat or services is a taxable event. Under the Infrastructure Investment and Jobs Act (fully active in 2025), transactions >\$10,000 must be reported to the IRS via Form 8300 within 15 days.
- **Regulatory Oversight:** The **SEC** regulates ETPs (Exchange Traded Products) and custody disclosure; the **CFTC** oversees spot markets and derivatives. Family Offices must comply with **FinCEN's** AML/KYC requirements if acting as a money transmitter for affiliated entities.
- **Pending Legislation:** The **FIT21 Act** and the **Lummis-Gillibrand Responsible Financial Innovation Act** are the primary benchmarks. By 2025, expect clearer "Qualified Custodian" definitions, providing more legal protection for institutional-grade self-custody.

• 2. ACCOUNTING CONSIDERATIONS

- **Fair Value Accounting (FASB ASU 2023-08):** As of fiscal years beginning after Dec 15, 2024, Bitcoin must be measured at **fair value** at each reporting period. Gains and losses are recognized in net income. This eliminates the "impairment-only" model that previously penalized treasury holders.
- **Balance Sheet Classification:** Bitcoin should be classified as a **Current Asset** (if liquid) or a **Long-term Investment**, distinct from "Cash and Cash Equivalents," under a specific line item: "Digital Assets held at Fair Value."

- **Cost Basis Tracking:** Use the **FIFO (First-In, First-Out)** or **Specific Identification** method. Given the high volume of a treasury, automated sub-ledger software (e.g., TaxBit, Bitwave) is required for real-time basis tracking.
- **Audit Trail:** Maintain a "Proof of Reserves" or a SOC 1 Type II report from your custodian. Internal controls must document the "Level 1" input (market price) used for valuation to satisfy GAAP disclosure requirements.

• 3. CUSTODY & SECURITY

- **Institutional Qualified Custodians (QC):** For a 11-50 person office, a **regulated QC** (e.g., Fidelity Digital Assets, Coinbase Custody, or Anchorage) is recommended to mitigate fiduciary liability and meet SEC custody rules.
- **Multi-Signature (Multi-sig) Setup:** Implement a **2-of-3 or 3-of-5 multi-sig** architecture. For example: one key held by the CFO, one by a third-party security firm (e.g., Casa, Unchained), and one in a secure physical vault (Coldcard/Ledger).
- **Insurance:** Ensure the custodian carries **Specie Insurance** for cold storage. For self-custody components, verify if your D&O (Directors & Officers) or Cyber insurance policy explicitly covers digital asset theft (most standard policies do not).
- **Key Management:** Conduct quarterly "Key Generation Ceremonies" and "Recovery Drills." Ensure no single employee has unilateral move-authority over more than **10% of the treasury** without a second-factor authorization.

• 4. GOVERNANCE FRAMEWORK

- **Investment Policy Statement (IPS):** Amend the IPS to include Bitcoin as a **"Treasury Reserve Asset."** Define a target allocation (typically 1% to 5% for conservative Family Offices) and a maximum "Volatility Cap."
- **Board Approval:** Require a formal Board Resolution for the initial purchase. The resolution should specify the **Maximum Drawdown Threshold** (e.g., "Liquidate 50% if price drops 40% in 30 days") to prevent emotional decision-making.
- **Accumulation Strategy:** Utilize **Daily or Weekly Dollar-Cost Averaging (DCA)** for the first 6 months to mitigate market timing risk. Avoid lump-sum entries for allocations >\$1M to reduce slippage and volatility impact.

- **Rebalancing:** Set a **rebalancing trigger** of +/- 20% from the target allocation. If a 5% allocation grows to 6% due to price appreciation, the excess should be harvested into cash/USD equivalents.

• 5. RISK MANAGEMENT

- **Volatility Management:** Use **Limit Orders** rather than Market Orders for all trades. For larger positions, utilize an **OTC (Over-The-Counter) Desk** to avoid "front-running" by bots and to ensure price privacy.
- **Counterparty Risk:** Never leave more than **24 hours of trading liquidity** on a centralized exchange. All "cold" assets must be in a segregated account with a Qualified Custodian or in a multi-sig vault.
- **Operational Risk:** Establish a "Succession Plan." If the CFO/Key-holder is incapacitated, the Family Office must have a legal and technical pathway (via the multi-sig) to recover the funds.
- **Market Timing:** Treat Bitcoin as a **4-year+ horizon asset**. Monitor the "Halving Cycles" but do not trade based on short-term technical analysis; focus on macro-liquidity indicators.

• 6. TREASURY IMPLEMENTATION ROADMAP

- **Month 1: Education:** Conduct 3-4 sessions with the Principal and CFO on Bitcoin's role as "Digital Gold."
- **Month 2: Legal & Tax Review:** Consult with US tax counsel to update the Family Office's Operating Agreement.
- **Month 3: Policy Development:** Draft the Bitcoin Investment Policy and obtain Board/Principal sign-off.
- **Month 4: Vendor Selection:** Evaluate 3 Qualified Custodians; perform Due Diligence on their SOC reports and insurance.
- **Month 5: Infrastructure Setup:** Open accounts, whitelist withdrawal addresses, and perform a \$1,000 "test trade" and "test withdrawal."
- **Month 6: Execution:** Initiate the DCA program (e.g., \$100k/week) until the target allocation is reached.

- **Ongoing:** Quarterly security audits and monthly Fair Value accounting reconciliations.

• 7. DUE DILIGENCE CHECKLIST

- ☐ Does the custodian have a **SOC 1 Type II** and **SOC 2 Type II** report?
- ☐ Is the custodian a "Qualified Custodian" under the **Investment Advisers Act of 1940**?
- ☐ Are our internal accounting systems compatible with **ASU 2023-08**?
- ☐ Have we verified the physical security of our "Seed Phrases" or Backup Keys?
- ☐ Is the "Exit Strategy" (how to turn BTC back to USD in 24 hours) documented and tested?
- ☐ Do we have a legal opinion on whether our Bitcoin holding impacts our status as an **Exempt Family Office**?

• 8. KEY RESOURCES & CONTACTS

- **Regulatory:** [SEC.gov - Crypto Assets](https://www.sec.gov/securities-topics/crypto-assets) & [CFTC.gov - Bitcoin](https://www.cftc.gov/Learn/DigitalAssets/index.htm).
- **Accounting:** [FASB.org](https://www.fasb.org) (Search for ASU 2023-08).
- **Industry Policy:** [The Digital Chamber](https://digitalchamber.org) (Washington D.C. based advocacy).
- **Research:** [BitcoinTreasuries.net](https://bitcointreasuries.net) (To benchmark against peer institutions).
- **Tax:** IRS Publication 551 and Notice 2014-21 regarding property transactions.



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