

Crypto-Asset Reporting Framework: Frequently Asked Questions

(First release September 2024)

The OECD maintains and regularly updates a list of frequently asked questions (FAQs) on the application of the [Crypto-Asset Reporting Framework](#) (CARF). The questions set out in these FAQs were received from business and government delegates. The answers to such questions clarify the CARF and help to ensure consistency in their implementation.

SECTION I: OBLIGATIONS OF REPORTING CRYPTO-ASSET SERVICE PROVIDERS

1. Branch nexus

If a Reporting Crypto-Asset Service Provider is subject to the reporting and due diligence requirements in Sections II and III in a Jurisdiction pursuant to Section I(A)(4) by virtue of having a Branch that is a regular place of business in that jurisdiction and the Reporting Crypto-Asset Service Provider does not have a higher nexus to another jurisdiction that has implemented CARF, should the Reporting Crypto-Asset Service Provider complete the reporting and due diligence requirements in that Jurisdiction with respect to Relevant Transactions effectuated by the Branch only or with respect to all Relevant Transactions effectuated by the Entity?

Because the highest nexus that the Reporting Crypto-Asset Service Provider has to a jurisdiction that has implemented CARF is a regular place of business through a Branch, the Reporting Crypto-Asset Service Provider should complete the reporting and due diligence requirements in the Jurisdiction with respect to all Relevant Transactions effectuated by the Entity, not only those effectuated by the Branch, unless the Entity has another Branch in a jurisdiction that has implemented CARF and Sections I(G) or (H) are applicable.

SECTION II: REPORTING REQUIREMENTS

1. Reporting requirements with respect to Reportable Retail Payment Transactions

What are the reporting requirements with respect to Reportable Retail Payment Transactions?

Where a Reporting Crypto-Asset Service Provider transfers payments made in Relevant Crypto-Assets from a customer to the merchant for a value greater than USD 50 000 as an agent for the customer, the Reportable Crypto-Asset Service Provider should report such Transfer as a Reportable Retail Payment Transaction.

If the Reporting Crypto-Asset Service Provider is acting as an agent of the merchant, the Transfer is reported as such and not as a Reportable Retail Payment Transaction. However, with respect to such Transfers, if the Reporting Crypto-Asset Service Provider is required to verify the identity of the merchant’s customer pursuant to domestic anti-money laundering rules, then the Reporting Crypto-Asset Service Provider is required to also treat the customer of the merchant as the Crypto-Asset User and to report the transaction as a Reportable Retail Payment Transaction with respect to the customer.

In terms of reporting requirements, aggregate information on Transfers that constitute Reportable Retail Payment Transactions with respect to a particular Crypto-Asset User is required to be reported as a separate category of Relevant Transactions. Aggregate information with respect to Transfers that do not constitute Reportable Retail Payment Transactions solely by virtue of not meeting the de minimis threshold should be included in the aggregate information reported with respect to Transfers, and not as Reportable Retail Payment Transactions.

SECTION III: DUE DILLIGENCE PROCEDURES

1. Reportable Jurisdiction Person with no tax residence

With respect to an Entity Crypto-Asset User that is a partnership, limited liability partnership or similar legal arrangement without residence for tax purposes, can a Reporting Crypto-Asset Service Provider rely on the address of the principal office of the Entity for purposes of determining what jurisdiction such Entity is resident in for purposes of the CARF?

Yes, to the extent the Reporting Crypto-Asset Service Provider has no other documentation available to determine the place of effective management of the Entity Crypto-Asset User, the Reporting Crypto-Asset Service Provider may rely on the address of the principal office of the Entity for purposes of determining what jurisdiction such Entity is resident in for purposes of the CARF.

SECTION IV: DEFINED TERMS

1. Non-custodial services

Does the definition of Reporting Crypto-Asset Service Provider provided for in Section IV(B)(1) exclude non-custodial services effectuating Exchange Transactions?

No. Pursuant to Section IV(B)(1), a Reporting Crypto-Asset Service Provider means “any individual or Entity that, as a business, provides a service effectuating Exchange Transactions for or on behalf of customers, including [...] by making available a trading platform”. For that purpose, a trading platform may be made available by an individual or Entity with or without offering custodial services.

2. Wrapping and liquid staking

Certain Relevant Transactions involve the exchange of Relevant Crypto-Assets for a token representing the exchanged Relevant Crypto-Assets.

This includes instances where a Relevant Crypto-Asset on one blockchain represents a Relevant Crypto-Asset from another blockchain or the creation of a Relevant Crypto-Asset on the same blockchain that can be used in an automatically executing transaction that the original Relevant Crypto-Asset cannot be used in. The new Relevant Crypto-Asset is supposed to match the asset value it is representing, and it can normally be redeemed at any time.

Similarly, a Crypto-Asset User may transfer Relevant-Crypto Assets into an automatically executing contract for the purpose of being used as part of a proof-of-stake consensus mechanism to validate transactions on a distributed ledger. In exchange the Crypto-Asset User may then be issued a tokenised version of their Relevant Crypto-Assets, which carries the same value and is transferable or tradable.

Are such transactions, as described above, Exchange Transactions?

Yes, because they involve the exchange of a Relevant Crypto-Asset for another Relevant Crypto-Asset they constitute Exchange Transactions. This is irrespective of whether an Exchange Transaction gives rise to a taxable disposition under applicable tax rules.

3. Collateralised loans

Should a Relevant Transaction where Relevant Crypto-Assets are transferred as collateral in exchange for a transaction denominated as a loan of Relevant Crypto-Assets or Fiat Currency, and whereby the terms of the agreement require the return of the collateral and the borrowed Relevant Crypto-Assets or Fiat Currency, be reported as an Exchange Transaction or as a Transfer?

A Reporting Crypto-Asset Service Provider must only treat a Relevant Transaction as an Exchange Transaction if, based on its available knowledge at the time of the Relevant Transaction it can determine that the transaction consists of an acquisition or disposal of one or more Relevant Crypto-Assets as compensation for Fiat Currency or other Relevant Crypto-Assets. Where Relevant Crypto-Assets are transferred as a loan or as collateral, they are not transferred as compensation for the acquisition of other Relevant Crypto-Assets. Therefore, in those instances, or where the Reporting Crypto-Asset Service Provider does not have knowledge about the characteristics of the Relevant Transaction, it must report it as a Transfer.

Where a Reporting Crypto-Asset Service Provider has knowledge that the Relevant Transactions it is effectuating consists of a transfer of Relevant Crypto-Assets as collateral in exchange for a loan of Relevant Crypto-Assets, which Transfer types should it use for reporting such transactions over the lifetime of the loan?

Both the Transfers effectuated for the borrowing and the return of the borrowed Relevant Crypto-Assets must be reported as Transfer type “Crypto loan”. The transfer of Relevant Crypto-Assets in connection with the deposit and return of the collateral must be reported as Transfer type “Collateral”. If, separately from the return of the borrowed Relevant Crypto-Assets, an amount of Relevant Crypto-Assets is transferred to the lender by way of compensation for the loan, such Transfer must be reported as Transfer type “Other”.