

# Tax Pressure Could Spell End to Crypto Anonymity

## WEEKLY RECAP

- Total market cap. reached \$111bn (a 18.3% decrease), and 7 day trading volume slumped 7.4% for top 100 crypto

## WEEK AHEAD

- 12 Dec:** IOTA at London Hard Fork Decentralized
- 15 Dec:** XMR at XMR Privacy Summit in Phoenix

## THOUGHTS OF THE WEEK

We expect tax evasion to put crypto taxation in the spotlight in 2019, and difficulties for tax agencies to obtain information on taxable crypto transactions to drive stricter KYC & AML measures. The U.S. IRS clarified as early as 2014 that “virtual currencies which can be converted into traditional currency are considered property for tax purposes and that a taxpayer can have a gain or loss on the sale or exchange of a virtual currency.” Despite this, the IRS estimates that only 0.2% of Coinbase users between 2013-2015 reported crypto gains or losses for each of those years. It has further been estimated that American’s owe US\$25bn in crypto related tax for 2017.

The relatively anonymous nature of cryptocurrencies makes it difficult for tax authorities to sanction tax evaders. As illustrated by the case “United States v. Coinbase Inc.”, the IRS had to use legal means to extract relevant taxpayer information from Coinbase. The issue grows more severe in cross-border transactions, as it is unclear if and how the IRS can obtain taxpayer information from exchanges outside of U.S. jurisdiction. Japan’s Tax Commission has proposed a simplified tax filing process for digital assets, and it recognizes the potential difficulties to taxpayers in determining crypto tax liabilities. This is partly due to the inconsistencies of historical transaction data offered by different crypto platforms.

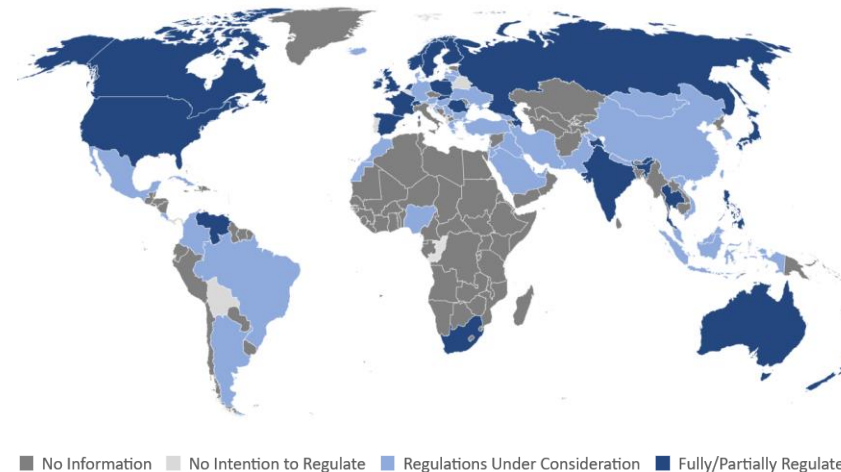
We are of the opinion that cryptocurrencies will have to adapt to existing tax and regulatory frameworks to ever achieve widespread adoption. The issue could potentially be solved via new currencies, that offer selective transparency to relevant authorities (such as tax agencies) by including a public key of the relevant authority in the transaction. International frameworks will also have to evolve, and national leaders recently made calls for crypto tax reforms at the G20 Summit in Argentina. Expect to see stricter KYC & AML measures to unveil privacy, as this can provide tax agencies with much needed taxpayer information. Case in point being the Japanese National Tax Agency’s new powers to request information on bank accounts that are accused of being linked to crypto tax evasion. We stress the importance to holders of cryptocurrencies to be cognizant of the reporting of digital asset gains or losses on their tax returns, and the importance of informing tax advisors of taxable crypto transactions.

## TOP CRYPTO PERFORMANCE SUMMARY

Name	Price	7D%	Vol.	7D%	Mkt Cap.	% Total Mkt
BTC	\$3,493.53	-16.66%	33.23bn	-7.67%	60.84bn	54.78%
XRP	\$0.31	-17.33%	2.93bn	-8.24%	12.57bn	11.32%
ETH	\$92.39	-21.67%	12.43bn	-4.50%	9.58bn	8.63%
XLM	\$0.12	-27.93%	0.80bn	52.95%	2.29bn	2.06%
USDT	\$1.02	1.80%	21.35bn	-8.74%	1.89bn	1.70%
BCH	\$106.38	-39.15%	0.74bn	36.57%	1.86bn	1.68%
BSV	\$96.48	-0.66%	0.70bn	-30.19%	1.69bn	1.52%
EOS	\$1.82	-38.58%	4.99bn	-1.05%	1.65bn	1.49%
ADA	\$0.03	-26.86%	0.15bn	-18.62%	0.79bn	0.71%
XMR	\$46.02	-23.11%	0.09bn	-1.90%	0.77bn	0.69%

## CHART OF THE WEEK

Global State of Crypto Taxation Regulations



## TOP CRYPTO NEWS AT A GLANCE

**The U.S. SEC delays Bitcoin ETF decision to 27 Feb 2019:** SEC rules mean that the decision cannot be delayed any further beyond this date. The VanEck/SolidX proposal claims to differ from the other proposals, in that its value is dependent on BTC itself, rather than on futures markets.

**International banks complete live commercial paper transactions on R3 platform:** Natisis acted as the issuer of the transaction. Rabobank acted as the investor and ING acted as both the dealer and escrow agent. Commerzbank provided tech support and regulatory guidance.

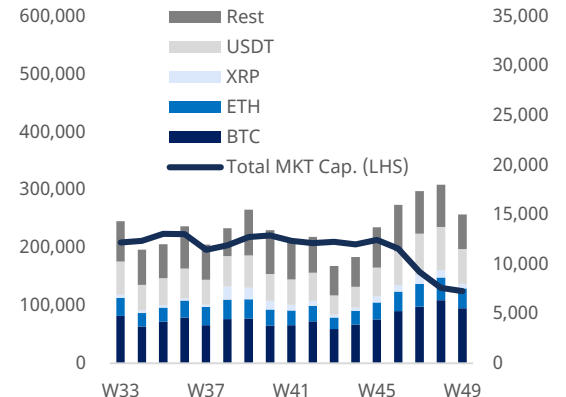
**XRP is available in R3’s Corda Settler:** The app verifies the credited payment to beneficiary’s account. R3 plans to integrate the support for domestic deferred net settlement and real-time gross settlement payments in the app.

**Binance to launch own chain in coming months:** The platform will support the creation of ICO tokens.

## NETWORK FUNDAMENTALS

	BTC	ETH
<b>Hashrate</b>	35,526,608 TH/s (-6.5%)	176,430 GH/s (-7.6%)
<b># Wallet Users</b>	31,289,613 (+0.6%)	49,188,395 (+1.2%)
<b>Top 3 Miners</b>	BTC.com (17%) AntPool (14%) SlushPool (12%)	Ethermine (28%) SparkPool (18%) NanoPool (13%)

## MARKET CAP & TRADING VOL. (US\$ MN)



## DISCLAIMER

**Abbreviations:** ABC: Adjustable Blocksize Cap; ADA: Cardano; AML: Anti money laundering; BCH: Bitcoin ABC; BCH SV: Bitcoin Satoshi Vision; bn: billion; BTC: Bitcoin; Cboe: Cboe Global Markets, Inc.; Commerzbank: Commerzbank AG; crypto: cryptocurrencies; ETF: Exchange-traded Fund; ETH: Ethereum; G20: Group of Twenty; ICO: Initial Coin Offering; ING: The ING Group; KYC: Know your customer; Market Cap: Market Capitalization; mn: million; Nov: November; Trading Vol.: Trading Volume; US\$: United States Dollars; USDT: USD Tether; U.S. IRS: U.S. Internal Revenue Service; U.S. SEC: United States Securities and Exchange Commission; XLM: Stellar Lumens; XMR: Monero; XRP: Ripple

**Chart of The Week:** Sources: Bloomberg, Coindesk, Coinmarketcap, Standard Kepler Research

**Market Cap & Trading Vol.:** Sources: Coinmarketcap, Standard Kepler Research  
The horizontal axis represents the week number in 2018. For instance, W33 indicates the thirty third week in 2018. The primary vertical axis represents total market capitalization; and the secondary vertical axis represents total trading volume.

**Network Fundamentals:** Sources: Blockchain.com, Blocktrail, Etherchain.org, Etherscan.io, Standard Kepler Research

**Thought of The Week:** Sources: Bloomberg, Coindesk, Coinmarketcap, Cointelegraph, Cryptoassets Taskforce, European Parliament, G20 Argentina 2018, Japan Tax Commission, Reuters, Standard Kepler Research, The National Tax Agency, U.S. Internal Revenue Service

**Top Crypto News At a Glance:** Sources: Blockcast.it, CCN, Coindesk, Cointelegraph, Standard Kepler Research

**Top Crypto Performance Summary:** Sources: Coinmarketcap, Standard Kepler Research

**Week Ahead:** Sources: Cryptocalendar.pro, Standard Kepler Research

**Weekly Recap:** Sources: Coinmarketcap, Standard Kepler Research

Past performance does not guarantee future results.

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The price of Bitcoin and other cryptocurrencies are highly volatile in nature. It is suggested that clients should perform their own due diligence and consult a fully qualified independent professional financial adviser before making any investments in cryptocurrencies.

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Unless otherwise stated, all data is as of December 9, 2018 or as of most recently available.

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