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19

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The EU's version of OECD's Crypto Asset Reporting Framework (CARF) is DAC8. Hilariously, it contains some non compos mentos blooper add-ons.





April 23, 2024

The Organisation for OECD) published in October 2022 the Crypto-Asset Reporting Framework (CARF)

The CARF is a global tax transparency framework that provides for the automatic exchange of tax information on transactions in Crypto-Assets and leverages existing tax and regulatory frameworks, such as the OECD's Common Reporting Standard (CRS) and the Financial Action Tax Force (FATF).

- The G20 initially recommended some type of international automatic exchange of information for crypto assets and endorsed the OECD's CARF
- CARF is a standalone framework and consists of rules and commentary that can be transposed into domestic law.
- Following into the OECD's footsteps, in December 2022, the EU Commission issued the 7th amendment to the Directive on Administrative Co-operation.
- DAC8 builds on the Regulation on Markets in Crypto-Assets (MICA) and the Transfer of Funds Regulation (TFR), thereby avoiding imposition of additional administrative burdens
- for Crypto Asset Service Providers (CASPs)
- Crucially, it expanded its scope allowing for reporting and automatic exchange of information between Member States.
- DAC8 is *largely* consistent with CARF and incorporates the amendments to the CRS (funny, but not the Commentaries to CARF and the CRS).

However, the proposal differs from CARF with a few looney toon add-ons:

A. Extraterritorial reach

 Although the G20 initially recommended international Automatic Exchange of Information for crypto assets, no decision has yet been taken on whether it would be considered as a global minimum standard or equivalent. Not to worry, EU has a brilliant idea to make it globally equivalent

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- DAC8 requires all Reporting Crypto Asset Service Providers (RCASPs), irrespective of their size or location, irrespective if individuals or entities, to report transactions of clients residing in the EU.
- The proposal covers both domestic and cross-border transactions and requires EU and non-EU CASPs with EU clients to register in a Member State to fulfil their reporting obligations.
- This extra-territorial reach is aimed to impact RCASPs serving EU clients.



Globally? Man, that's funny

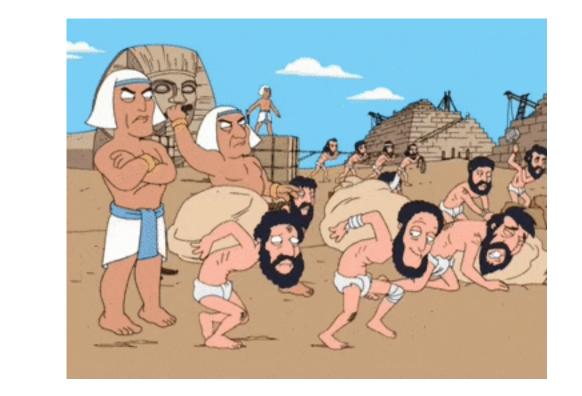
- It remains however to be seen if and how the EU will enforce this looney toons
- requirement on non-EU RCASPs.
- I'll await with bated breath to see how this will be enforced
- Ex EU-RCASPs will need to put processes and controls in place to ensure that their EU clientele is reported as required, unless an exception applies.

You think user not going to transfer crypto to a jurisdiction that does not have this ludicrous extra territorial laughable agreement

Read my article on how difficult it will be to ensnare CASPs into DAC8



Read my article on how G20 and OECD will pressure all CRS participating jurisdictions to implement the Crypto Asset Reporting Rramework (CARF)



• Be aware though, although possible to hide crypto from CARF reporting on transactions of exchanges. • Eventually one has to convert the illicit undeclared crypto when its converted to good old

hard cash.

Read my article if one can avoid CARF by using decentralized exchanges and cold wallets.

B. Freezing accounts if the user procrastinates in due diligence

• If a crypto-asset user does not provide the required information after two reminders following the initial request by the RCASP within 60 days, the RCASP must block the crypto-asset user from performing exchange transactions. • Another looney toons move: You think the user not going to flee to a non-participating

jurisdiction the second their is a any sign of imminent freezing.. like written requests from your Crypto Asset Servive Provider (LoL)

• How does the EU industry retort "Therefore, the RCASP needs to establish a process to ensure that it follows-up on the information request, monitors the timeline and automatically blocks the transactions".

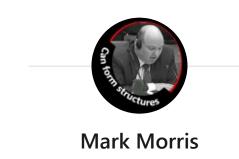
 Additionally, when complying with this requirement, RCASPs will need to assess their legal obligations to ensure they are not in breach of their contract with their client.

- III. Retroactivity: another cartoonish move
- The definition of new and preexisting accounts included in the proposed Directive has retroactive application.
- DAC8 defines a new account as a Financial Account maintained by a Reporting Financial Institution opened on or after 1 January 2016 or, if the account is treated as a Financial Account solely by virtue of the amendments to the Directive 2011/16/EU, on or after 1 January 2024.
- "This definition seems counterintuitive and in contradiction with the 2025 deadline given to the EU Member States to transpose the Directive into local law". Really, ya think so

Rumours of sanity prevailing

 Not withstanding DAC8's above clauses, rumours abound that some of the looney toon clauses are being reviewed by the EU with the aim to align the wording of CARF with CRS and to eliminate any major deviations.

Bwahh ha ha. Bet you those rumours are crap.



CRS and CARF expert. No, truly.



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