



KPMG TaxWatch

Quarterly Fintech TaxWatch: Transfer pricing considerations for
Cryptocurrency

tax.kpmg.us

March 23, 2023



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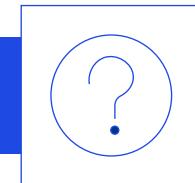
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Submit all content questions through the Questions & Answers panel.

Speakers



Scott Harper

Principal, Business Tax Svcs and National Fintech Tax Practice Leader, Chicago



Seema Jain

Senior Manager, Economic and Valuation Svcs (EVS), San Francisco



Brie Siciliano

Managing Director, EVS, Chicago



Kieran Taylor

Managing Director, EVS, New York



Tony Tuths

Principal, Alternative Investment Tax, Short Hills



Hugh Walsh

Director, Advisory FS Regulatory and Compliance Risk



Agenda



Introduction



Typical Intercompany Relationships for Digital Currencies



The intersection between tax, transfer pricing and regulatory considerations



Evolving intercompany transactions



Practical steps for managing TP risks



Q&A

Introduction

01

What is
“cryptocurrency”?

02

What is transfer
pricing?



Typical intercompany relationships for cryptocurrencies

Transactions to consider		
<i>IP transfers (non-routine)</i>	<i>R&D/Software engineering services</i> <i>(routine vs. non-routine)</i>	<i>Back-office services (routine)</i>
<ul style="list-style-type: none">• Requires valuation• Perform DEMPE analysis• Questions to consider:<ul style="list-style-type: none">- Who is the IP owner?<ul style="list-style-type: none">• Centralized model will likely require a royalty/licensing fee (CUT)• Are non-routine functions occurring in multiple jurisdictions (RPSM)- Who is bearing the risk??	<ul style="list-style-type: none">• Routine functions do not generate economic profit/create value• If routine, fully loaded costs plus a benchmarked return (CPM/TNMM)	<ul style="list-style-type: none">• Must show benefit was received• Low-value routine: tax, HR, legal, compliance• High-value routine: strategic management, IT

The intersection

01

Between transfer
pricing and tax

02

Between transfer
pricing and regulatory

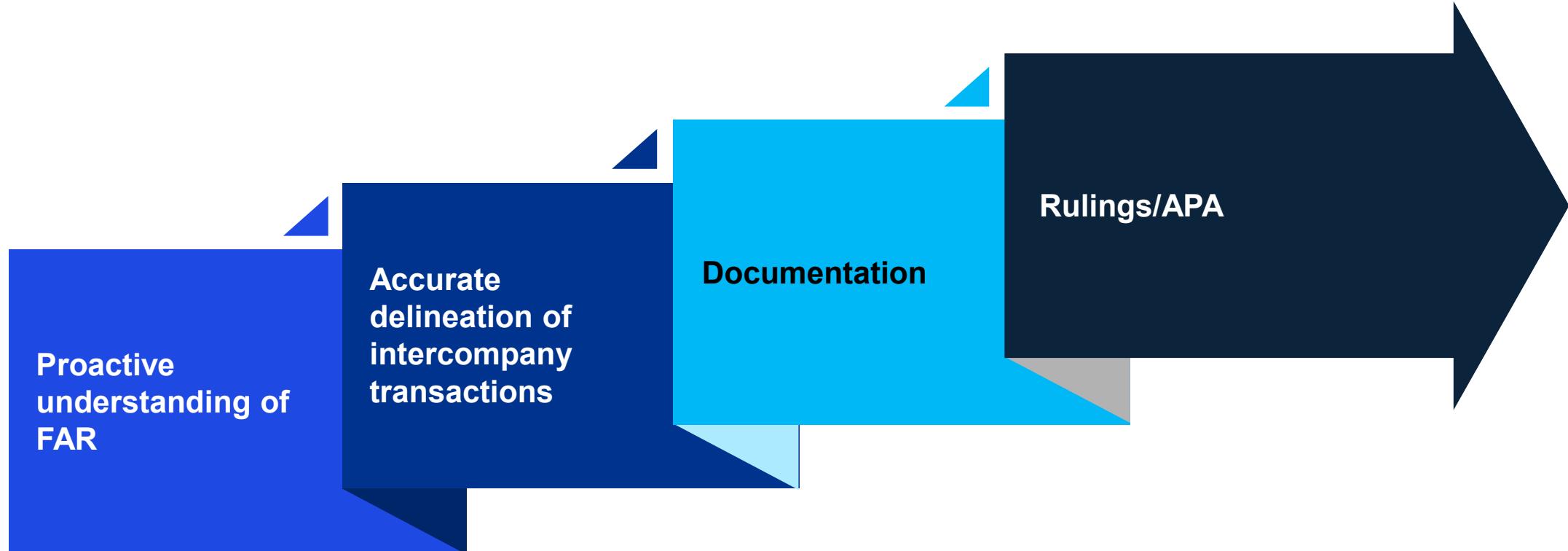


Evolving intercompany transactions

- Mining Services
- Platform support services
- Liquidity and collateral management services
- Custody services
- Off-ramp and on-ramp support

- What is the geographic footprint of the business (location of people and assets)?
- Where are the decision making functions located?
- Have all value adding activities been identified and appropriately remunerated?
- Is there significant value being driven by technology than just being open source?
- Does Treasury function also manage FX risks?

Practical steps for managing TP risks



Q&A

If you submitted a question, someone from KPMG may contact you via phone or email. Or you may contact one of today's presenters directly:

Scott Harper

312 665 4511

sharper@kpmg.com

Seema Jain

415 963 7168

seemajain@kpmg.com

Brie Siciliano

312 665 1000

gsiciliano@kpmg.com

Kieran Taylor

212 954 3198

kierantaylor@kpmg.com

Tony Tuths

973 315 2640

atuths@kpmg.com

Hugh Walsh

212 872 5810

hughwalsh@kpmg.com

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