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THE CRYPTO-ASSET REPORTING FRAMEWORK (CARF)

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Introduction

The Common Reporting Standard ("**CRS**") was designed to strengthen tax transparency by facilitating the automatic exchange of information on financial accounts. The emergence of crypto-assets, facilitating peer-to-peer value transfers without the need for traditional intermediaries, has introduced complex challenges for tax compliance and transparency frameworks.

In response to these developments the OECD approved a new regulatory framework:

> A new tax transparency framework for the automatic exchange of tax information on crypto-asset transactions in a standardized manner (the "Crypto-Asset Reporting Framework» or "**CARF**"); and

> A series of amendments to the Common Reporting Standard.

The CARF is designed to facilitate the automatic exchange of information regarding transactions involving crypto assets. that would otherwise escape conventional financial reporting systems. The new CRS amendments encompass reporting obligations for holdings in electronic money (e-money) and digital money instruments. The overarching objective is to ensure that the reporting requirements under each framework are coordinated, thereby eliminating redundancies and avoiding the duplication of reportable data.

Embracing the CARF

The CARF sets out the due diligence obligations specifying **who** must collect which information, from **whom**, and **by what means**.

The Rules of the CARF have been designed around four key building blocks:

- Relevant Crypto-Assets
- Reporting CASP
- Reportable Transactions
- Due Diligence duties

Relevant Crypto-Assets

Under the CARF, "Crypto-Assets" are defined by their reliance on cryptographically secured distributed ledger technology, which enables their creation, storage, and transfer. However, only "Relevant Crypto-Assets" - those posing significant tax compliance risks- are subject to reporting. The framework excludes three categories of crypto assets deemed to present limited risk, thereby exempting them from reporting obligations:

> Central Bank Digital Currencies ("**CBDCs**"): crypto assets representing claims in fiat currency on central banks.

> Specified electronic money products: digital representations of fiat currency issued in exchange for equivalent funds used for payment transactions.

> Closed-loop crypto-assets: crypto-assets which the Reporting Crypto-Asset Service Provider ("**CASP**") has adequately determined cannot be used for payment or investment purposes.

Reporting CASP

The term "Reporting CASP" encompasses both legal entities and natural persons who, during their professional activities, facilitate exchange transactions on behalf of clients. This includes transactions between one or more Relevant Crypto-

Assets, as well as between such assets and fiat currencies, whether by acting as counterparties, intermediaries, or by operating trading platforms through which such exchanges are conducted.

Importantly, the CARF's scope is not limited to traditional cryptocurrencies such as Bitcoin or Ethereum. It also explicitly encompasses security tokens and other tokenized financial instruments, provided they are issued or held in a form that does not qualify as a financial account under the CRS. As a result, financial institutions such as banks or investment firms that do not offer crypto custody per se but have issued or distributed tokenized securities — for example, in the form of digital bonds, tokenized equity, or structured products — may also fall within the reporting perimeter of CARF.

This expansion highlights the convergence between digital asset innovation and traditional finance and requires institutions historically outside the crypto domain to re-evaluate their compliance obligations under this emerging international standard.

Reportable transactions under the CARF framework

Under the CARF, the following three categories of transactions are considered "Relevant Transactions, and are subject to reporting obligations:

> Exchanges between Relevant Crypto-Assets and fiat currencies.
> Exchanges involving one or more forms of Relevant Crypto-Assets.
> Transfers of Relevant Crypto-Assets, including Reportable Retail Payment Transactions.

Please note that under CARF, the duty to report extends not only to those who facilitate crypto asset services (exchanges, custody, transfers, or other transactional support), but also to entities that execute transfers of crypto assets exceeding a threshold of USD 50,000 (or equivalent) — even if their operations are limited to transfer services.

Relevant transactions will be reported in aggregate form, categorized by type of Relevant Crypto-Asset, and differentiated between incoming and outgoing flows.

CARF due diligence requirements

Under the CARF, Reporting CASP must conduct due diligence to identify users, determine reportable jurisdictions, and collect the information required for compliance. These procedures align with CRS self-certification standards and incorporate FATF-based anti-money laundering measures.

Entry in force

The CARF will come into effect on January 1, 2026, marking the start date by which participating jurisdictions are expected to have enacted the necessary legal and regulatory provisions. The first exchange of information, covering reportable transactions and data from the 2026 calendar year, must take place by January 31, 2027, in accordance with the OECD's standardized XML schema and transmission protocols.

However, Switzerland will not activate any CARF agreements on 1 January 2026. The main reason for this postponement is that other key markets (e.g. HK, SG and the US) will not implement CARF by 2026.[1]

[1] View the official OECD list status of implementation here: https://www.oecd.org/content/dam/oecd/en/networks/global-forum-tax-transparency/commitments-carf.pdf

To ensure consistency across jurisdictions and reduce administrative friction for CASPs, the OECD has released a suite of technical documentation, including version of the *Crypto-Asset Reporting Framework (CARF) XML Schema* that supports the automatic exchange of information pursuant to the CARF.

The OECD has also issued a new set of frequently asked questions (FAQs) to provide interpretative guidance on the CARF and the amended Common Reporting Standard (CRS). These FAQs help to ensure consistent implementation of both standards.

Conclusion

Crypto asset regulation is undergoing a pivotal shift as a result of CARF, which aims to address tax transparency issues in the rapidly evolving digital and electronic economy.

For those operating in this field, successful compliance requires proactive preparation.

First, you need to establish whether you qualify as a CASP and identify any assets or transactions that could trigger reporting requirements. You may need to upgrade your KYC, AML and reporting tools to ensure your systems can handle CARF requirements. Make sure that your team is fully trained and aware of what is coming and monitor any changes to timelines and reporting rules.

Lexify as Your Consultant

Lexify supports financial institutions and digital-asset operators in assessing whether they fall within the scope of CARF, mapping reportable transactions, and adapting internal processes to meet the OECD's technical and due-diligence standards. We assist in reviewing client-onboarding procedures, upgrading reporting architectures, and implementing governance measures aligned with CARF's operational expectations. Our team can accompany you throughout the entire implementation cycle to ensure that your organisation executes a fully compliant and operationally sound CARF framework.

Contact

Thank you for taking the time to read our article. We hope you find it informative and engaging. If you have any questions, feedback, or would like to explore our services further, we're here to assist you.

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