

Cryptocurrency & Digital Assets

Blockchain technology, virtual exchanges, cryptocurrencies, and other digital assets are rapidly changing the way individuals and companies invest, trade, and spend money around the world.

KEY AREAS OF EXPERTISE

- **Asset tracing**
- **Cross-exchange arbitrage**
- **Fraud**
- **Initial coin offerings (ICOs)**
- **Liquidation plans of concentrated holdings of digital assets**
- **Market manipulation**
- **Market structure of the cryptocurrency ecosystem**
- **Rebates and trading incentive structures on crypto-exchanges**
- **Tax considerations**
- **Theft**
- **Trading abuses**

As agencies act to regulate activities in this emerging space, litigation, investigations, and enforcement actions are increasing. The Brattle Group's experience with economics and financial markets – coupled with its deep knowledge of the cryptocurrency ecosystem – allow our experts to provide turnkey consulting and testimony services across the industry.

Our clients include major law firms, crypto-companies, and regulators and supervisory authorities such as the

Securities and Exchange Commission (SEC), Department of Justice (DOJ), and Financial Industry Regulatory Authority (FINRA) – who increasingly investigate cryptocurrency matters. These clients value our deep understanding of the rapidly evolving industry and our ability to provide detailed analyses that communicate complex issues in straightforward and compelling ways.



THE BRATTLE ADVANTAGE



Assessing cryptocurrency ecosystem relationships with traditional markets and regulatory compliance

Brattle's work with the cryptocurrency ecosystem enables us to decipher the interdependencies between financial institutions and funding crypto-exchange accounts and receiving fiat currency remittances. Our experts have assessed regulatory compliance with issues including anti-money laundering (AML), know your customer (KYC), and combating the financing of terrorism (CFT) regulations.



Combining quantitative and qualitative analytics

We apply machine learning and other advanced data science techniques to identify patterns and linkages that would be hidden or difficult to detect with traditional quantitative analyses and qualitative approaches. Integrating structured data, such as financial transaction records, with unstructured data, such as emails and attachments, on a common platform makes it possible to use sophisticated analytics that increase the productivity and power of investigative strategies.



Explaining cryptocurrencies market structure and investigating manipulation allegations

Brattle understands the trading market structures of centralized, peer-to-peer (P2P), and decentralized cryptocurrency exchanges. In the context of alleged market manipulation, we have analyzed central limit order books, market depth, "off chain" trade data, order execution, trading strategies, transaction histories, and other trading behavior patterns.



Analyzing on-chain transaction data

Brattle is experienced in acquiring and analyzing "on-chain" blockchain data through application programming interfaces (APIs) from all major cryptocurrencies, including those on the Omni, Ethereum, Tron, Eos, and Liquid blockchains. We leverage statistical and programming tools to develop insights from large datasets.



REPRESENTATIVE ENGAGEMENTS

Divestiture plan of digital assets

A departed co-founder of a leading digital asset platform was prevented from selling his holdings on third party crypto-exchanges (TPEs) as part of his liquidation plan. Brattle prepared several reports explaining the interconnectedness of such exchanges and demonstrating that this constraint was unduly limiting, given the growing importance of TPEs in the rapidly evolving cryptocurrency ecosystem.

Rebates on digital exchange

Brattle experts supported an economic analysis of liability and damages related to alleged collusive behavior by traders on an exchange with listings of digital assets. The allegations involved market-making algorithms that exploited market maker/taker fee structures (common across crypto-exchanges) and allegedly violated the exchange's terms of service. The Brattle team evaluated counterclaims of improper account seizures and forced portfolio liquidations.

Financial accounting

Brattle was retained in a FINRA enforcement action against a respondent alleged to have issued unregistered securities in the form of virtual currency for which he had acquired the exclusive rights. Brattle supported a generally accepted accounting principles (GAAP) expert opining on an alleged misstatement of assets and improper financial statement reporting shared with prospective investors during the fundraising process.

Asset tracing in an ICO

A government agency hired Brattle to work on a criminal matter related to an ICO. Brattle acquired and analyzed cryptocurrency transaction data, and used the immutable nature of the blockchain technology to trace asset flows through a web of on-chain routing addresses intended to obscure the flow of funds raised from investors in the ICO. Brattle experts identified the destination addresses of the ICO funds raised, tabulated off-chain cryptocurrency exchange conversions to fiat currency, and identified subsequent fiat currency distributions to bank accounts.

Alleged market manipulation

For a civil class action related to an alleged manipulation of cryptocurrencies, Brattle was engaged to research, analyze, and opine on the economics of stablecoins, cryptocurrencies, or digital assets whose values are tied to real assets held in reserve, and the markets in which stablecoins and other cryptocurrencies trade. Brattle opined on the market structure of crypto-exchanges and the use of stablecoins to contribute to price discovery via increased speed of transfers within and across such exchanges. Brattle also provided an econometric causation analysis evaluating the relationship between issuances of stablecoins and price returns of cryptocurrencies.

CONTACT US

For additional information about our work and expertise in this practice, please visit brattle.com/crypto.

ABOUT BRATTLE

The Brattle Group answers complex economic, regulatory, and financial questions for corporations, law firms, and governments around the world. We aim for the highest level of client service and quality in our industry.

We are distinguished by our credibility and the clarity of our insights, which arise from the stature of our experts; affiliations with leading international academics and industry specialists; and thoughtful, timely, and transparent work. Our clients value our commitment to providing clear, independent results that withstand critical review.

Brattle has 500 talented professionals across four continents. For additional information about our experts and services, please visit brattle.com.