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## CRYPTOCURRENCY DIVIDENDS

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Investors in Australian shares will reap a total of \$37 billion in dividends during the February reporting season, after many Australian companies boosted their payouts. This is a stark contrast with the cryptosphere, where only a handful of cryptocurrencies distribute dividends to holders.

Whilst there are various methods through which cryptocurrencies generate income, a primary source is through tokens which are required to power blockchain and cryptocurrency exchange platforms.

Cryptocurrencies such as NEO distribute dividends in the form of GAS tokens to holders. Holders of NEO are only eligible to receive a distribution if NEO coins are held within a private wallet and not on an exchange. A GAS token is an operational token which is required to fuel \_\_\_\_\_

proportional to the computing power consumed by the contract. Holders of GAS tokens are able to exchange them for one of the main cryptocurrencies, which can ultimately be converted to a currency, such as U.S. dollars.

Some cryptocurrencies created by exchange platforms pay dividends to their holders. For example, KuCoin exchange has its own currency, known as KuCoin Shares, which pay dividends. Dividends are financed out of revenues from website advertisements, interest generated through cash holdings and trading fees. A cryptocurrency exchange may distribute a proportion of trading fees collected from traders to holders of a platform's native coin. In the example of the KuCoin exchange, holders of KuCoin Shares receive 50% of trading fees collected by the exchange, with daily distributions. The amount of distribution paid will be dependent on the trading volume of that particular day and, as such, distributions will also vary from day to day.

One similarity between cryptocurrency dividends and dividends distributed by Australian shares is the amount of dividends received by the investor is proportional to the amount of shares or cryptocurrency held. Another similarity is that dividends are usually paid at regular intervals; some cryptocurrencies pay semi-annually and some may pay daily (see KuCoin Shares as above).

A difference between Australian share dividends and cryptocurrency dividends is that Australian shareholders are eligible for franking credits, provided the company has paid dividends out of profits which have already been subjected to Australian company tax. Dividends paid by cryptocurrencies are currently not eligible for franking credits. Other differences include unique rules on how a cryptocurrency has to be held in order to be eligible for dividends. Ownership alone will not suffice.

The value of cryptocurrencies has declined since December 2017 due to a combination of fears regarding regulation, as well as thefts from large exchange operators. These concerns have caused investors to sell down their holdings or exit the market. As investors flee, less transactions are made on exchange platforms reducing the trading fee collected and amount available to be distributed to holders.

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