



# KPMG TaxWatch

Quarterly Fintech TaxWatch: Transfer pricing considerations for  
Cryptocurrency

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March 23, 2023



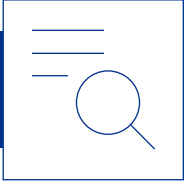
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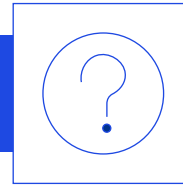
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## Content questions

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# Speakers



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# 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

### *IP transfers (non-routine)*

- Requires valuation
- Perform DEMPE analysis
- Questions to consider:
  - Who is the IP owner?
    - Centralized model will likely require a royalty/licensing fee (CUT)
    - Are non-routine functions occurring in multiple jurisdictions (RPSM)
  - Who is bearing the risk??

### *R&D/Software engineering services*

#### *(routine vs. non-routine)*

- Routine functions do not generate economic profit/create value
- If routine, fully loaded costs plus a benchmarked return (CPM/TNMM)

### *Back-office services (routine)*

- 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



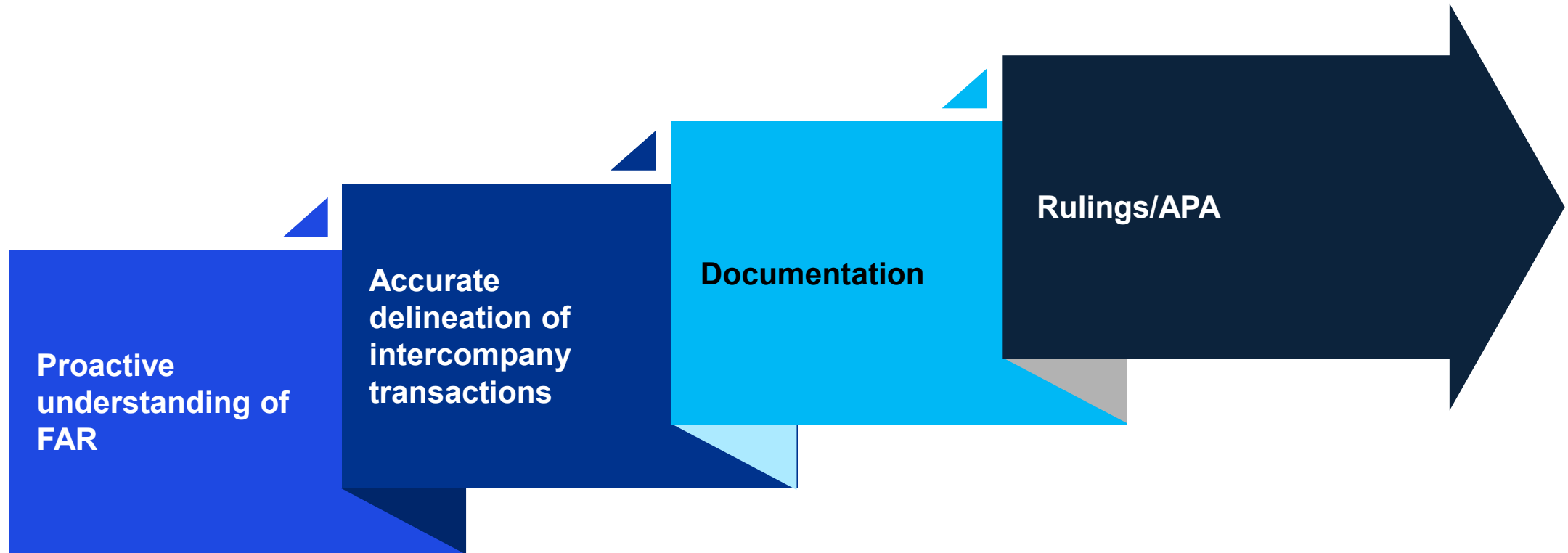


# Evolving intercompany transactions

- 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:

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