BITFINEX Alpha

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EXECUTIVE SUMMARY

This week's on-chain analysis focuses on what we see as key inflection points for the Bitcoin market and where it progresses from here. The recent surge in BTC has seen it hit a significant resistance level at $45,000. This surge represents a more than 170 percent increase from the start of the year, and we could see a complete retracement of the 64 percent downturn experienced in 2022. But the decisions of a key investor cohort - the so-called medium-term investor (holding for 2-3 years) - who make up about 16 percent of the active Bitcoin supply and a significant portion of the market's realised capitalisation, is critical.

On the positive side, the supply of Bitcoin on centralised exchanges has reached a six-year low, marking the 45th consecutive month of diminishing supply. This trend is seen as a bullish sign, indicating a shift towards long-term holding or decentralised custody solutions, and a decrease in selling intent. Additionally, the number of BTC deposit transactions to exchanges is at a multi-year low, suggesting reduced selling pressure.

However, the Spent Output Profit Ratio for Bitcoin has remained above one for 44 consecutive days, and indicates that a large portion of Bitcoin holders are currently in profit. This is especially the case for long-term holders. This relatively long period of profit-taking raises concerns about the rally being overextended, as similar trends in the past have preceded market corrections.

Recent price movements around the $44,000 to $45,000 levels show an interplay between spot and perpetual markets. The closure of short positions in perpetual markets has helped propel the price upwards, though the market faces volatility and potential corrections at these higher levels. Overall, while the current market shows signs of upward potential, investors should be cautious of possible consolidations or pullbacks.

The current US economic landscape continues to be mixed, albeit we believe rate cutting is over for now, with a cooling labour market and consumer credit growth contrasting with improvements in productivity and a slight uptick in employment.

October marked a notable downturn in US job openings, reaching the lowest in over two and a half years. This decline, part of a trend observed since early last year, suggests a cooling in labour demand, largely attributed to the impact of rising interest rates.

A slowdown in credit growth is also indicative of tighter lending standards and the influence of higher interest rates, pointing towards more cautious consumer spending and borrowing. Meanwhile, the number of Americans applying for unemployment benefits remained stable with only a slight increase, indicating a low number of layoffs despite the slowdown in hiring rates. The Federal Reserve now faces the challenge of balancing further rate hikes with the need for economic stability.

In recent crypto news, Hive Digital Technologies announced a successful investment in Bitmain mining rigs, with returns already realised due to the recent surge in Bitcoin's value.

El Salvador has launched its "Freedom VISA," targeting Bitcoin and crypto millionaires. This program requires a $1 million investment in BTC or USDt, offering long-term residency and potential citizenship. Japan's ruling coalition is also looking more crypto friendly and is considering a tax reform that would exempt companies from taxes on unrealized gains from long-term cryptocurrency holdings.

Meanwhile, in the United States, a bipartisan group of Senators has introduced the Terrorism Financing Prevention Act. Aimed at curbing the use of digital assets for funding terrorist activities, this proposed legislation would empower the US Treasury to block transactions with sanctioned entities involved in digital asset transactions. This bill represents a significant step in integrating digital currencies into existing financial regulatory frameworks.

Have a good trading week!

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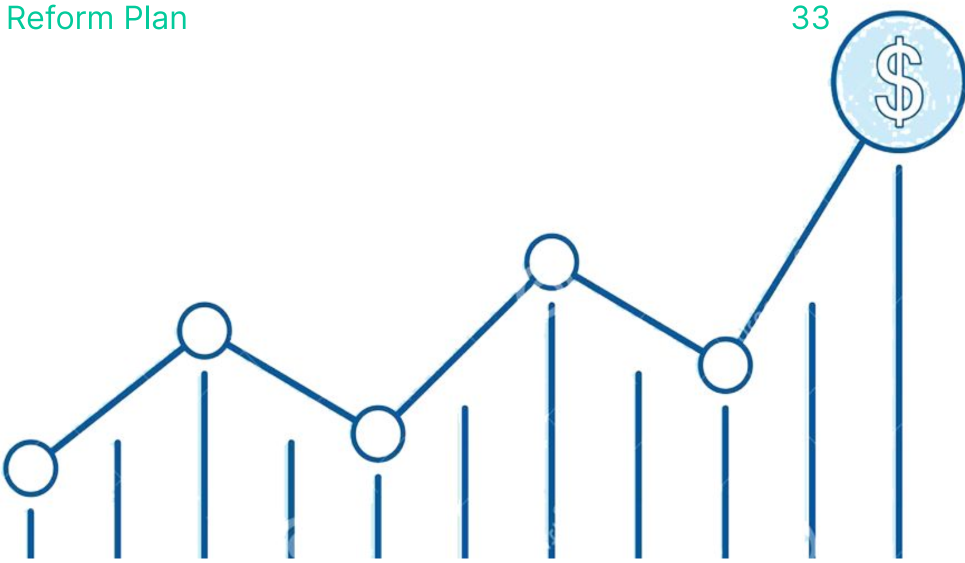


WHAT'S ON-CHAIN THIS WEEK?

BTC Rally Reaches Pivotal $45,000 Resistance

The recent upswing in Bitcoin has shifted market attention towards a critical resistance level: the $45,000 mark. This threshold is not just technically significant but also holds substantial importance for a large segment of Bitcoin holders. In November 2023, BTC had its highest monthly close since March 2022. Moving past this in December would mark the largest recovery within a year in percentage terms in the asset's history.

Figure 1. BTC/USD 6H chart. (source: Bitfinex)

The ascent of BTC from $16,500 to approximately $44,500 in 2023 has been monumental and is reminiscent of 2019 where the asset attempted to reverse the loss in value experienced the previous year, when BTC declined by over 72 percent. BTC is up over 170 percent since the start of the year, which was essentially a bear market bottom and a complete retracement of the downturn from 2022 is within sight if it moves past the $48,000 mark (refer Figure below).

BTC has had a drawdown of over 50 percent on only three occasions in its history. In each of the previous two occasions, the asset was unable to completely retrace the move in the following year. However, 2023 has been the strongest recovery from a bear market bottom in terms of the percentage of the drawdown retraced in the asset's history.

But before we talk about even further price appreciation, it is important to consider the resistance levels that lie immediately above the current price.

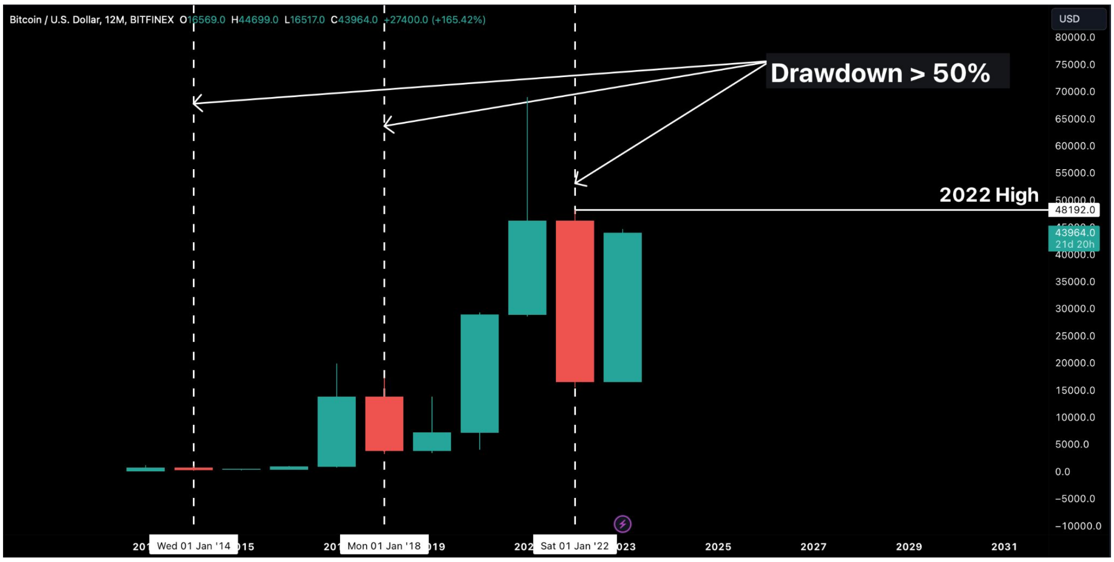


Figure 2. BTC/USD 12-Month chart. (source: Bitfinex)

The $45,000 mark is a crucial cost basis for investors who bought BTC between two to three years ago. This group, a subdivision of a larger group often characterised as long-term holders (LTHs), have shown resilience and a strong belief in Bitcoin's long-term prospects, maintaining their positions through various market cycles.

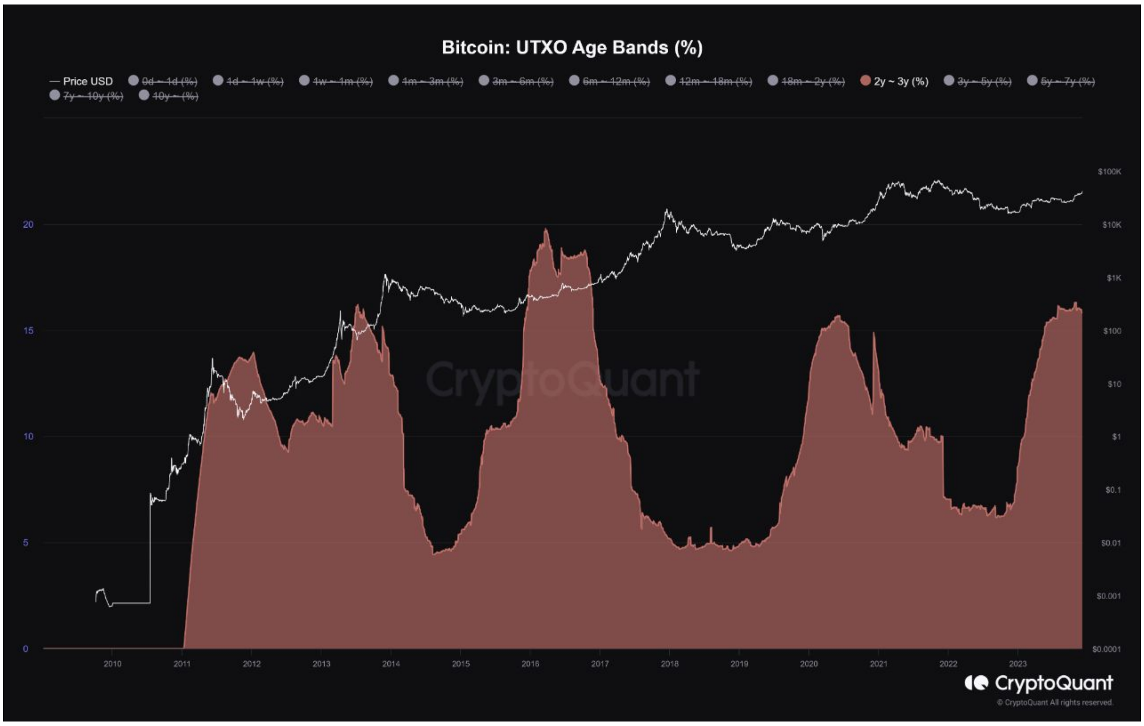


Figure 3. UTXO Age Bands As A Percentage Of Market Capitalisation. (source: CryptoQuant)

To analyse the levels where there is Bitcoin selling resistance, it is helpful to look at unspent transaction outputs (UTXO). A UTXO represents a certain amount of cryptocurrency that has been authorised by a sender and is available to be spent by a recipient. Each UTXO (in this case, one single BTC) has two attributes associated with it - the date/time when the coin was created (age) and the price at its creation point (realised price). We use these to factor in which investor cohort has what average realised price across the entire spectrum of market speculators.

Approximately 16 percent (refer Figure above) of the total active Bitcoin supply is currently held by the 2-3 year cohort of medium-term investors. The investment decisions of this group are particularly influential in the Bitcoin ecosystem, given their sizable share of the supply.

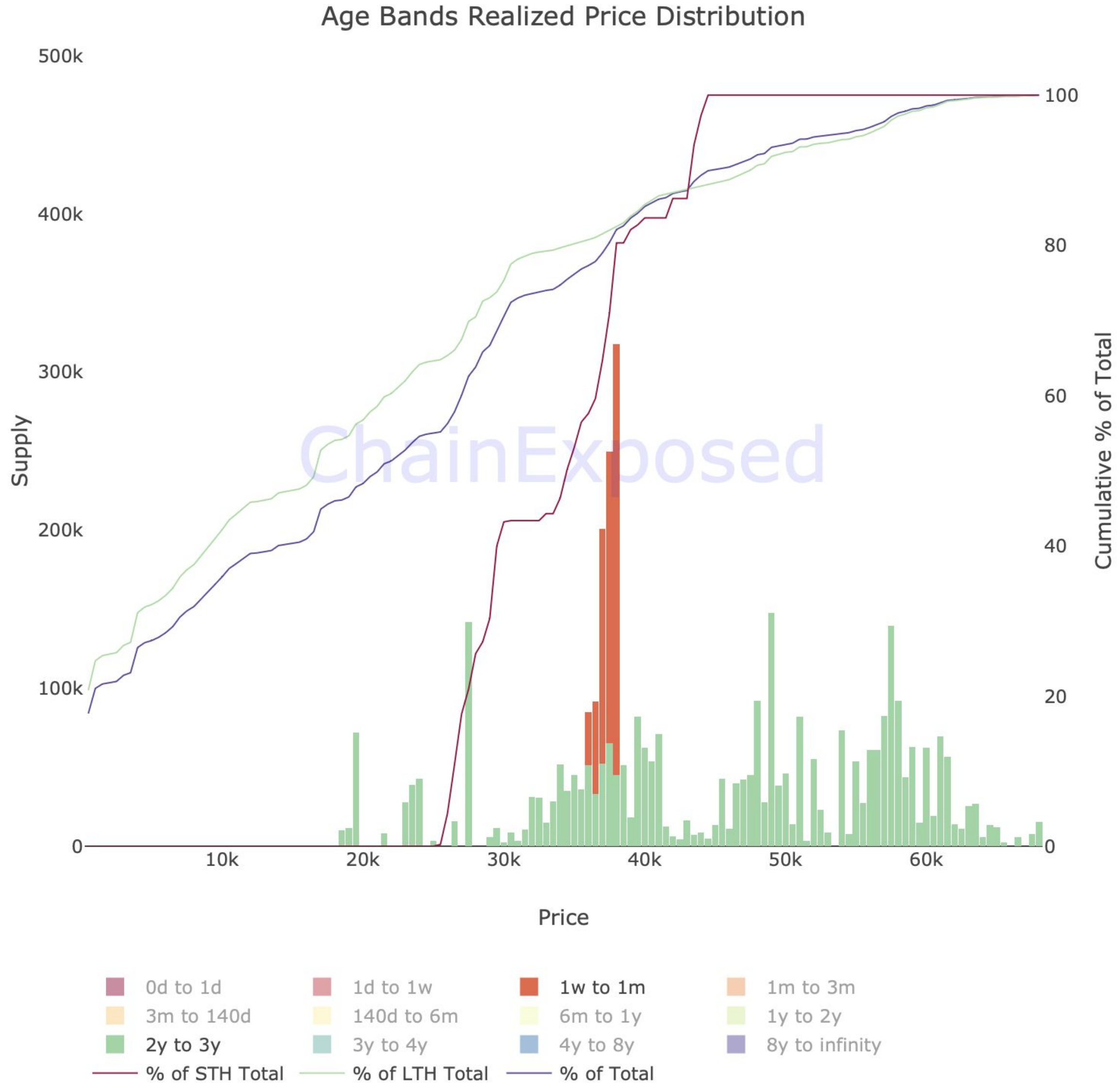


Figure 4. Short-Term Holder and Mid-Term Holder Realised Price Distribution Based on Price Levels. (source: ChainExposed)

This segment represents about 33 percent of Bitcoin's realised capitalization, indicating their significant stake in the market's value. The actions of these holders, whether they choose to sell or hold as the price approaches or exceeds their break-even point of $45,000, could substantially impact the market.

If BTC consistently stays above current support levels of $40,000, it could enhance overall market positivity. Conversely, struggling to break past this level might trigger selling pressures. A key factor to monitor will be the movement of coins from this age group to exchanges, which could signal their intent to sell or strengthen their positions. Keeping an eye on these trends will provide valuable insights into potential market shifts around this pivotal price point.

Bitcoin Supply on Exchanges Continues to Decrease

The supply of Bitcoin held on centralised exchanges dropped to its lowest level in six years in the past week. This decline in exchange-held BTC has been ongoing for an extended period, now reaching the 45th consecutive month of diminishing supply (refer Figure below).

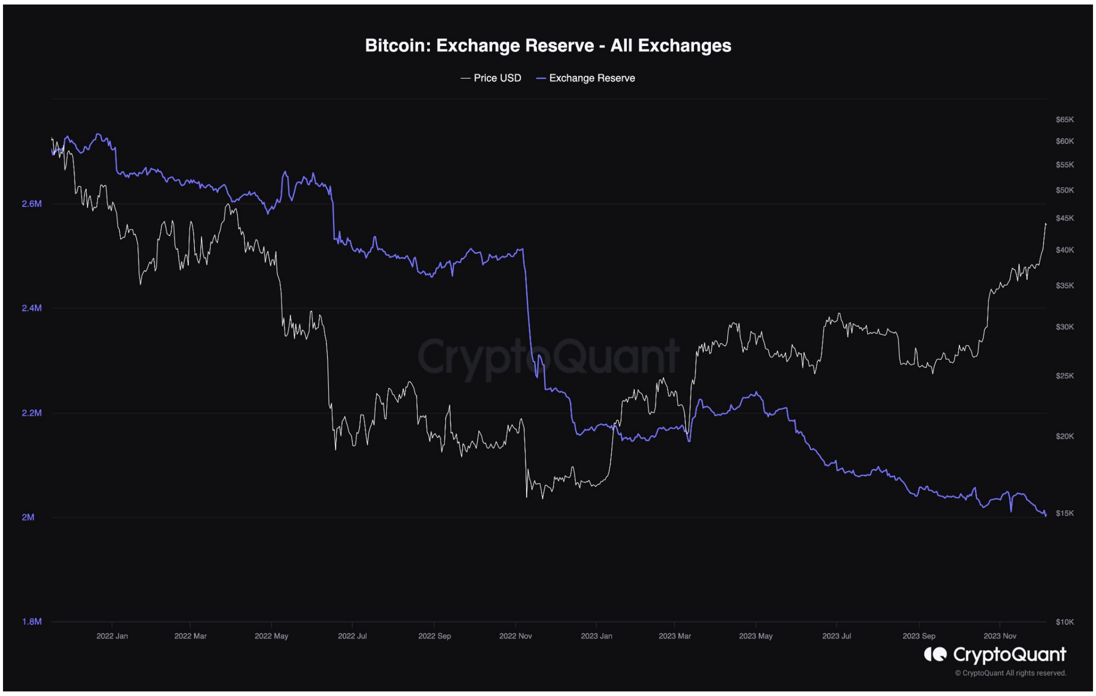


Figure 5. Bitcoin Exchange Reserves Across All Centralised Exchanges. (source: CryptoQuant)

A reduction in Bitcoin supply on exchanges is seen as a bullish sign since long-term or larger holders usually deposit on exchanges with an intention to sell. Conversely, investors withdraw their BTC balances from exchanges with an intention to move it to cold wallets if they have a long-term investment horizon.

Currently, the supply of Bitcoin on exchanges has reverted to levels last seen in 2017 and2017and would indicate an increased desire by investors to continue holding at these levels, a potential shift towards decentralised or self-custody solutions, or a general decrease in intentions to sell. A sustained reduction in exchange-held Bitcoin can have significant implications for Bitcoin's liquidity, volatility, and overall market dynamics.

It is also important to closely observe transactions associated with exchanges as well. Specifically, monitoring any significant changes in the activity levels or the direction of capital flows can provide valuable insights into market trends.

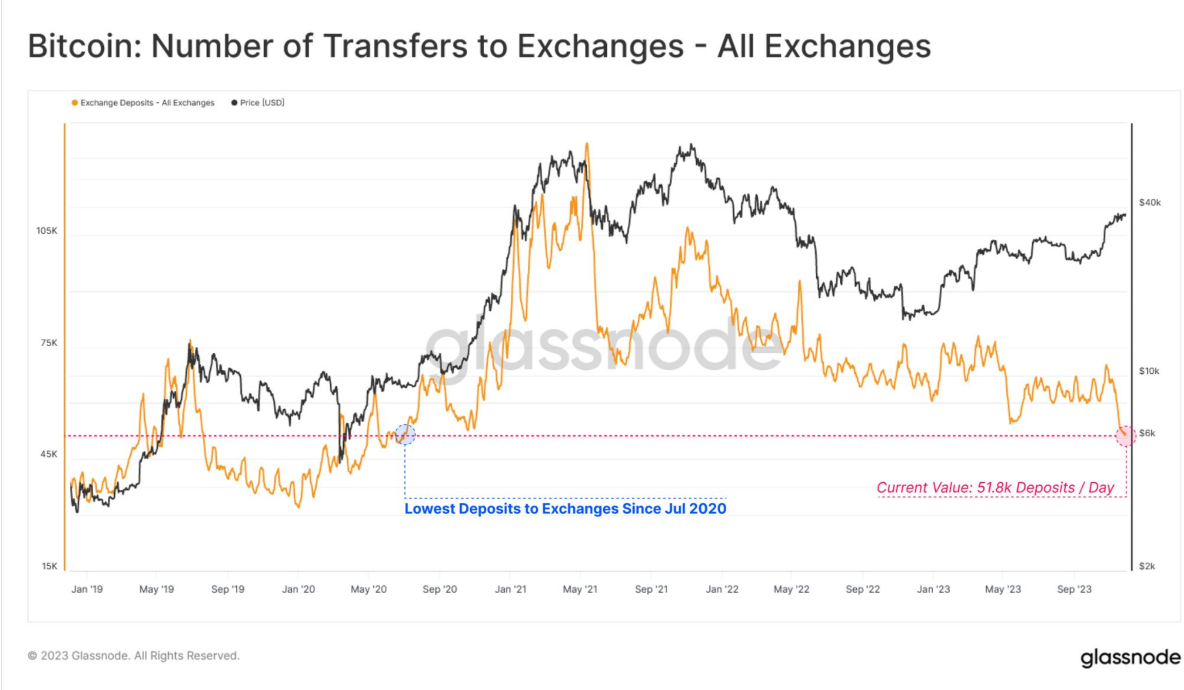


Figure 6. Number of Transfers To Exchanges For Bitcoin. (source: Glassnode)

Currently, the number of transactions involving the deposit of funds to exchanges is declining, and has reached multi-year lows (refer Figure above). Current deposits to exchanges are at the same level as they were in July 2020.

Bitcoin Supply in Profit Cautions New Investments

Expanding on the analysis of Bitcoin supply trends, an important metric to consider is the duration for which all three cohorts of the Spent Output Profit Ratio (SOPR) have remained above the equilibrium level of one. SOPR is an indicator that measures the profit ratio of spent outputs and is used to gauge overall market profitability.

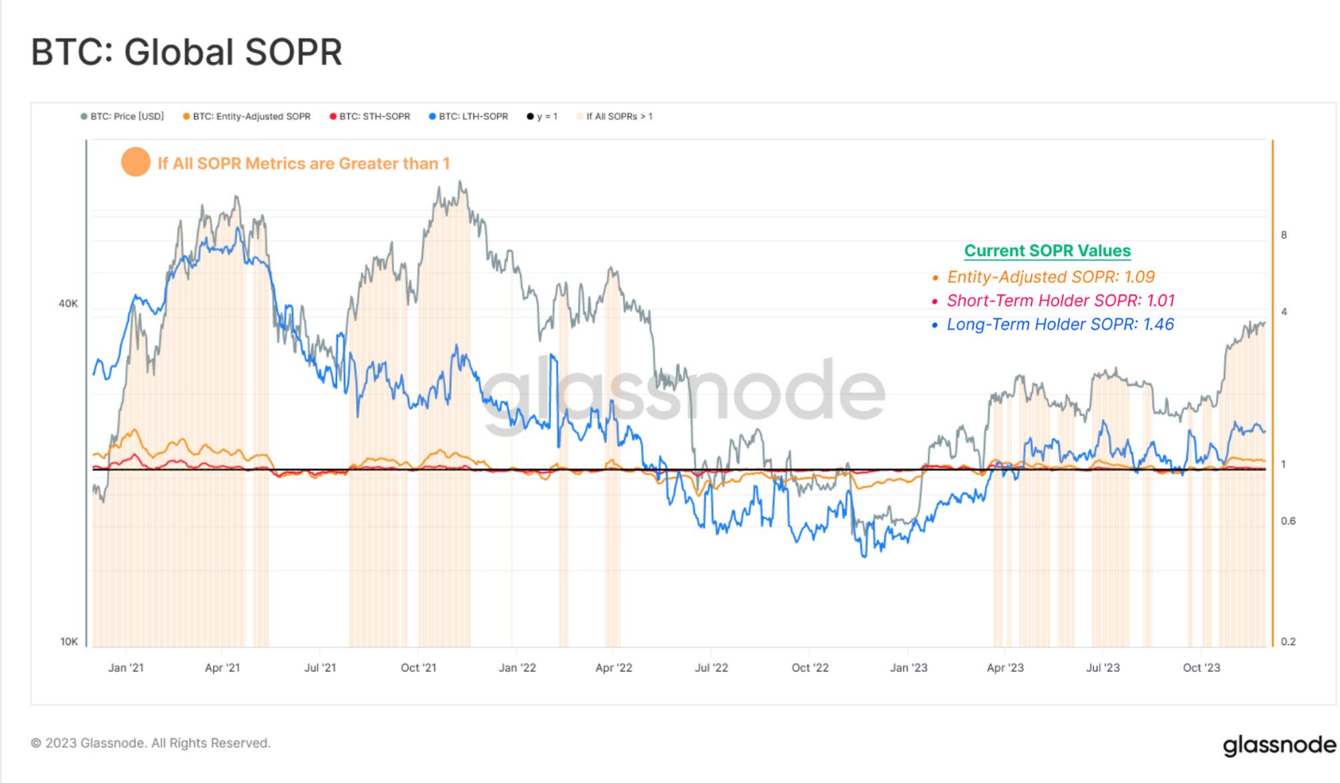


Figure 7. Spent Output Profit Ratio Across All Investor Cohorts. (source: Glassnode)

The three key cohorts we will look at include short-term holders (STHs), long-term holders (LTHs) and an entity adjusted metric that covers the overall market. An SOPR value above one indicates that the cohort that we are accounting for are in profit based on their buying and selling activity on-chain. Currently, the ongoing rally has seen SOPR at above one for 44 consecutive days. This period significantly exceeds the average duration of SOPR levels above one, which are typically around 17 days, and it marks the longest stretch since the all-time high (ATH) was reached in November 2021.

The SOPR for the overall market is at 1.09, indicating that, on average, coins are being sold for a nine percent profit. The SOPR specifically for Short-Term Holders (STH-SOPR) stands at 1.01., while the SOPR for Long-Term Holders (LTH-SOPR) is significantly higher at 1.46, suggesting that long-term holders are, on average, locking in a 46 percent profit on their spent coins.

Although the profit-taking for LTHs are lower in ratio of the supply under their control and inactive LTH supply continues to trend higher as covered in the last edition of *Bitfinex Alpha*, it is still important to note that profit-taking on this scale for such a long time is a sign of the rally being overextended. The last time the SOPR values exceeded the one mark for a 30-day period, was in June-July 2023, and it preceded a 20 percent correction in August.

This sustained period where all SOPR variants are above one suggests that a substantial majority of Bitcoin holders are in a state of profit. This is particularly notable for long-term holders, who appear to be reaping substantially higher profits, demonstrating the benefits of holding through various market cycles. Additionally, it implies that there is strong demand in the market, robust enough to absorb the supply being distributed. This is also indicative of an anomalous rally and a period of extended price appreciation, hence, it would be prudent for investors to brace themselves for fading market momentum.

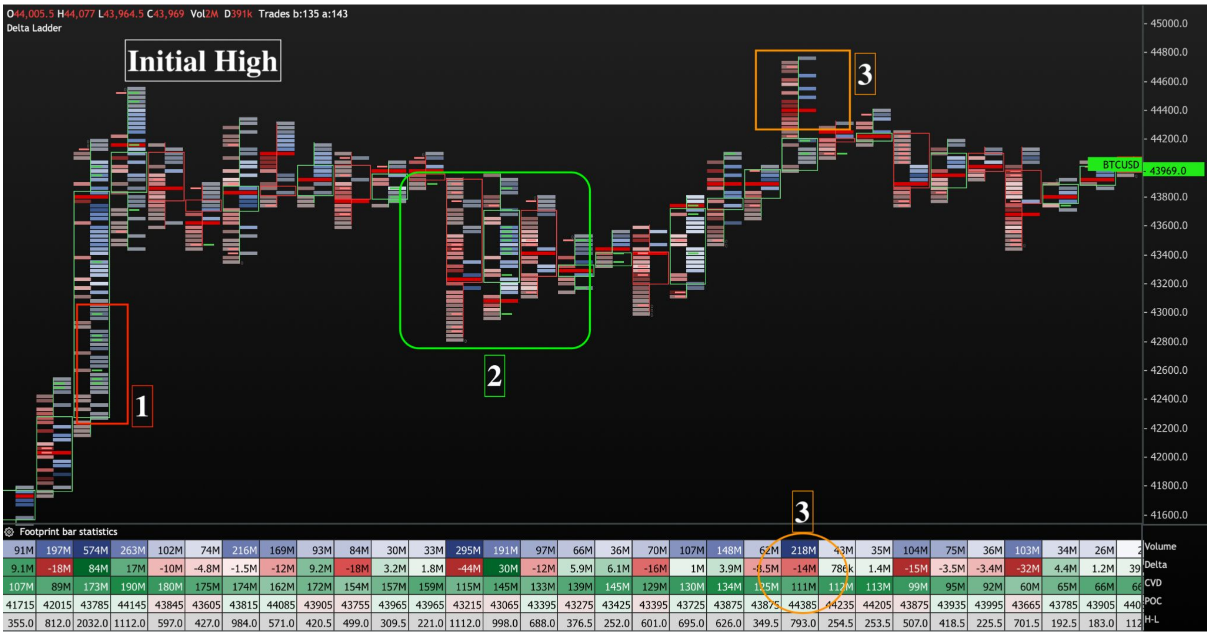


Figure 8. BTC/USD 2H Chart From 5th to 8th December. (source: Exocharts)

The chart above provides a detailed view of the recent price movements in the BTC market, particularly around the $44,000 and $45,000 levels, highlighting the interplay between spot market actions and perpetual market dynamics.

Box 1 - As Bitcoin surpassed the $44,000 mark, there was a notable closure of short positions in perpetual markets, accompanied by a negative delta and a decrease in open interest. The closing of these short positions, which effectively means taking a buy position, further propelled the price upward through long market orders.

This upward movement was initiated by spot market participants, and followed an accumulation of short open interest since the beginning of the month, and which had peaked on December 4th, before buying in the market began to be triggered and led to the price breakthrough on December 5th.

Box 2 - A resurgence of open interest of short positions was observed, bringing back market volatility. As the $45,000 level approached, there has been an increase in market participants. Early longs attempting to capitalise on breakouts from the current highs faced challenges as passive asks (sell orders) absorbed long market orders, leading to a brief correction. Absorption is a phenomenon where passive asks or bids are large enough for a particular price point that market orders or aggressive buyers are “absorbed” by these orders with supply remaining and hence price moves down as there are fewer buyers willing to buy BTC at those high prices.

Box 3 - A further upward push occurred, though on lower volume and primarily driven by the spot market, as perpetual markets did not show signs of aggressive spot buying. Given these market dynamics, the likely direction after consolidation under $45,000 should be towards the upside based off of the spot demand that is currently being seen.

The equivalent profit-taking from all investor cohorts (albeit in smaller quantities for long-term holders) suggests that the bulk of the current rally could soon be over before entering a period of consolidation or pullbacks.

GENERAL MARKET UPDATE

US Job Openings Decline to a 2.5-Year Low, Fed Rate Decisions Loom Amid Corporate Debt Concerns

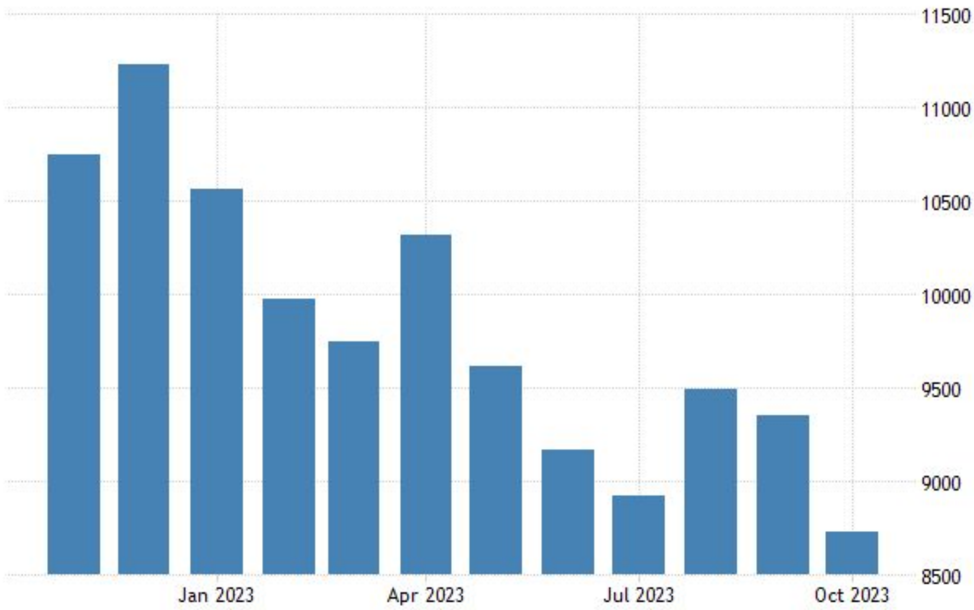


Figure 9. Job Openings, in Thousands (Source: US Bureau of Labour Statistics)

United States job openings saw a significant drop in October, reaching the lowest level in over two and a half years. This decrease, which is a continuation of the downward trend observed since early last year, indicates a cooling in labour demand, likely influenced by rising interest rates.

On Tuesday, December 5th, the US Labor Department reported that job openings fell to 8.7 million in October. This number represents 1.34 job openings for every unemployed individual, the lowest ratio since August 2021, and came in below the consensus forecast of 9.3 million jobs.

Employee resignation rates also declined, stabilising at pre-pandemic levels of 2.3 percent. This trend of employees holding onto their current jobs could reduce wage inflation.

A separate report from the Institute for Supply Management also provided supporting evidence of a slowdown in the labour market. The overall Service Purchasing Managers Index (PMI), which indicates the costs of services in the economy, though seeing a slight increase in November, remains below the levels seen in 2019. The Employment Sub-index is at 50.7, just hovering above the neutral mark of 49.9 percent.

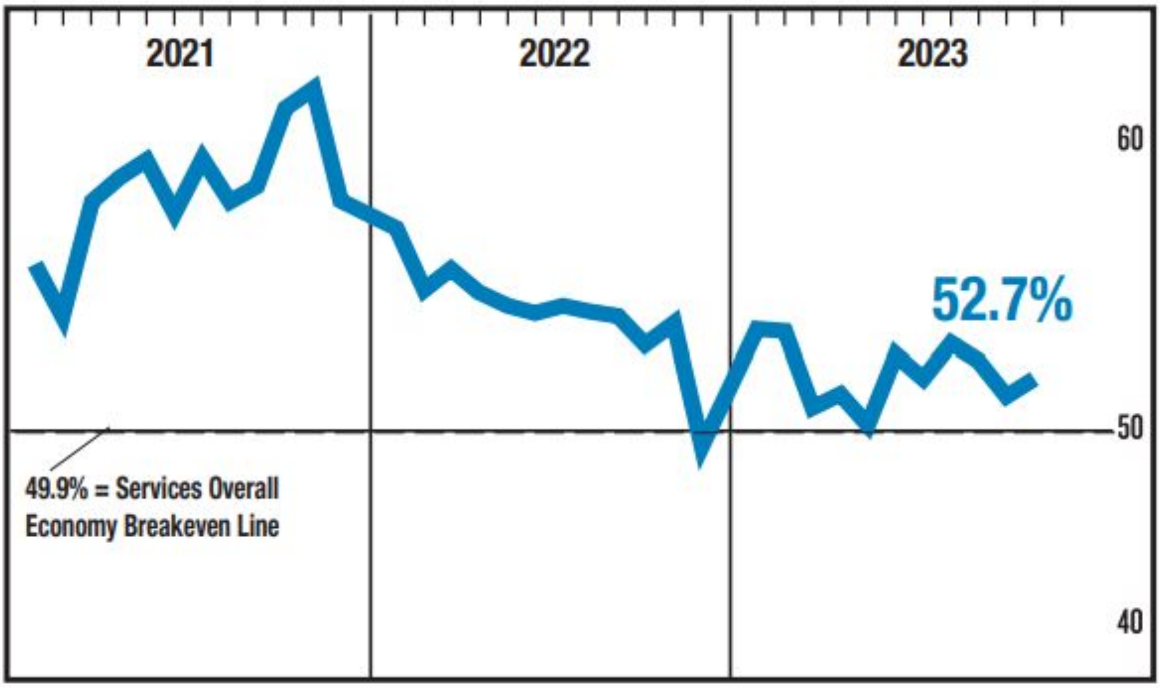


Figure 10. Institute of Supply Management Service Purchasing Managers Index (Source: Institute of Supply Management)

This combination of labour market cooling and stabilising service inflation in October suggests that the Federal Reserve (the Fed) may keep interest rates steady in its upcoming meeting. We feel increasingly optimistic that the Fed might be concluding its interest rate hikes for this cycle, with a possible rate cut taking place in mid-2024.

A further factor to consider is the looming maturity of $1.14 trillion in corporate debt by 2025. With rates significantly higher, companies looking to refinance their debt face the prospect of higher borrowing costs, particularly if they initially secured loans at lower rates. The Fed, therefore faces some pressure to lower rates and alleviate the financial pressure that could be imposed on companies.

Estimated Global Schedule for Maturing Corporate Debt (2022–2026)

(dollars in billions)

	2022	2023	2024	2025	2026	Total
United States						
Financial						
Investment grade	$180	$236	$240	$215	$212	$1,084
Speculative grade	9	16	20	33	33	110
Nonfinancial						
Investment grade	350	448	438	435	401	2,072
Speculative grade	129	209	360	460	464	1,622
Total United States	**$668**	**$910**	**$1,057**	**$1,143**	**$1,109**	**$4,888**

Figure 11. Estimated Schedule for Maturing Corporate Debt in the US (Source: S&P Global)

Deceleration in US Consumer Credit Growth: Impact of Tighter Lending and Rising Interest Rates

In October, consumer credit growth in the US decelerated, increasing by only $5.2 billion compared to the $12.2 billion rise in the previous month. This marked a slowdown to a 1.2 percent annual rate from three percent in September, falling short of the consensus forecast of a $9.1 billion gain.

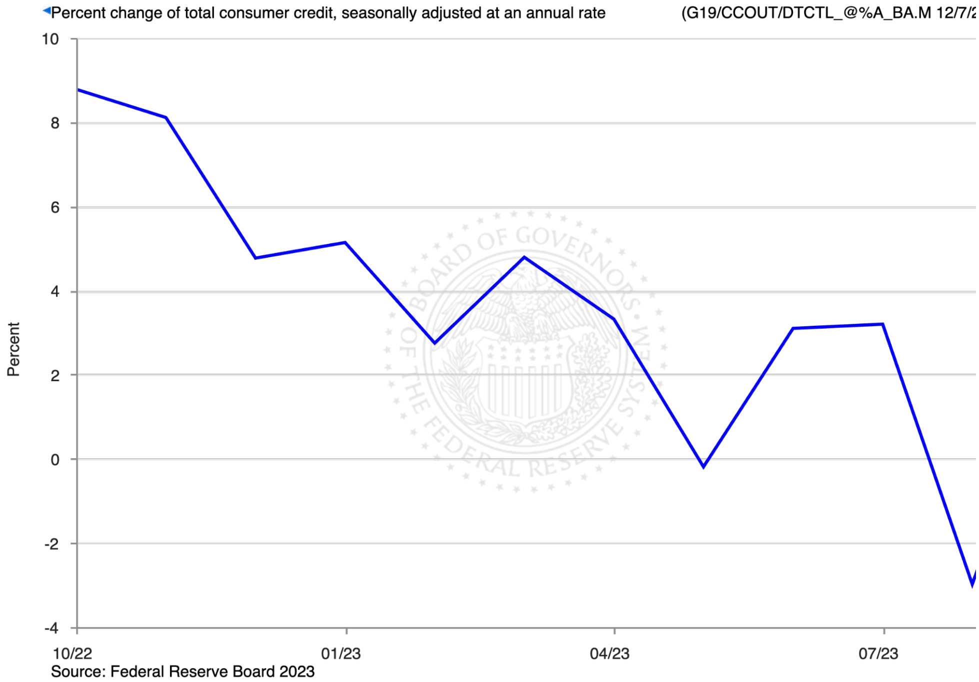


Figure 12. Percent Change of Total Consumer Credit (Source: The Federal Reserve)

Fed data highlights two main types of consumer credit: revolving and non revolving. Revolving credit, which primarily includes credit card debt, grew at a slower pace of 2.7 percent in October, a decrease from the 4.1 percent growth rate observed in the prior month. Non revolving credit, mainly consisting of auto and student loans, also decelerated, rising at a mere 0.7 percent rate in October after a 2.5 percent increase in September. Non Revolving credit is usually less volatile and does not include mortgage loans, the largest component of household debt.

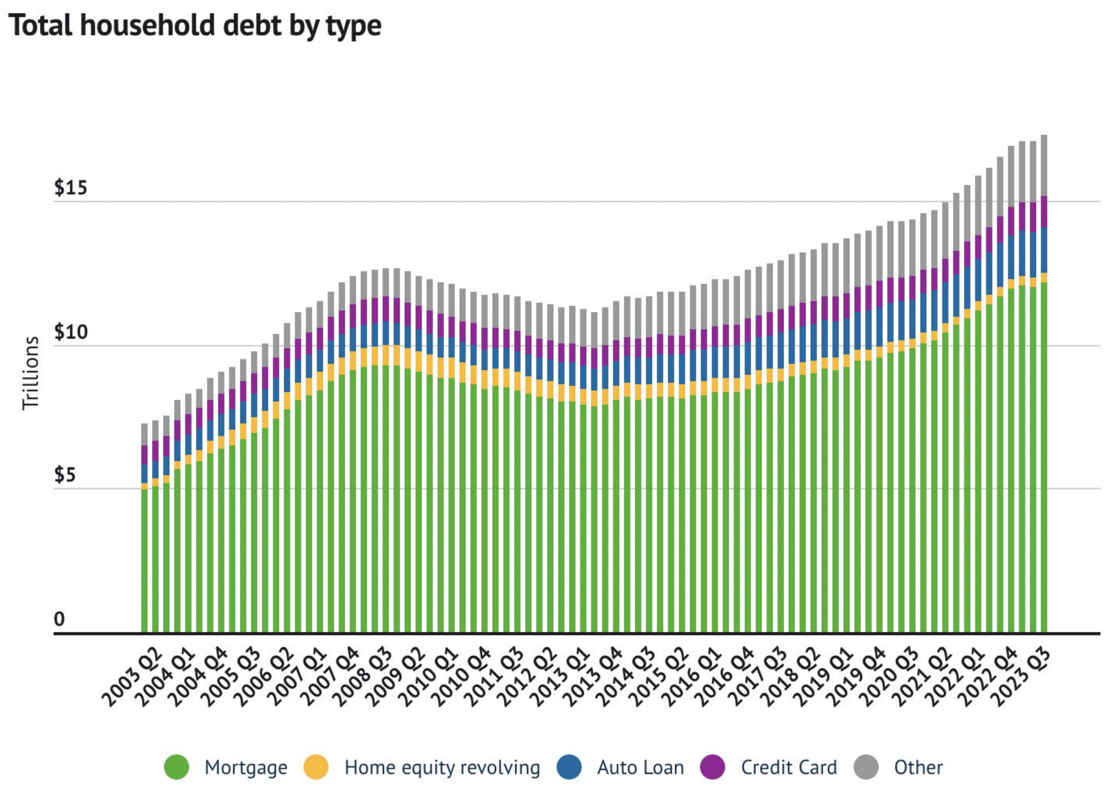


Figure 13. Total Household Debt by Type (Source: The Federal Reserve)

This trend of slowing credit growth is an indication of the increasing impact of tighter lending standards and higher interest rates. The average share of a consumer's disposable income being spent on clearing debt, saw a notable surge, reaching an all-time high in the fourth quarter of 2022. While there has been a gradual decrease in this ratio in the current year, it is still high compared to pre-pandemic figures. The heightened financial strain placed on consumers due to increased interest rates and more substantial allocation of income towards clearing debts, is consequently constricting available funds for other forms of spending.

We anticipate a continuing decline in consumer credit in the coming months as higher interest rates will deter people from incurring additional debt. Even if the US economy avoids a recession next year, a reduction in consumer spending is a major risk to this outlook. The concern is that consumers might reduce their spending as they realise the extent to which they have been relying on high-interest credit cards to finance their expenditures.

Despite these challenges, a "soft landing" for the US economy is very much possible, given the demonstrated resilience of the US economy. However, caution is advised for the 2024 outlook due to the delayed and unpredictable effects of higher interest rates to consumers.

US Labour Data Signals Inflation Relief: Decline in Unit Labour Costs and Productivity Surge

Recent US productivity data indicates an improvement in inflation, as evidenced by revised unit labour costs and an increase in productivity in the third quarter. The [US Bureau of Labor Statistics reported] on Wednesday, December 6th, a significant revision in unit labour costs, showing a decrease at a 1.2 percent annualised rate in the third quarter, compared to the initially reported 0.8 percent decline, marking the first drop in labour costs since late 2022.

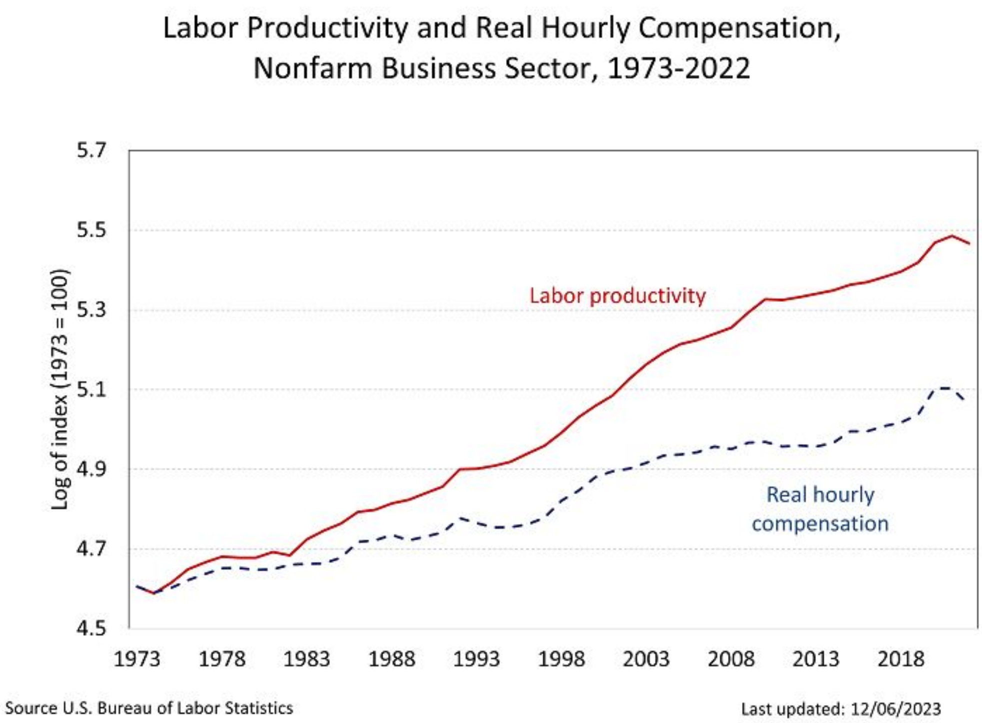


Figure 14. Labor Productivity in the US (US Bureau of Labor Statistics)

In addition, American worker nonfarm productivity, a measure of economic output generated per unit of input, surged at a revised annual rate of 5.2 percent in the third quarter. This marks the most rapid growth since the same quarter in 2020, and if the pandemic years are excluded, it's the highest since the end of 2009.

Initially, the third-quarter rise in nonfarm productivity was estimated at 4.7 percent. On a year-on-year basis, productivity has seen a revised increase of 2.4 percent, following a 1.2 percent rise in the preceding quarter. This represents the first consecutive quarterly productivity increase since the beginning of 2021, and is good news for many reasons, including the contribution it makes to containing wages and bringing down inflation without a sharp rise in unemployment.

U.S. International Trade in Goods and Services Deficit

Deficit:	$64.3 Billion	+5.1%°
Exports:	$258.8 Billion	−1.0%°
Imports:	$323.0 Billion	+0.2%°

Next release: Tuesday, January 9, 2024

(°) 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, 2023

Figure 15. US International Trade in Goods and Services Deficit (Source: US Census Bureau)

That said, the economy's growth appears to be slowing as the fourth quarter begins. The US Commerce Department’s Census Bureau reported a widening trade deficit in October to $64.3 billion from $61.2 billion in September. This indicates a potential negative impact on GDP growth this quarter, casting doubt on the sustainability of the recent productivity increases. A growing trade deficit may indicate a shift in economic resources away from productive sectors that export goods and services, towards sectors that are less productive but more import-intensive

US Jobless Claims Increased to 220,000 Amid Economic Cooling

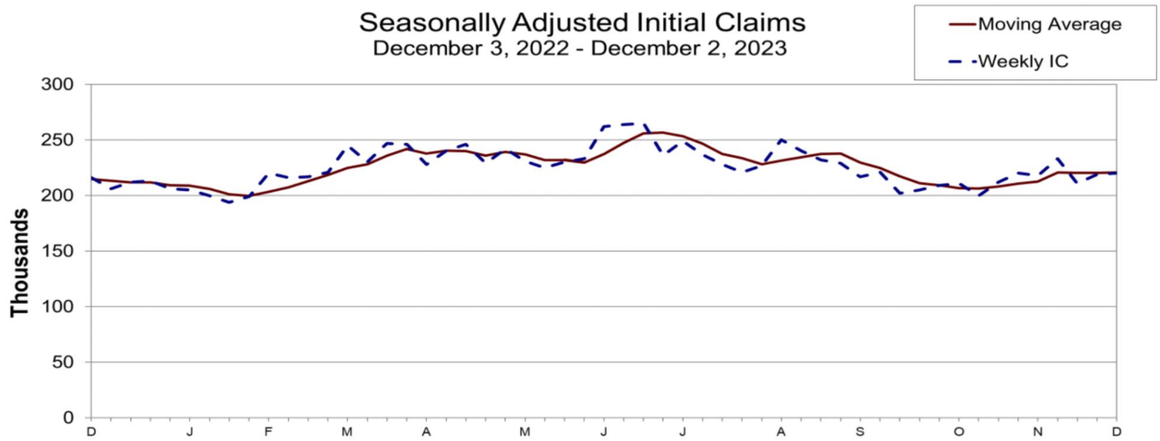


Figure 16. US Initial Jobless Claims (Source: US Labor Department)

Supporting the trend of a cooling labour market, we ended the week, last week with figures showing that the number of Americans who applied for unemployment benefits had barely moved (for the week ending December 2nd), with only a slight increase to 220,000. This figure was also a minimal rise from the previous week's revised total of 219,000, and was below the consensus forecast of 222,000 claims. Layoffs continue to be remarkably low, even as hiring rates slow down among businesses.

The number of individuals receiving continuing unemployment benefits also decreased by 64,000, dropping to 1.86 million. A slow increase in these ongoing claims suggests that finding new employment is becoming more challenging.

The economy's cooling, influenced by the Fed's increased interest rates to control inflation, seems to be impacting labour demand. Nevertheless, significant job cuts or widespread layoffs are not occurring, indicating that the economy might steer clear of significant economic downturns as long as unemployment remains low and most people stay employed. These recent job market trends, including the jobless claims data, suggest a cooling job market that could prevent further interest rate hikes.

US Job Growth Steadies in November, Unemployment Dips to 3.7 percent as Wage Growth Stabilises

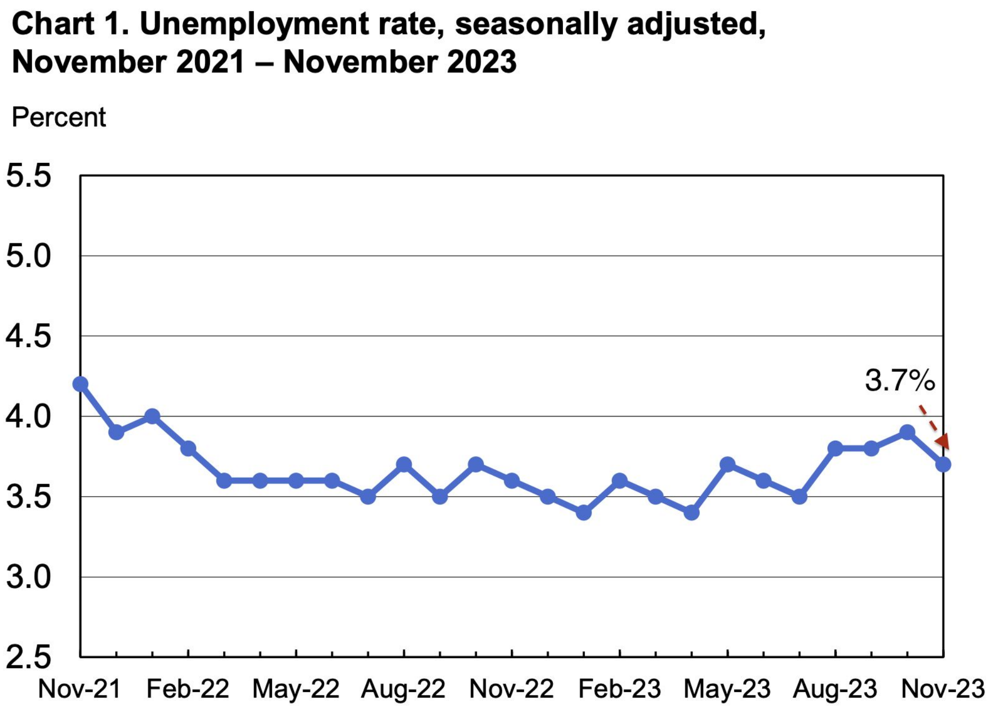


Figure 17. Unemployment Rate (Source: Bureau of Labor Statistics)

November saw an increase in total employment, with 199,000 new jobs added, resulting in a slight decrease in the unemployment rate from 3.9 percent to 3.7 percent, according to a report by the US Labor Department last Friday, December 8th.

The increase in employment was above the consensus forecast of 190,000 jobs. However, this increase includes the impact of auto workers returning from strikes, slightly inflating the actual growth.

The reported employment growth is consistent with recent macroeconomic trends as it lies between the three-month average of 215,000 and the six-month average of 192,000. Hence, there is no real change in our labour market outlook especially with the reported data being above consensus.

Additionally, average hourly wages have seen a moderate increase of 3.4 percent on a three-month annualised basis, which indicates a stable growth rate in line with maintaining price stability.

The labour force also expanded, with 532,000 individuals re-entering the job market, motivated by promising wage increases. The total number of employed workers now stands at 168.26 million. The median duration of unemployment rose to 9.2 weeks, slightly over two months, which aligns with an increase in ongoing unemployment claims observed during the Bureau of Labor Statistics' survey period. Despite this, the job market remains robust, with ample opportunities for those seeking employment.

The current trends in hiring and wage growth indicate that the Fed may halt further rate hikes, focusing instead on stabilising long-term real rates as inflation is expected to decrease to more acceptable levels around 2.5 percent in the latter half of the following year. This expected slowdown in job growth further supports the case for the Fed to maintain current interest rates in their upcoming meeting this week.

NEWS FROM THE CRYPTO-SPHERE

Bitcoin Miner, Hive Digital, Enhances Capacity in Line with Price Surge

Figure 18. Bitcoin Miner, Hive Digital, Enhances Capacity In Line With Price Surge (Source: Hive Digital)

- **Hive Digital Technologies invested in 3,750 Bitmain S19J mining rigs and in 9,800 S19k Pro miners, enhancing its mining efficiency and capacity**
- **The company's strategic acquisitions and its technological upgrades have significantly increased its hash rate and Bitcoin production, capitalising on the rise of BTC since the start of the year**

Hive Digital Technologies announced a successful investment in Bitmain mining rigs, with returns already realised due to the recent surge in Bitcoin's value. The company's strategic acquisitions began post the collapse of FTX in November 2022, a move Hive said positions it advantageously for the anticipated Bitcoin halving event in April 2024.

HIVE Digital Technologies
@HIVEDigitalTech

November 2023 Production Update

🐝 276.3 Bitcoin produced from ASIC and GPU mining operations, representing an average of 66.7 Bitcoin Per Exahash
🐝 Produced an average of 9.2 BTC per day
🐝 Ended the month with 4.18 EH/s of mining capacity, including ASIC and GPU BTC hashrate, a 5.4% month-over-month increase
🐝 Average hashrate of 4.14 EH/s, a 5.2 % increase from October

Read the press release: hivedigitaltechnologies.com/news/hive-digi...

11:01 PM · Dec 7, 2023 · **1,695** Views

Figure 19. Hive Digital Announcement on X

On December 8, Hive disclosed its purchase of 3,750 Bitmain S19J mining rigs on December 22, 2022. This investment, along with software upgrades to support the new equipment, was part of a broader initiative that has seen Hive procure a total of 29,000 ASICs since the collapse of FTX. In 2022, S19J mining rigs were considered the most advanced ASIC rigs, but they have now been surpassed by the S19Ks, which feature a more efficient energy consumption profile compared to their predecessors. The Company said that it had purchased a total of 9,800 Bitmain S19k Pro miners, which have a machine efficiency of 23 joules per terahash (J/TH).

Aydin Kilic, Hive's CEO, highlighted the significance of these acquisitions, saying " The addition....is expected to add around 250 PH/s (petahash per second) to Hive's hash rate growth plans."

The rigs have contributed to Hive's enhanced fleet efficiency, now averaging 28.9 J/TH. By the end of December 2023, Hive expects an operational hash rate of 4.8 exahashes per second.

Hive's November 2023 report showcased a productive output of 276.3 Bitcoin, averaging 66.7 Bitcoin per exahash, thanks to its combined ASIC and GPU operations. This performance is particularly notable given the sharp increase in Bitcoin's value since January 1, which has risen by over 160 percent. This growth has been a windfall for miners, many of whom weathered low profitability during the extended crypto winter from late 2021 through 2022.

US Senators Propose Terrorism Financing Prevention Act to Target Cryptocurrency Use in Terror Funding

Figure 20. US Senators Propose Terrorism Financing Prevention Act to Target Cryptocurrency Use in Terror Funding

- **A bipartisan group of US Senators have introduced the Terrorism Financing Prevention Act, aiming to extend US sanctions to those funding terrorist organisations with digital assets or traditional currencies**
- **The proposed bill includes measures to allow the US Treasury to block transactions with sanctioned "foreign digital asset transaction facilitators" and is part of a broader effort to combat terrorism financing**

In a significant move to address the issue of terrorism financing through cryptocurrencies, a bipartisan team of US Senators, including Mitt Romney, Mark Warner, Mike Rounds, and Jack Reed, have put forward the Terrorism Financing Prevention Act. This legislation, announced on December 7th, seeks to extend US sanctions to cover those who fund terrorist organisations using digital assets or traditional currencies.

The bill's introduction follows the October 7 attack by Hamas on Israel. Senator Romney emphasised the necessity for the US Treasury Department to effectively respond to such "emerging threats involving digital assets," particularly in the context of recent activities by terrorist groups like Hamas and Hezbollah.

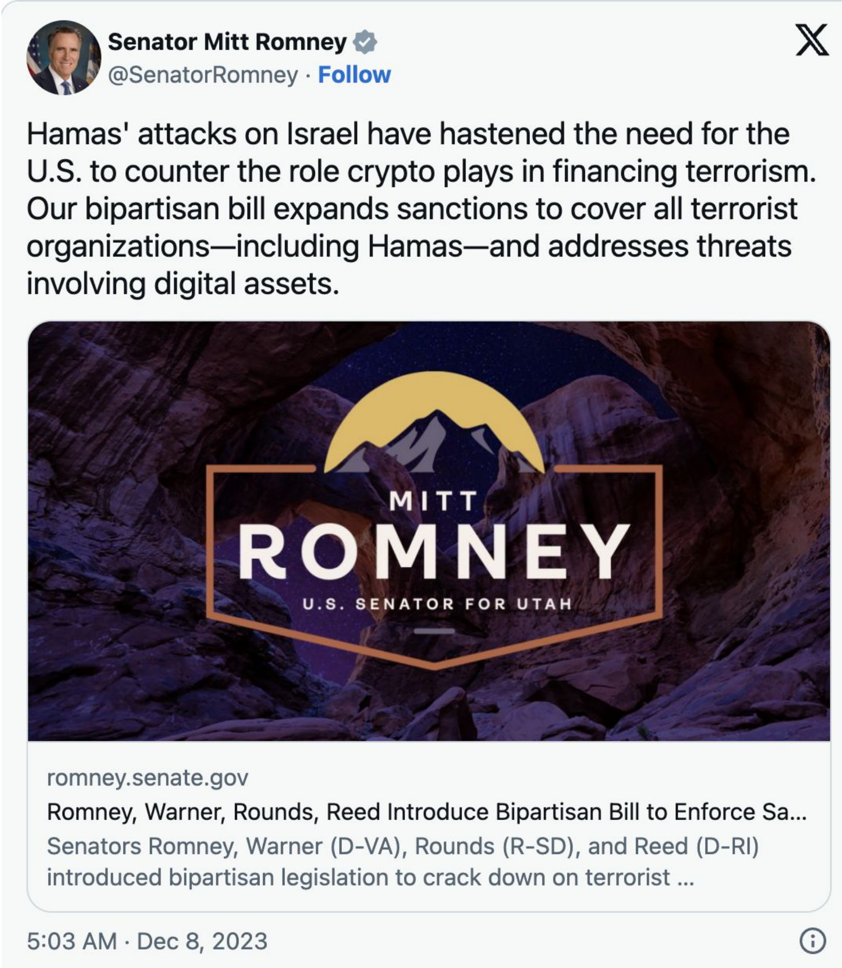


Figure 21. Senator Mitt Romney Announcement on X

The proposed bill, encompassing ten pages, includes measures that would empower the US Treasury to block transactions with any "foreign digital asset transaction facilitator" that is identified as a sanctioned entity. This move aligns with the Treasury's Office of Foreign Assets Control's recent actions, which sanctioned a Gaza-based crypto operator on October 18 and targeted North Korean nationals for using cryptocurrency mixers to launder funds.

Senator Rounds stressed the importance of equipping the Treasury with necessary counter-terrorism tools and that the Act aims to root out terrorism by sanctioning foreign financial institutions and digital asset companies that assist in such criminal activities.

The introduction of this bill comes amid growing concerns among US lawmakers regarding the alleged role of cryptocurrencies in funding terrorist organisations. This was evidenced when Senator Elizabeth Warren and over a hundred other lawmakers signed a letter in October, shortly after the attack by Hamas, urging for measures to substantially reduce illicit crypto activities that fund such groups.

El Salvador Launches 'Freedom VISA' for Crypto Millionaires, Offering Residency and Citizenship Pathways

Figure 22. El Salvador Launches 'Freedom VISA' for Crypto Millionaires, Offering Residency and Citizenship Pathways

- **El Salvador introduces "Freedom VISA," targeting Bitcoin and crypto millionaires for residency, with a $1 million investment requirement, which can be payable in BTC or USDt**
- **Successful applicants gain long-term residency and potential citizenship**

El Salvador has launched an innovative residency program, the "Freedom VISA", specifically targeting Bitcoin and cryptocurrency millionaires. This initiative aims to attract up to 1,000 individuals annually who are willing to invest a minimum of $1 million in Bitcoin or Tether.

Successful applicants are granted long-term residency and a pathway to full citizenship. However, they must pay a non-refundable application fee of $999 in BTC or USDt. The program officially commenced on Friday, December 8th, and Tether, the issuer of USDt, will oversee the technical aspects of the programme.

“This visa program is designed to foster an environment where individuals contribute to shaping a new socio-economic landscape for El Salvador, a growing hub of international tourism, and attract individuals deeply committed to catalysing economic expansion and driving transformative societal change”, Tether said.

This initiative is similar to the "Golden VISA" concept prevalent in various countries, where substantial investments in bonds or property yield a residency permit. However, El Salvador's decision to accept cryptocurrency investments for residency is unprecedented globally. If the program reaches its annual target, it could result in a minimum of $1 billion in deposits for the nation.

El Salvador passed legislation in September 2021, recognising Bitcoin as legal tender. Since then, it has amassed over 2,700 BTC in its treasury, leading to over $3 million in unrealized profits.

Japan Proposes Tax Exemption on Long-Term Cryptocurrency Holdings for Companies in Fiscal 2024 Reform Plan

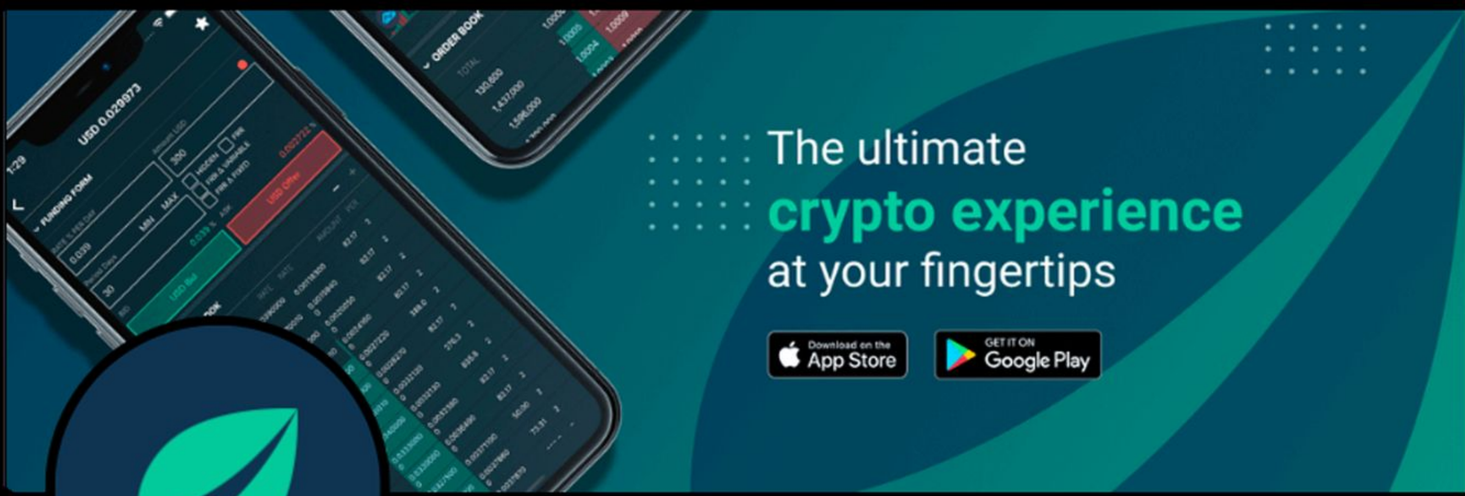
Figure 23. Japan Proposes Tax Exemption on Long-Term Cryptocurrency Holdings for Companies in Fiscal 2024 Reform Plan

- **Japan's ruling coalition is considering a tax exemption for companies on unrealized gains from long-term cryptocurrency holdings**
- **Other proposed tax changes include extending deductible entertainment expenses for SMEs and revising tax rules for foreign visitors' purchas**es

Japan's Liberal Democratic Party and its coalition partner have proposed an exemption for companies from paying tax on unrealized cryptocurrency gains. This proposed amendment to the tax code is aimed at long-term holders of cryptocurrencies, and not at short-term traders. This exemption would be based on the mark-to-market valuations at the end of each fiscal year and is expected to be a part of their fiscal 2024 tax reform plan, set to be finalised this month.

Currently Japan staxes companies on a mark-to-market basis for all cryptocurrency holdings, with the exception of self-issued coins. This policy has acted as a deterrent for companies, who might consider holding cryptocurrencies, such as venture capital firms and non-fungible token business operators. As a result however, many of these companies have been relocating to more tax-friendly countries like Singapore, Dubai, and Switzerland.

The fact that such moves are being discussed in a a major economy like Japan indicates acceptance of a need to accommodate and even incentivise the development of a crypto-focused industry.



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