



CRA Insights: Blockchain & Crypto

CRA Charles River
Associates

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Blockchain technologies are disrupting established industries as well as creating new ones. CRA's experts bring the rigor of their expertise and credentials to applications in the blockchain ecosystem, whether in support of litigation, business processes, or investigations.

In this CRA Insights, we will analyze how recent developments impact the blockchain and cryptocurrency industry and provide summaries of publications written by CRA experts.

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In the news

Charles River Associates strengthens its Antitrust & Competition Practice

CRA recently welcomed Senior Consultant **Joshua Gans** to the Antitrust & Competition Practice. Professor Gans has wide expertise covering innovation competition, intellectual property, licensing, utility regulation, vertical mergers, digital economics, and the economics of artificial intelligence and cryptocurrency. Professor Gans is a prolific author with an extensive publication record on the most topical technology and competition issues currently being debated in policy circles. He heads up the Creative Destruction Lab blockchain/crypto startup program at the University of Toronto and has advised hundreds of firms. In recent years he has testified in several cryptocurrency matters on topics such as market design, cryptocurrency valuation, and trading strategies. Read the press release [here](#).

Cryptocurrency certified at CRA

Recently, the **crypto-investigation firm Chainalysis secured \$170 million in funding** and is now valued at \$8.6 billion. The funding round highlights the skyrocketing demand for financial crimes prevention in the cryptocurrency space. As reported by **Brad Dragoon** and **Jason Vigeant**, to further meet this demand, members of CRA's Risk, Investigations & Analytics and Forensic Services Practices have completed the Chainalysis Cryptocurrency Fundamentals Certification ("CFCC") course. CRA has deep expertise in conducting complex, multi-disciplinary investigations and working with Chainalysis has enhanced CRA's ability to assist clients in tracing and recovering funds denominated in various virtual currencies and protect crypto exchanges from abuse by threat actors.

Distributed operations across borders

Since its inception in 2018, **Forbes Blockchain 50** has chronicled the usage of blockchain technology by companies around the world. Over the years, the list showcases the extent of blockchain related cross-border activity and business transformation that companies have to plan for when setting up their global tax and transfer pricing structures. As of the 2022 edition, nearly half of the Blockchain 50 are based outside the United States, and only seven companies have made the list every year.

While the Internal Revenue Service is focused on taxing cryptocurrency transactions, when it comes to analyzing controlled cross-border transactions for companies operating in the blockchain space, we are faced with treasury regulations largely written for traditional, brick and mortar businesses. Establishing arm's length compensation even for common intracompany services transactions can pose a challenge in the absence of industry-specific market benchmarking experience. The complexity is compounded by the frequent need to evaluate early-stage intangible property, as well as cryptocurrency as a means of payment.

CRA's transfer pricing experts combine their experience in all aspects of cross-border intragroup transactions with industry knowledge in the blockchain space. [Anna Soubbotina](#) and her colleagues partner with blockchain technology and cryptocurrency companies to analyze options for structuring cross-border operations and to implement and defend those structures while anticipating the ever-changing regulatory environment. CRA's advisory approach, based on the rigor of litigation experience, allows us to bridge the gap between regulatory ambiguity and business needs.

Forbes recently named blockchain as one of four technologies set to disrupt the Life Sciences industry

Blockchain has the capability to improve the security and transparency of pharmaceutical supply chains, which frequently have diverse stakeholders. With multiple stages of manufacturing and distribution (pharmaceutical ingredient API providers, drug manufacturers, packaging, and distribution) as well as the hospitals, pharmacies, and physicians who prescribe and dispense drugs to patients, blockchain provides intriguing possibilities for end-to-end monitoring, authenticating the supply chain, and preventing counterfeiting. As reported by [Justin Ho](#) and Maia Otermin, the CRA Life Sciences Practice has experience in dealing with matters involving counterfeiting and diversion of pharmaceuticals and other products (e.g., [the evaluation of damages from the diversion of diabetes test strips](#)). Blockchain has the potential to change how these products are monitored by regulators, how manufacturers approach recalls and corrective actions, and how disputes among participants in the supply chain are handled.

Publications

Cryptocurrency as Digital Quicksilver: Capturing the value, preserving the estate, managing the risks

Like cash, digital currencies are corporate assets that are considered among the most prone to theft (by either insiders or third parties), and therefore pose risks around custody and control. Unlike cash, the corresponding tax ramifications can be complex and material, and the digital currencies themselves can be highly volatile in value and relatively illiquid when it comes time to engage in a trade. In this article, [Kristofer Swanson](#), [Patricia Peláez](#), and [Daniel William](#) identify key recommendations for locating, accessing, securing, and monetizing these assets, including tax considerations which will likely impact the monetization strategies.

New ABCs – Art, Blockchain, & Cryptocurrency

[Elaine Wood](#) and [Brad Dragoon](#) discuss the future of purchasing fine art with cryptocurrencies, its risks, and considerations for the future. While blockchain ledgers may provide welcome transparency in the art industry seeking to confirm the authenticity of pieces and to verify the identity of counterparties in high value transactions, it is unlikely that Bitcoin will become the preferred medium of exchange in the near future. This is primarily because virtual currency does not yet function as a stable store of value or as a reference to set prices. Due to the relative stability of fiat currencies such as the Euro or US Dollar, pricing indices can be established and critical metrics like price inflation monitored.

Dealers and auctioneers involved in the transfer of high-value fine art must first understand the risks involved in using any medium of exchange. While virtual currencies provide access to a central ledger, coin wallets can still be tied to shell companies or proxies acting on behalf of unknown ultimate beneficiaries. As with any other currency, sellers should be aware of common red flags such as the use of

offshore entities or intermediaries to stand in for the real parties in interest during the bidding and acquisition process. Due diligence into potential buyers and sellers also should include an analysis of sources of wealth and sources of funds.

Traditional rules do not apply in this experiment

The Energy Practice within CRA has been investigating the potential of blockchain technologies and understanding current use cases. In an article in *Foresight Climate and Energy* [Anthony Boden](#) discussed the challenges of identifying the potential and value over and above currently deployed technologies. There has been a lot of hype in the industry given the energy sector's drive towards digitization and blockchain has the potential to offer solutions to topics as wide as smart cities and decentralized and distributed power to carbon markets. While several cases have been developed to pilot stage, the promise of blockchain has not yet hit mainstream. Scalability, speed, and regulatory buy in are limitations to mass market adoption; however, there is still scope for a resurgence in the topic. In recent conversations with regulators, technology firms, and energy companies, it is increasingly clear that blockchain offers potential solutions to some of the big questions in energy transition and increasing understanding and capabilities are being built.

Crypto assets, financial crime & forensic accounting

In an article for *Expert Witness Journal*, Senior Consultant to CRA [Paul Doxey](#) explains how cryptocurrencies are used to launder illicit funds and how this affects the asset tracing work done by forensic accountants. The paper provides background on cryptocurrencies and the financial crime risks associated with them, in particular the degree of anonymity offered by the technology, which allows illicit online activity to take place undetected. Mr. Doxey explains the specific techniques forensic accountants can use to investigate cryptocurrency transactions, arguing that cryptocurrencies can be an asset, not an obstacle, for the forensic accountant, as every transaction is recorded in the blockchain for all to observe and analyze. Once cryptocurrency technology is understood, the forensic accountant can use a range of traditional and new tools to crack open transaction secrets.

About CRA

Charles River Associates (CRA) is a leading global consulting firm that offers economic, financial, and strategic expertise to major law firms, corporations, accounting firms, and governments around the world. Our experts bring a unique combination of cutting-edge research, state-of-the-art methods, and proven experience to bear on our clients' most complex challenges.

CRA specializes in management consulting and economic litigation. Our senior-led teams include leading academic experts and business leaders with experience across industries. Because of our proven skills in complex cases and exceptional strength in analytics, clients depend on our objective, fact-based advice for their high-profile, high stakes matters.

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