



## Digital Token Identifier Foundation (DTIF)

✉ secretariat@dtif.org  
25 October 2023

**To: Internal Revenue Service (IRS), Treasury Department**

**Re: Public Comment on A Proposed Rule by the Internal Revenue Service, REG–122793–19, ‘Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions’**

The [Digital Token Identifier Foundation \(DTIF\)](#)<sup>1</sup> welcomes the opportunity to submit a formal comment on the Proposed Rule by the Internal Revenue Service (IRS) ‘Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions’ (the “Proposed Regulations”)<sup>2</sup> regarding information reporting, the determination of amount realized and basis, and backup withholding, for certain digital asset sales and exchanges.

The DTIF is the Registration Authority for the International Organization for Standardization (ISO) 24165 Digital Token Identifier (DTI) standard<sup>3</sup>, an ISO standard that enables the unique identification of all fungible digital assets which use distributed ledger technology for token issuance, storage, exchange, a record of ownership, or transaction validation. The DTI itself comprises a code, which is a random, unique combination of nine alphanumeric characters allocated to a digital token, and a record of data relevant to that token (the reference data) which sits behind the code and is held by the DTIF. The reference data provides information about the DLT on which the token is deployed, as well as token technical attributes (such as address, name(s) and any external identifiers).

The DTIF’s mission is to provide the golden source reference data for the unique identification of digital tokens. The DTIF issues and maintains DTIs on a non-profit basis, to increase transparency in the digital asset space by creating a core reference data set based on open data principles, made available as a public good.

We have contained our response to question 1 of the Additional Questions section.

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<sup>1</sup> The DTI Foundation is a non-profit division of [Etrading Software Limited](#)

<sup>2</sup> [Federal Register page](#) for Proposed Regulations

<sup>3</sup> [ISO 24165-1:2021](#) and [ISO 24165-2:2021](#), Digital token identifier (DTI)

We remain at your disposal to answer any questions you may have and would welcome the opportunity to discuss the DTI ISO standard further with you. Please do not hesitate to contact us at [secretariat@dtif.org](mailto:secretariat@dtif.org).

**1. Are there any suggestions for what the IRS should consider in planning for the receipt, storage, retrieval, and usage of the information required to be reported under these proposed regulations?**

The DTIF believes it is valuable for the IRS and the Treasury Department to be aware of the potential benefits of the use of the DTI by brokers, including digital asset trading platforms, digital asset payment processors, and certain digital asset hosted wallets, to file information returns, and furnish payee statements, on dispositions of digital assets effected for customers in certain sale or exchange transactions.

The Proposed Regulations § 1.6045-1(d)(2)(i)(B) requires each digital asset sale for which a broker is required to file an information return, the broker must report '*The name or type of the digital asset sold*', among other information. All parties, both the sender and receiver of this information, will face challenges in providing and interpreting the name of any digital assets respectively. The DTIF proposes that the IRS and the Treasury Department consider the use of a Digital Token Identifier (DTI) in addition to the name or type of the digital asset sold. The following sections outline how the DTI (i) supports the identification of digital tokens, and (ii) provides additional token reference data, to support the objectives of the Proposed Regulations.

***DTI supports identification of digital tokens***

A standardised form of identification will facilitate the consistent classification of digital tokens across federally regulated deposit-taking institutions, insurers, regulators, and other stakeholders involved in digital asset markets. The DTI is a globally recognised ISO standard that provides guaranteed uniqueness of digital tokens based on objective and verifiable technical data across different platforms, systems, and jurisdictions.

- *Unambiguous digital token identification:* Crypto-asset names are not standardised or unique across crypto exchanges, therefore, any disclosures should relate to a global standard, such as the DTI, to ensure clarity and avoid confusion. As an example, names such as "BTC" or "Bitcoin" lack clarity as numerous tokens share these designations. By uniquely identifying each token through its technical specifications, the DTI can assist market participants in verifying that they are holding and comparing the same crypto-asset. Bitcoin has been issued a DTI of 4H95J0R2X,

which, with the use of fork records, uniquely distinguishes it from any historical Bitcoin forks such as Bitcoin Cash, Bitcoin Gold, Bitcoin SV, and others.

- *Link to digital assets that constitute a security:* The Proposed Regulation states the broker must also provide certain information that is relevant to the sale of securities as required by the form or instructions. The DTI establishes a link to any underlying asset identifier (such as a tokenised bond's ISO 6166 International Securities Identifier Number (ISIN)<sup>4</sup>) and any underlying asset identifier is captured within the reference data publicly available on the DTI Registry. A direct link between a security identifier and digital asset identification would further support the 'proposed coordination rule' set out within the Proposed Regulations.
- *Link to DLT network:* The DTI uniquely identifies and links crypto-assets with their respective DLT network, allowing market participants and regulators to understand and monitor network risks for each crypto-asset. For example, the TetherUSD DTI on the Ethereum network (2QWSBDMNC) links to the Ethereum ledger identifier, and the TetherUSD DTI on the TRON network (C9N6ZVN7S) links to the TRON ledger identifier.

The ISO 24165 DTI standard is recognised as the global standard for identification of digital tokens and increasingly adopted by market stakeholders and recognised by regulators. For instance, the European Securities and Markets Authority (ESMA) has proposed use of the DTI to identify cryptoassets under the European Union's Markets in Crypto Assets Regulation (MiCA)<sup>5</sup>, in addition to recommending the use of the DTI under the EU's DLT Pilot Regime for transaction reporting which went live on 23 March 2023<sup>6</sup>.

### **DTI provides additional reference data**

The DTI code reference data provides information about the DLT on which the token is deployed, as well as token technical attributes. This additional information may be useful to tax authorities, in addition to brokers to assess risks associated with each token. Technical information captured by the DTI Registry to support such assessments includes, among others:

- *Protocols:* The mechanism/protocol used to create a digital token, such as ERC-20 used for Ethereum.

<sup>4</sup> International Securities Identifier Number (ISIN) is an ISO 6166 standard to uniquely identify a security

<sup>5</sup> ESMA [second consultation package](#) on technical standards for Markets in Crypto Assets Regulation (MiCA).

<sup>6</sup> [esma70-460-111 report on the dlt pilot regime.pdf \(europa.eu\)](#) (See page 54)

- *Public distributed ledger indicator:* Whether access to reading the distributed ledger is unrestricted (versus private/permissioned) – whether the data elements specified in the DTI Registry are accessible for independent verification by the general public.
- *Fork information:* If a hard fork were to occur on the chain where a DLT financial instrument resides, the original token would have new ‘copies’ on both forks. It is important to unambiguously identify which fork and token represents the ‘original’ DLT financial instrument. The DTI can perform this identification because, following a hard code, each ‘copy’ of the token will receive its own DTI, thereby allowing unambiguous identification of which token is the ‘real’ DLT financial instrument.

The DTIF would note also that it is open to capturing additional details based on market and regulatory demand.