

# BITFINEX Alpha



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# EXECUTIVE SUMMARY

Last week's November PPI numbers and tomorrow's (13 December) CPI release will confirm that [inflation remains entrenched](#), and with the last FOMC of the year being held this week, we expect a further 50bp rise in interest rates.

Over 60% of respondents in a *Bloomberg* survey are anticipating a recession next year. It will be a strange one though as there will be no major credit crunch, no slowdown in wages or capital spending and likely a strong labour market - just a determined fight against inflation. Of course, eventually, wages will slow and unemployment should rise, but these will come after the fact, rather than triggering the event.

Our analysis of the yield curve inversion that has been evident most of this year and is now at 41-year low shows that the [bond market believes that not only will rates rise, but that they are expected to stay high](#) for a long time to come. Indeed, it is when unemployment starts to rise, does the market think rate increases will moderate.

In crypto markets, there was [more evidence of pain for Bitcoin miners](#), because although the Bitcoin mining difficulty has dropped, this is not an indication that there are more opportunities opening up for miners to compete for blocks, but instead an indication that less miners are mining. The [Bitcoin hash rate has also been falling](#) (though it is now up slightly), which implies that miners are struggling to keep up their mining operations, in the face of rising energy costs, and lower Bitcoin prices.

Data also shows that [Bitcoin investors are seeing record losses](#), triggered first by the June sell-off following the collapse of Terra Luna and then the FTX implosion.

On the other hand, [buying of Ether is increasing](#). Ether supply grew by 561,000 ETH over just two days, last week and negative funding rates have eased. [Stablecoin allocations have also been increasing for smart money investors on-chain](#), and are now at a level where they were at the July low for ETH. Furthermore selling pressure on ETH is relatively subdued due to a lack of margined positions.

It is as usual an interesting trading environment.

Happy Trading!

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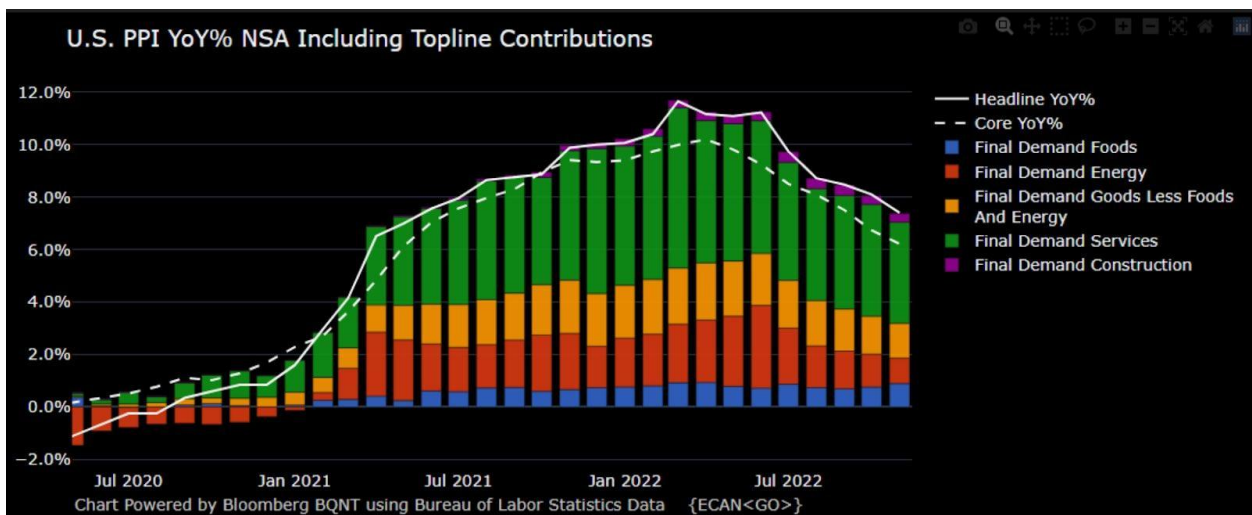
# GENERAL MARKET UPDATE



# PPI Inflation Comes In Hotter Than Expected

As a reminder of just how entrenched inflation is, data out on Friday, December 10th confirmed what the Federal Reserve has been warning about.

Consistent with the previously released ISM data, wholesale price growth accelerated in November. The Bureau of Labor Statistics reported that the producer price index (PPI) for final demand increased by 0.3 percent in November and 7.4 percent year-over-year (YoY). The increase in core inflation was reported as 6.2 percent. Forecasts had been 7.2 percent YoY (headline) and 5.9 percent YoY (core). While goods inflation increased by only 0.1 percent, services inflation rose to 0.4 percent month-over-month (MoM). The increase in service components came most from trade services, a gauge for wholesale and retail margins, which rose by 0.7 percent in November.



**Figure 1.** US PPI YoY breakdown into components. (source: Bloomberg)

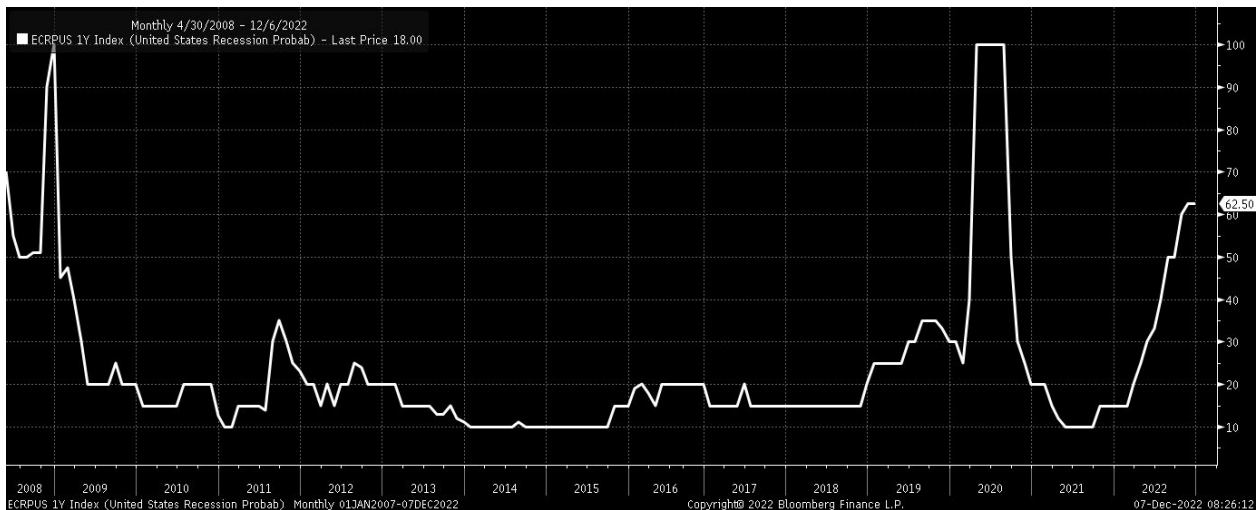
Yet, MoM increased intermediate demand for trade services rose by only 0.5 percent. This suggests that service providers at wholesale and retail outlets could be charging a more significant markup to customers despite deep discounts due to increased demand. The increase may also reflect robust spending for November's holiday season. All components except wholesale food prices have shrunk in November's data. Even though inflation appears to be more rigid than expected, producer price inflation is actually slowing on a YoY basis.

The data, however, did not change expectations that the Fed would slow down the pace of rate hikes at its highly anticipated meeting this week. Given the PPI numbers, this week's November CPI is expected to stay elevated, with a possibility of a surprise on the upside given that the producer price index does not include shelter costs, which has driven most of the increase in the last CPI print.

# The Market Anticipates a Recession

Since the November Consumer Price Index (CPI) will be released before the interest rate-setting Federal Open Market Committee (FOMC) meeting ends on December 13th, policymakers will have ample time to examine November's inflation data. The market has already priced in a 50-bps hike in December.

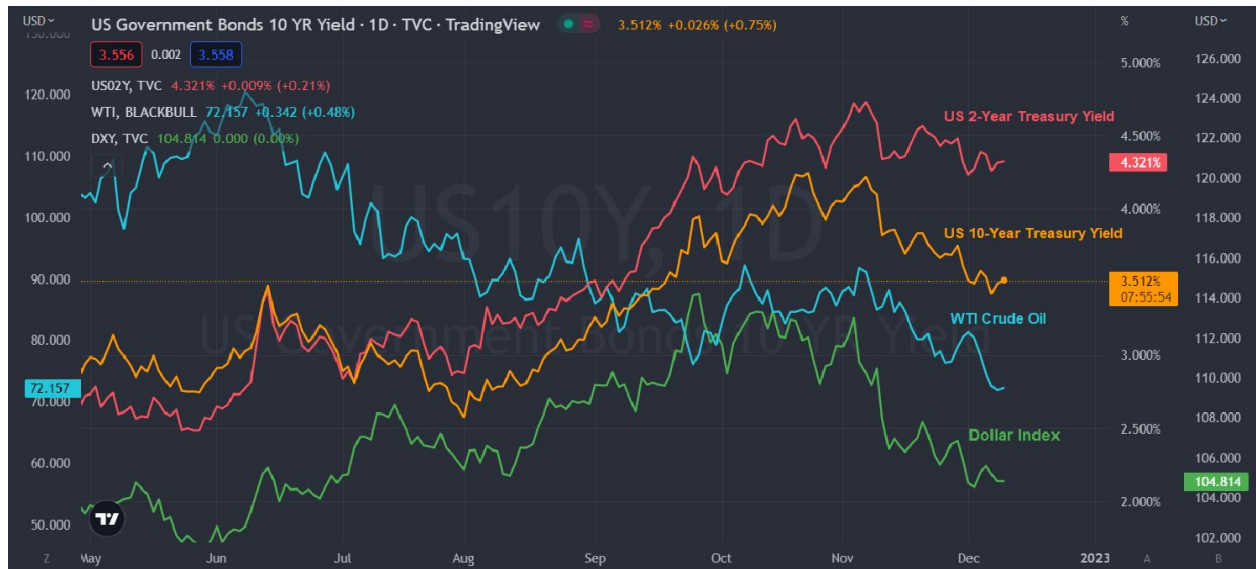
Recession fears for 2023 are also well-established. *Bloomberg's* recession forecast is at 62.5 percent, a number high enough to cause concern in the financial markets.



**Figure 2.** Figure 2. US recession probability (Source: Bloomberg Finance)

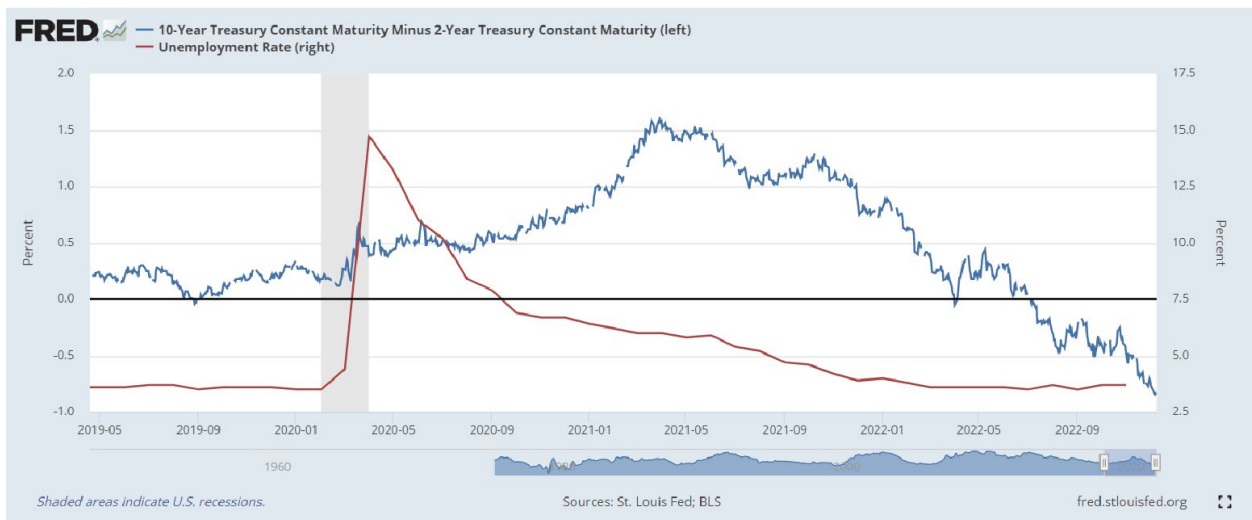
If a recession should happen, it will be different from previous recessions. There is no broad-based credit crunch, wages are growing, capital spending remains resilient, and the labour market remains strong. Still, investors should not underestimate the Fed's aggressive position. As James Bullard, president of St. Louis Federal Reserve and a voting member of the 2022 FOMC, said, "The Fed has to at least hit the bottom of the 5 percent to 7 percent [range for interest rates] to satisfy policymakers' goal of being restrictive enough to stamp out inflation".

# Rates will stay higher for longer




**Figure 3.** US Government Bonds Yield, WTI Crude Oil, Dollar Index (Source: TradingView)

Market anticipation of a recession is evident through the declines seen in the dollar, treasury yields, oil and stocks. The bond market is also indicating that the Fed will keep raising rates well into the future as the 10-year minus 2-year Treasury bond yield continues to deepen, and is now at its lowest level since 1981.



**Figure 4.** 10-year minus 2-year Treasury bond yield





Usually, the steepness of the yield curve indicates when the bond market expects the Fed will cut rates. The longer the market believes before rates will start to be cut, the steeper the curve. The yield curve typically tends to steepen when the unemployment rate is expected to increase, and in most cases, the Fed signals a recession is in place by cutting rates, generally in response to a rising unemployment rate. Although a yield curve inversion may forecast a recession, this is not always the case. The yield curve is currently suggesting that the unemployment rate will increase. New employment data highlights the labour market's strength, contributing to the continued steepening of the yield curve inversion. Bond market investors are saying the Fed will need to keep interest rates high for a very long period if it wants to increase the unemployment rate during the next two years.

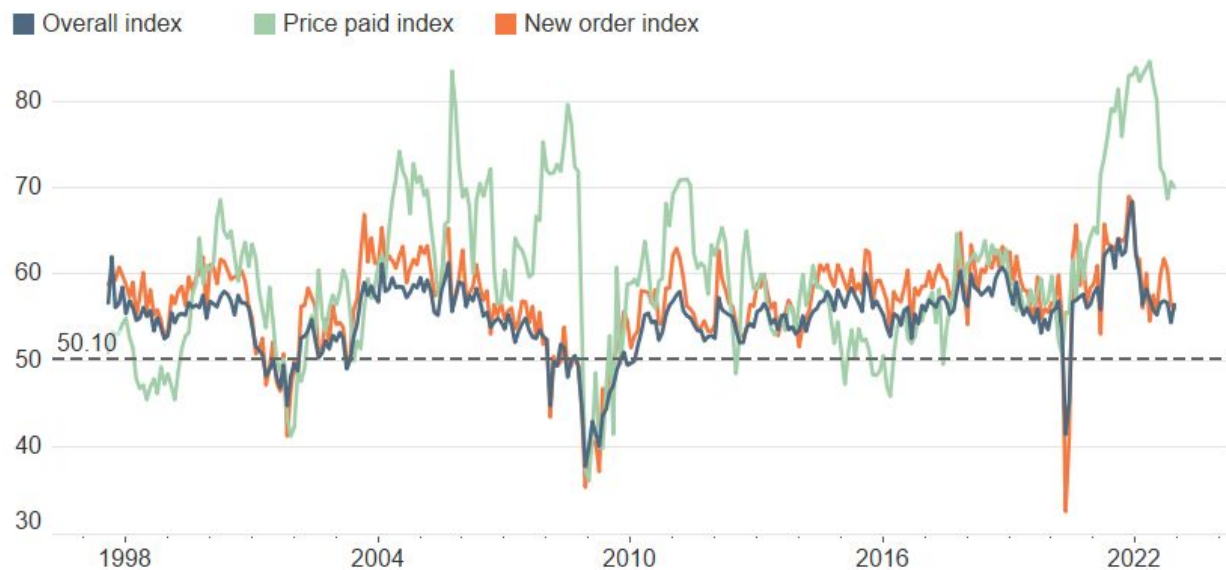
# More Pressure on the Fed

The October CPI (Consumer Price Index) report had seemed to suggest that inflation had eased off. Still, as illustrated in our Bitfinex Alpha Issue #30, the inflation components showed that most of the relief came from the energy and goods sector.

In November, business activities grew, which is reflected in a rise in the Institute for Supply Management (ISM) service index. On Monday, December 5, the ISM released unexpectedly robust purchasing managers' data, adding more pressure on the Federal Reserve as it strives to rein in inflation, particularly in the service sector.

## Service PMI

Values above 50.1 indicate expansion over time



Source: ISM, RSM US

**Figure 5. Service PMI Chart (Source:**

In November, the prices-paid index dropped from 70.7 to 70, which is still high. The prices-paid component reflects the change in prices paid by industry representatives for the products or services they receive. It serves as a gauge for service prices. Before the pandemic, the five-year average was 56.4.

Index	Services PMI®						Manufacturing PMI®		
	November	October	Change	Direction	Change	Trend in Months	July	June	PP Change
<b>Services PMI®</b>	56.5	54.4	2.1	Growing	Faster	30	49	50.2	-1.2
<b>Business Activity/ Production</b>	64.7	55.7	9	Growing	Faster	30	51.5	52.3	-0.8
<b>New Orders</b>	56	56.5	-0.5	Growing	Slower	30	47.2	49.2	-2
<b>Employment</b>	51.5	49.1	2.4	Growing	From Contracting	1	48.4	50	-1.6
<b>Supplier Deliveries</b>	53.8	56.2	-2.4	Slowing	Slower	42	47.2	46.8	0.4
<b>Inventories</b>	47.9	47.2	0.7	Contracting	Slower	6	50.9	52.5	-1.6
<b>Prices</b>	70	70.7	-0.7	Increasing	Slower	66	43	46.6	-3.6
<b>Backlog of Orders</b>	51.8	52.2	-0.4	Growing	Slower	23	40	45.3	-5.3
<b>New Export Orders</b>	38.4	47.7	-9.3	Contracting	Faster	2	48.4	46.5	1.9
<b>Imports</b>	59.5	50.4	9.1	Growing	Faster	3	46.6	50.8	-4.2
<b>Inventory Sentiment</b>	44.2	46.4	-2.2	Too Low	Faster	4	N/A	N/A	N/A
<b>Customers' Inventories</b>	N/A	N/A	N/A	N/A	N/A	N/A	48.7	41.6	7.1

**Figure 6. Service PMI Chart (Source:**

The supply-demand imbalance has eased in recent months as supply-chain problems have been resolved, but there continues to be pressure on prices. Service inflation in particular remains stubbornly high as the service industry continues to recover from the pandemic's devastating effects on demand and supply.

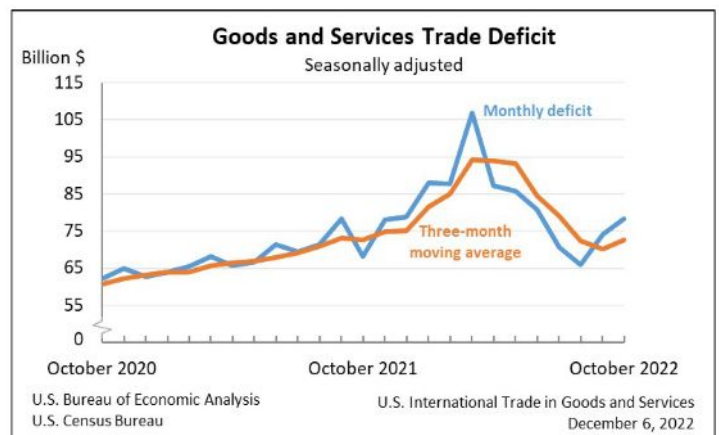
Consistent with last week's employment report, the employment sub-index has returned to the expansionary territory after contracting in October. According to the survey's respondents, and despite recent press reports on company layoffs, the sector is still having trouble hiring.

The ISM report on employment, together with a robust jobs report, should be a concern for the Fed as it tames inflation, which accounts mainly for service inflation. The ISM data may not move the Fed away from being even more aggressive than the anticipated 50 basis points hike in December, but it does suggest more rate hikes for 2023 to bring interest rates high enough to tame inflation.

# Less Appetite for American Goods

In October, the US trade deficit increased by 5.4 percent to a four-month high of \$78.1 billion, showing a modest drop in demand for American goods and services amid a weakening global economy. According to the Bureau of Economic Analysis, on Tuesday, December 6, the deficit widened from \$74.1 billion in September.

 <b>U.S. INTERNATIONAL TRADE IN GOODS AND SERVICES DEFICIT</b>		
<b>Deficit:</b>	<b>\$78.2 Billion</b>	<b>+5.4%°</b>
<b>Exports:</b>	<b>\$256.6 Billion</b>	<b>-0.7%°</b>
<b>Imports:</b>	<b>\$334.8 Billion</b>	<b>+0.6%°</b>
<b>Next release: Thursday, January 5, 2023</b>		
<small>(*) Statistical significance is not applicable or not measurable.            Data adjusted for seasonality but not price changes            Source: U.S. Census Bureau, U.S. Bureau of Economic Analysis; U.S. International Trade in Goods and Services, December 6, 2022.</small>		



**Figure 7.** US Goods and Services trade deficit

The weakening of other countries' economies and a strong dollar that makes American goods and services more expensive have negatively impacted exports. Revenue for the U.S. energy industry has also decreased as oil prices have dropped. When the economy slows down, there is less need for oil; hence, energy exports declined in October.

While imports increased by 0.6 percent to \$334.8 billion in April, this is still well below the record-high imports in March. The increase in imports is driven chiefly by industrial supplies, materials, and other goods. However, the imports of consumer goods declined, which shows that Americans are cutting back on their discretionary expenditures amid economic uncertainty and rising borrowing prices. If the current trend continues, these numbers indicate that trade may drag the US economic growth this quarter.



# WHAT'S ON-CHAIN THIS WEEK?



# Are miners giving up?

Bitcoin mining difficulty dropped by 7.3 percent over the last two weeks. This is the most significant drop since China banned cryptocurrency mining in July 2021. Although this might sound like it is easier now for miners to mine BTC, this is not what is happening in this case.



**Figure 8.** Bitcoin mining difficulty drops. (Source: CryptoQuant)

Indeed, to understand why this is terrible news for miners, it is important to understand the significance and implications of the Bitcoin difficulty indicator.

Bitcoin mining difficulty refers to the degree of difficulty involved in discovering new Bitcoin blocks through mining, and it gets updated every 2,016 blocks or roughly every two weeks. The benchmark that determines difficulty is 10 minutes - the time that it is supposed to take to mine each new block on the Bitcoin blockchain. Mining difficulty decreases if mining a new block takes less than 10 minutes. Mining difficulty increases if mining a new block takes more than 10 minutes.

Another factor that can play a significant role in Bitcoin's difficulty drop is computing power. The more computing power that gets plugged into the network, the higher the difficulty adjusts, and the more computing power that gets pulled out from the network, the lower the difficulty adjusts.

The following scenario is in effect in the current market. The continuous decline in BTC prices, alongside increasing energy costs, means less rewards for miners which also means more computing power getting pulled out of the Bitcoin network.

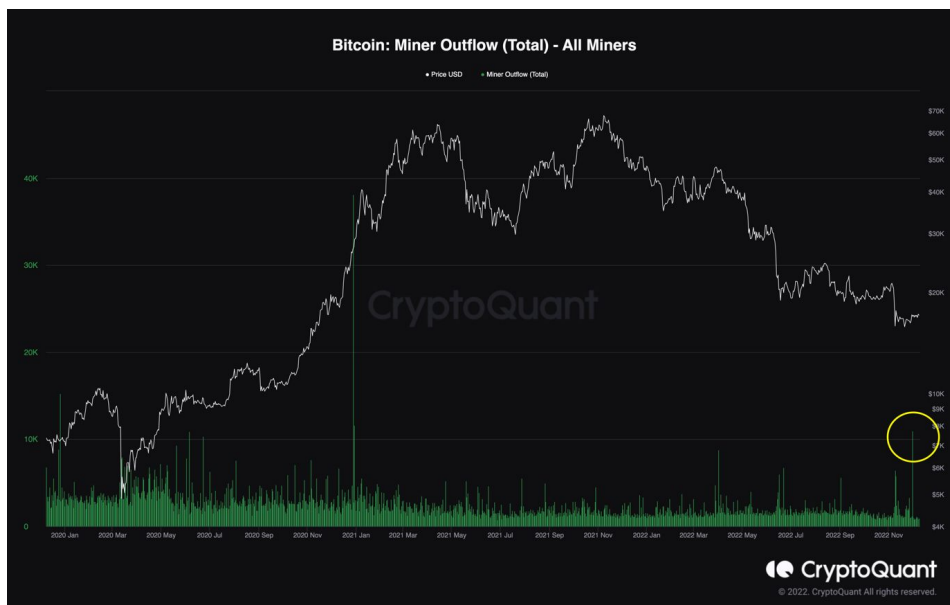
The Bitcoin hash rate, which shows the degree of mining competition in the market, has also shown a significant decrease throughout November before recovering a little in December. This could imply that more Bitcoin miners are struggling to continue with their mining operations.




**Figure 9.** Total Hash Rate for Bitcoin. (source: blockchain.com)

Major mining firms like Core Scientific (CORZ) and Argo Blockchain (ARBK) have already indicated that they are experiencing liquidity problems, and Compute North has filed for chapter 11 bankruptcy.

A recent spike in Bitcoin miner outflow, indicates that a lot of miners' reserve coins are being liquidated - a bearish signal showing that miners' selling pressure is increasing.



**Figure 10.** Miners outflow (Source: CryptoQuant)



Jaran Mellerud, an Analyst at Crypto Services Firm Luxor, told *Coindesk* in a recent report: “depressed profitability levels, even miners using energy-efficient machines like the Antminer S19j Pro need access to electricity priced lower than eight U.S cents per kWh.”

“Even though the average energy price on the network is about five cents per kilowatt hour (kWh), many miners are paying about seven cents to eight cents per kWh” Mellerud added.

“Some over-leveraged miners are finally running out of money and may sell off their mining assets at a discount,” said Andy Long, chief executive at Bitcoin mining firm White Rock, to *Bloomberg*.



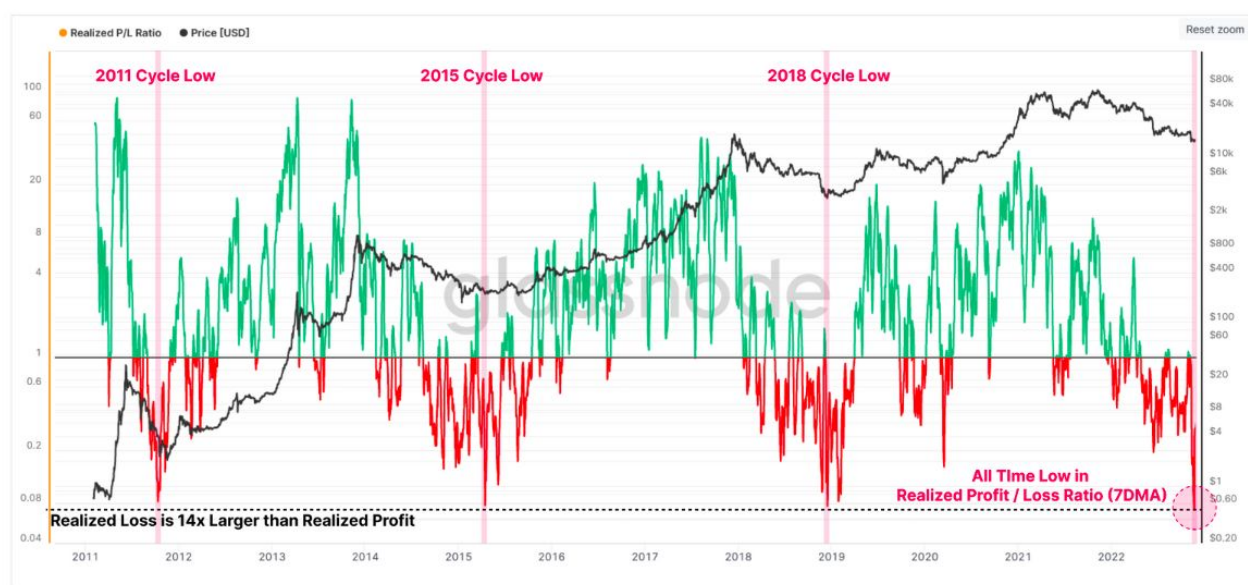
# Losses for Bitcoin investors at an all-time high

Recent data released by on-chain analytics firm Glassnode, indicates that the realised losses of Bitcoin investors is now 14 times larger than their realised profits.

Both the June 2022 sell-off and the FTX implosion has led to investor capitulation events of a historical scale. The FTX collapse triggered an all-time high one-day loss of  $-\$4.435\text{B}$ .

The June Sell-off, by comparison, sustained over  $-\$700\text{M}$  in losses each day for almost two weeks after the event.

Bitcoin: Realized Profit/Loss Ratio (7d Moving Average)



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Glassnode

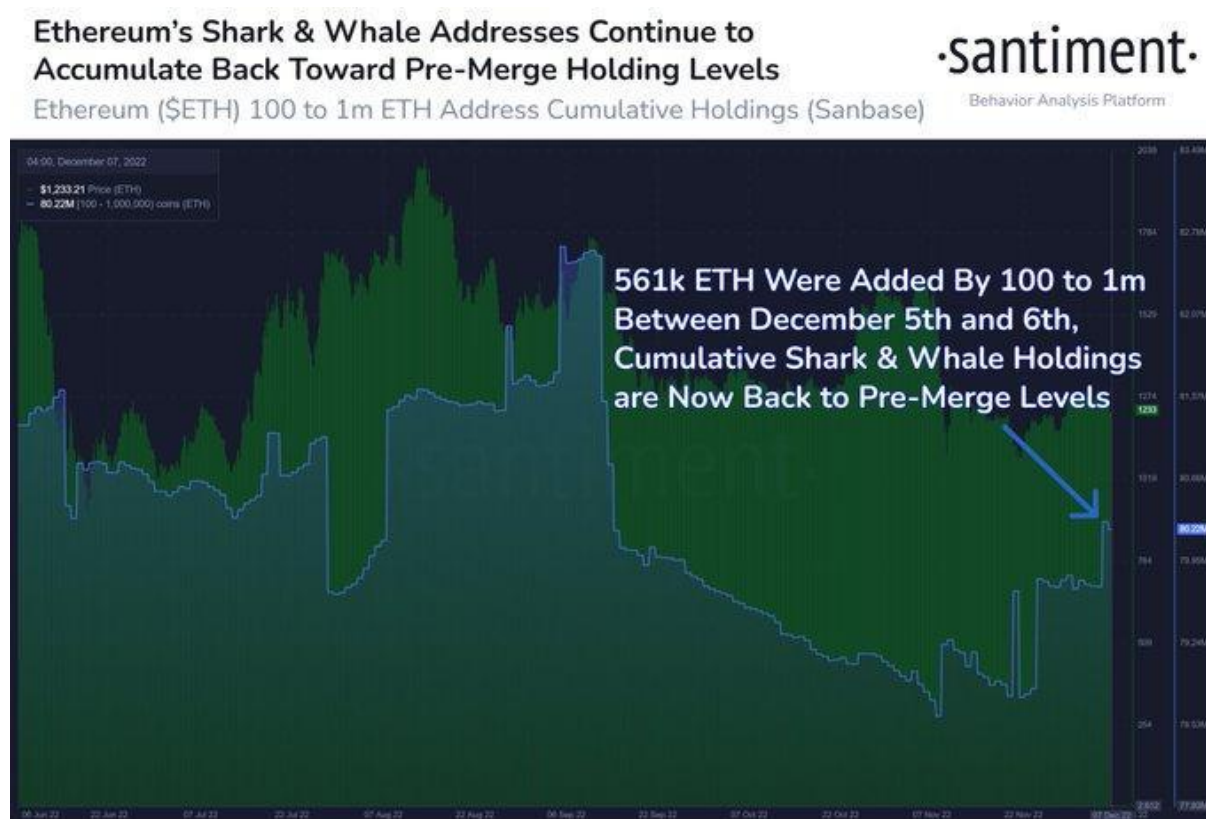
**Figure 11.** Realised Profit vs Loss Ratio for Bitcoin's cycles. (source: Glassnode)

As the chart indicates, the value of the realised profit/ loss ratio is less than one and sitting at an all-time low. At this scale, previous instances of extremely low Realized Profit/Loss ratios have historically coincided with a macro market regime shift - which seems to hold true given the ongoing fight against inflation.

# Large investors accumulating Ether

Recent data from analytics firm Santiment shows that Ether (ETH) investors referred to as “sharks” (who have at least 100 ETH) and “whales” (who hold up to 1 million ETH) are increasing in numbers.

The indicator used in this study is called “ETH supply distribution”, which signals which wallet groups are currently holding what percentage of the total ETH supply.



**Figure 12.** Ethereum supply distribution (Source: Santiment)

The percentage of ETH supply has seen a rapid growth of 561k ETH in only two days last week. Sharks and whales' addresses own two-thirds of the coin's overall supply, adding 2.1 percent more collective coins to their bags in the past month.

It is also worth adding that even though Ethereum funding rates on ETH perpetual contracts are still negative, they have improved since the start of this month.



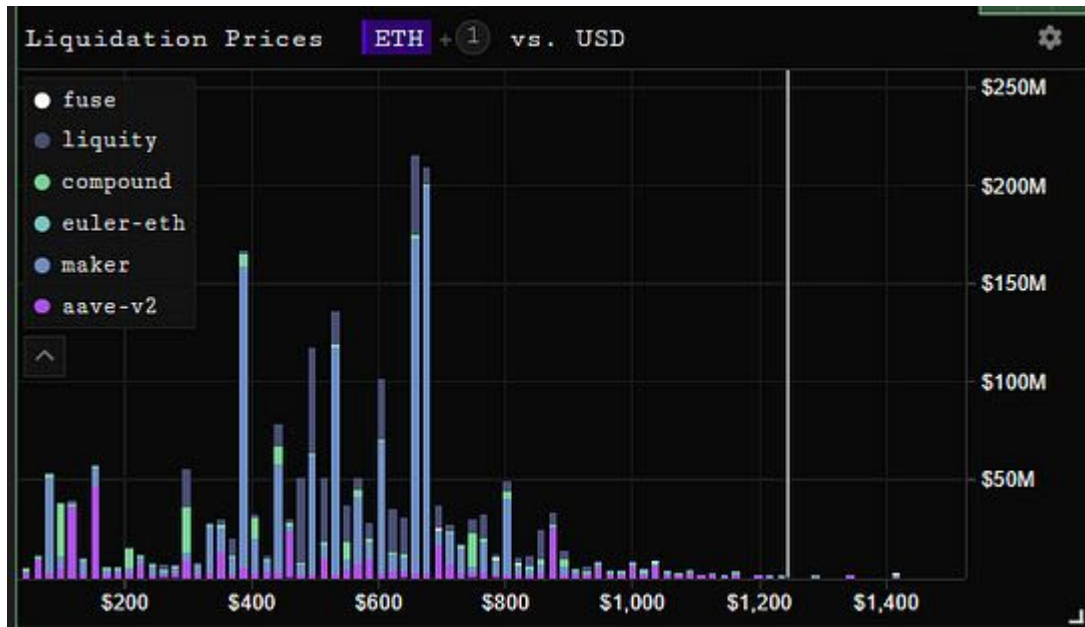
**Figure 13.** Ethereum funding rates history over the past quarter. (source: coinglass)

Some further signs of initial stages of accumulation is seen in the allocation to stablecoins, as compared to other coins. *Nansen's* smart money index, shows that investors have started allocating stables again, after capitulating on November 8. This has been a reliable indicator for trading market direction, and it's notable that some risk appetite has come back so fast. The same percentage of stables has been allocated in the past few days (going from 39 percent of holdings to 32 percent) that were allocated in the first week of July (which marked the bottom for ETH back then).



**Figure 14.** Smart Money: Stable vs other coin allocation. (source: Nansen)

ETH prices also have much lower selling pressure and incentive than any other crypto large cap. Incentive refers to liquidation levels, where short sellers might find it profitable to pressure the market in order to trigger liquidations and send the market down further. Onchain analysis shows that there are no significant liquidation levels anywhere close to current ETH trading price. ETH would have to fall to \$800 to hit approximately \$50 million in liquidations, with more meaningful liquidations at the ~\$650 level (\$400mm).



**Figure 15.** Liquidation prices on margined ETH positions across protocols. (source: Parsec Finance)

Back in June, the market was also hunting any large liquidation levels, so unless we really start to have some structural issues underlying the ETH price, it looks like there isn't much forced selling from the on-chain debt point of view.



# NEWS FROM THE CRYPTO-SPHERE



# SBF's Alameda Secretly Funded The Block and its CEO



**Figure 16.** Michael McCaffrey former CEO of The Block (left), Sam Bankman-Fried (right)

The CEO of the crypto-media site, *The Block*, Mike McCaffrey, resigned on Saturday, December 10 after reports emerged that he had undisclosed loans from Sam Bankman-Fried's (SBF) Alameda Research to finance the platform. The Block [released this report](#) on December 9, Friday, saying that it had no knowledge of the loans, and that McCaffrey kept the information confidential. McCaffrey will be replaced by Bobby Moran, *The Block's* Chief Revenue Officer.

## **About the Block**

*The Block* is a news platform focused on digital assets, and was founded in 2018. McCaffrey became CEO in 2020. In April 2021, McCaffrey led an employee buyout of *The Block's* investors, and the company became 100% owned by its employees, with McCaffrey as the majority shareholder. Greycroft, Pantera, BlockTower Capital, and Bloomberg Beta were also among the VCs that contributed to the barely-profitable company through convertible notes that totaled more than \$4 million. The company expects to make about \$20 million in revenue this year via advertising and subscriptions.

## Secret Funding from SBF's Alameda

It has emerged that in early February, 2021, McCaffrey was in talks with SBF about a loan to finance the buyout, according to *Axios*. McCaffrey's LLC's received three loans from Alameda. In April of 2021, McCaffrey took out a \$12 million loan through an LLC he called MJMCCAFFREY LLC, to finance his buyout of *The Block*. The second loan, which was on January 2022 for \$15 million, financed the publication through an LLC known as Lonely Road. The third was a \$16 million payment made in the spring of 2022 to an LLC called Red Sea, which McCaffrey used to partially fund the purchase of a Bahamas apartment. Moran confirmed the occurrence of these transactions.

## Left in the Dark

McCaffrey said in a twitter thread published on Friday, December 9, that *The Block* needed a \$12 million loan in early 2021 and that SBF was "the only alternative that materialized." He claimed he kept quiet about the loan, as well as another one of \$15 million, because he didn't want to be viewed as compromising the objectivity of *The Block's* reporting on SBF and his firms.

*The Block's* editor-at-large, Frank Chaparro, expressed that he was "gutted by the news" adding that McCaffrey "kept every single one of us in the dark." In addition, McCaffrey stated that he "never attempted to influence coverage of FTX, Alameda, or SBF."

# Senate Banking Committee urges Sam Bankman-Fried to testify on December 14



**Figure 17.** *U.S. committee chairman senator Sherrod Brown (D-Ohio)*

On Wednesday, December 7, senator Sherrod Brown (D-Ohio) wrote a public letter to Sam Bankman-Fried stating that the US. Senate Banking Committee wants him to testify in person at a hearing entitled “Crypto Crash: Why the FTX bubble burst and the harm to consumers.”

The letter requests that SBF attend the hearing on December 14, and answer for the failure of FTX and Alameda Research caused by misuse of client funds, which wiped out billions of dollars owed to over a million creditors. “There are still significant unanswered questions about how client funds were misappropriated, how clients were blocked from withdrawing their own money, and how you orchestrated a cover-up.” Added Mr Brown in the letter.

“If you choose not to appear, I am prepared, along with Ranking Member Pat Toomey, to issue a subpoena to compel your testimony.” The letter reads.

Separately, US. Representative and chair of the House Financial Services Committee, Maxine Waters, has also urged SBF to testify before the US congress, stating that “a subpoena is definitely on the table”.





**Figure 18.** Maxine Waters reply to CNBC

Miss Waters' statement comes in response to a CNBC [report](#) claiming that the US Representative doesn't plan to subpoena SBF.

Initially, Miss Waters tried to [invite](#) him to testify voluntarily, but SBF's [response](#) was that he's "not sure that will happen", and that he still has to "finish learning and reviewing what happened."

Miss Waters then issued a stronger Twitter [thread](#) where she stated that the information he has thus far is sufficient for testimony, taking into account the number of media interviews he had in the past few weeks.

On Friday, December 9, SBF responded to Miss Waters, [saying](#) that he is "willing" to testify.

# Representative Ritchie Torres holding the SEC's chair Gary Gensler accountable for the FTX collapse



**Figure 19.** SEC chair Gary Gensler (left), Representative Ritchie Torres (right)


On Tuesday, December 6, Congressman Ritchie Torres wrote a [letter](#) requesting the Government Accountability Office (GAO) to conduct an independent review of the SEC's failure to protect the investing public from the FTX collapse.

The letter has strongly criticized the SEC chair, Gary Gensler. Writing that "he is singularly responsible for the regulatory failures surrounding the collapse of FTX", and "if the SEC has the authority Mr. Gensler claims, why did he fail to uncover the largest crypto Ponzi scheme in US history? One cannot have it both ways, asserting authority while avoiding accountability"

Torres continued criticizing Gensler's leadership stating that "the SEC chose to dedicate scarce time and resources to investigating Kim Kardashian, rather than opaque exchanges"

This isn't Torres' first call for an investigation. On March 16, 2022, Torres signed [another letter](#) with other members of Congress, expressing concerns about how the SEC investigators were gathering information from crypto companies.

On Wednesday, December 7, and one day after Torres's letter, Gensler was [interviewed by Yahoo Finance](#) where he said that the SEC has "the basic disclosure and governance requirements in place" to hold digital assets firms accountable.



Gensler also said “we are enforcing existing securities laws. We have publicly been saying to these crypto intermediaries, they might call themselves crypto lenders or exchanges, these crypto intermediaries, in essence, the casinos, if I might say it again, to come into compliance with the law.”

Gensler told *Yahoo Finance* that he has one goal when it comes to regulating crypto next year and that is making crypto exchanges and lending platforms come into compliance. “They can do that appropriately, working with the SEC, or we can continue on a course with more enforcement actions, and I would have to say that the runway's getting shorter,” he said.

Gensler also added that “the rules are there”, they are already “suited up”, and that “the law firms know how to advise their clients to comply”, but what could really help is more resources from Congress for his agency and more authority over other jurisdictions.

A day after this interview, and on Thursday December 8, the SEC issued a [letter](#) warning U.S companies that they must disclose any impact from the difficulties in the crypto industry. “Recent bankruptcies and financial distress among crypto asset market participants have caused widespread disruption in those markets,” “Companies may have disclosure obligations under the federal securities laws related to the direct or indirect impact that these events and collateral events have had or may have on their business.” the agency’s Division of Corporation Finance says in the letter.

# The European Union is to force crypto companies to report tax details to authorities



**Figure 20.** *The European Union Commissioner for Economy Paolo Gentiloni.*

On Thursday, December 8, *Coindesk* [reported](#) that the European Commission plans to make crypto companies report user holdings to tax authorities. At the same time, the European Union body says that it's still working on how to enforce the measures on wallet providers or exchanges based outside the bloc.

The suggested new tax rules are known as the eighth Directive on Administrative Cooperation (DAC8). In a statement to *Coindesk*, the EU Commissioner for tax, Paolo Gentiloni said: "Anonymity means that many crypto-asset users making significant profits fall under the radar of national tax authorities. This is not acceptable."

When asked how the EU will enforce the measures on companies outside the bloc, Gentiloni told reporters, "We will work on that. What counts for us is that EU residents are targeted by these measures, even if they use crypto providers from elsewhere," he said.

# The UK is also having new regulations for crypto



**Figure 21.** *The UK treasury is finalising plans to regulate the cryptocurrency industry.*

According to a [news report](#) in the *Financial Times*, the UK Treasury is preparing a package of guidelines to tighten crypto regulations.

The new package of guidelines will give the Financial Conduct Authority (FCA) powers to regulate the crypto sector, including limits on foreign companies selling their products and services in the UK's market.

The new powers will enable the FCA to oversee crypto more broadly, including monitoring how companies operate and advertise their products.

According to *Financial Times*, FCA chief executive Nikhil Rathi said that 85 percent of companies who applied to be registered in the UK did not pass the FCA's anti-money laundering (AML) tests.

This leads us to conclude that companies that want to operate in the UK will have to register with the FCA first.

# Judge orders Celsius to return \$50 million to their users



**Figure 22.** Alex Mashinsky, founder and chief executive officer of the bankrupt Celsius Network.

According to a [Bloomberg report](#) published on Wednesday, December 7, a U.S. bankruptcy judge Martin Glenn ordered the crypto lender Celsius Network LLC to return crypto worth \$50 million to users of custody accounts.

The order was delivered verbally in a hearing Wednesday, December 7, and applies to an amount of crypto that was worth around \$44 million in September.

“I want this case to move forward,” Glenn said, per the report. “I want creditors to recover as much as they possibly can as soon as they possibly can.”

Glenn also ordered Celsius Network to return some coins that had been moved from interest-bearing accounts to custody accounts shortly before the firm’s bankruptcy filing. This order applies to currencies involved in transfers that were under \$7,500. This would have been worth around \$11 million in September. The others remain with Celsius Network, according to the report.

Celsius Network still owes billions of dollars to customers, the *Bloomberg* report said.



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