



Consultation Paper

CRYPTO-ASSET REPORTING FRAMEWORK

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Purpose of the consultation

1. The purpose of this Consultation Paper is to provide information regarding the implementation of the Crypto-Asset Reporting Framework ("CARF") to assist with the review of the draft Tax Information Authority (International Tax Compliance) (Crypto-Asset Reporting Framework) Regulations, 2025 (the "draft Regulations") attached as Appendix 1.

Background

2. As the world has become increasingly globalised and cross-border activities become the norm, tax administrations need to work together to ensure that taxpayers pay the right amount of tax to the right jurisdiction. This aligns with the Cayman Islands' long-held and publicly stated position that taxes should be paid where they are rightfully due.
3. In response to a G20 request and then approved by the OECD Council in July 2014, the Common Reporting Standard ("CRS") was developed. The CRS requires jurisdictions to obtain information from their financial institutions and automatically exchange that information ("AEOI") with other jurisdictions on an annual basis.
4. Since the introduction of CRS in 2014, over 100 jurisdictions have implemented CRS and financial markets have continued to evolve and introduce new investment and payment practices. The OECD, working together with G20 countries, carried out the first comprehensive review of the CRS in consultation with participating jurisdictions, financial institutions, and other stakeholders. The outcome of this review was a set of amendments to the CRS (CRS 2.0) and the new tax transparency framework referred to as the Crypto-Asset Reporting Framework ("CARF").
5. Due to the nature of crypto-assets, they allow for the transfer and holding of crypto-assets to be done without the interaction of traditional financial intermediaries and without any financial administrator having full visibility of the transactions or the location of the crypto-asset holdings. The increase in the adoption of Crypto-Assets has reduced administrators' visibility of the tax implications associated with these transactions, which could potentially erode the recent



improvements in global tax transparency. To address this risk, in April 2021, the OECD developed a framework for AEOI related to crypto-assets, which was approved in August 2022.

6. Similar to the CRS, CARF is a global tax transparency framework developed to provide for the automatic exchange of tax information on transactions in crypto-assets between participating jurisdictions to enhance transparency and cooperation among tax authorities and combat tax evasion and money laundering relating to crypto-assets. CARF supports the Financial Action Tax Force's (FATF) efforts to establish a global framework for the supervision and regulation of crypto-asset service providers and to ensure effective implementation of the FATF Recommendations on virtual assets and virtual asset service providers.
7. In October 2022, the G20 asked the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) to oversee the implementation of CARF and the Global Forum agreed to do so in November 2022. The Global Forum is a key international body working on the implementation of international standards supported by a self-standing Secretariat hosted at the OECD. To oversee the implementation of CARF, the Global Forum established a group of interested members to develop proposals for the delivery of the CARF's implementation, the so-called "CARF Group", of which the Cayman Islands is a member.
8. In July 2023, the OCED published the CARF legislation and commentary.
9. On 3 November 2023, the Cayman Islands confirmed its willingness to participate in the CARF and on 10 November 2023, a joint statement from 48 jurisdictions, including the United Kingdom, the UK Crown Dependencies, and Gibraltar and the Cayman Islands as UK Overseas Territories, was published by each jurisdiction. The statement is published on the Department of International Tax Cooperation website. The joint statement notes that the goal is to transpose CARF into domestic law and have activated exchanges take place by 2027.
10. The Cayman Islands made its commitment to commence CARF exchange through the 10 November 2023 joint statement. This commitment formalized our dedication to CARF and clarified that exchanges would begin in 2027.
11. The Cayman Islands signed the Multilateral Competent Authority Agreement on Automatic Exchange of Information pursuant to the Crypto-Asset Reporting Framework on 26th November



2024 at the 17th plenary of the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) gathering in Asunción, Paraguay.

12. Implementing the CARF requires the enactment of a legal framework addressing domestic and international legal requirements and establishing the necessary agreements for the exchange of financial information. These steps mirror the processes used for the implementation of the CRS. Jurisdictions must translate CARF definitions, reporting, and due diligence requirements into domestic law. The domestic framework must be legally binding and incorporate all CARF elements.

Discussion

13. The CARF is complementary to the CRS and CRS 2.0 that existing CRS jurisdictions, including the Cayman Islands, will need to implement.
14. The CARF aligns with global anti-money laundering standards set by the FATF. A failure to implement CARF could result in loss of access to vital transaction information, potential reputational damage as a non-cooperative jurisdiction, and missed opportunities for enhanced regulatory oversight. By implementing CARF in 2026, the Cayman Islands will continue to be among the countries first to introduce the new tax transparency legislation and be seen as a strong supporter of tax transparency. Implementing CARF will help to ensure the recent gains in tax transparency will not be eroded. CARF will also assist in improving tax compliance and limit tax evasion. The CARF defines the relevant crypto-assets that are in scope and the intermediaries and other service providers that will be subject to reporting. The CARF definition of crypto assets was drafted considering the FATF definition of virtual assets, which is the same as that in our Virtual Assets Service Providers Act (2024 Revision).
15. The CARF will apply to individuals and entities that provide services effectuating exchange transactions in crypto-assets for and on behalf of customers. This will include crypto-asset exchanges and other intermediaries and service providers that provide exchange services, such as brokers and dealers in relevant crypto-assets.
16. The CARF requires reporting and exchange of tax relevant information on an aggregate basis, divided by type of crypto-asset and type of transaction.



17. The draft Regulations have leveraged off of the structure of the Tax Information Authority (International Tax Compliance) (Common Reporting Standard) Regulations (2021 Revision), and the CARF has been attached as the Schedule to the Regulations.
18. The draft Regulations will be implemented as secondary legislation under the Tax Information Authority Act. The legislation must be in place by the start of the 2026 calendar year for the first exchanges to be done in 2027, as per our commitment.
19. Jurisdictions must define the scope of information they intend to exchange and create a Competent Authority Agreement to specify the details. This can be done using the Multilateral Competent Authority Agreement or equivalent bilateral agreements.
20. With the commitment to commence exchanges in 2027 and to allow sufficient time for the Tax Information Authority and industry to meet the requirements, the policy development began in Q3 2024 with the aim of having the legislation enacted at the end of 2025.

The Draft Tax Information Authority (International Tax Compliance) (Crypto-Asset Reporting Framework) Regulations, 2025

21. The principal object of the draft Regulations is to give effect to the Crypto-Asset Reporting Framework (CARF) developed by the Organisation for Economic Co-operation and Development (OECD), by establishing a legal framework for the automatic exchange of tax information relating to crypto-assets in accordance with international standards.
22. The Regulations are made pursuant to the powers conferred under the Tax Information Authority Act and are intended to ensure that the Cayman Islands remains compliant with evolving global tax transparency initiatives, particularly in the area of digital assets and decentralized finance.
23. *Part 1* contains Regulations 1 to 5 which are to preliminary provisions.
24. *Regulation 1* establishes the name of the Regulations and sets the date they come into effect as 1 January 2026.
25. *Regulation 2* provides clear meanings for key terms used throughout the Regulations.
26. *Regulation 3* incorporates OECD guidance into the Cayman framework. The OECD's official commentary is treated as part of the Regulations to help interpret and apply the reporting rules.



27. *Regulation 4* allows the Authority to issue practical guidance. The Authority can publish instructions to help service providers comply with the Regulations and use the DITC portal.
28. *Regulation 5* identifies which countries are involved in information exchange. The Authority must publish an annual list of countries (Participating Jurisdictions and Reporting Jurisdictions) and with which the Cayman Islands exchanges crypto-asset information.
29. Part 2 contains Regulations 1 to 13 which deal with the application of the Crypto-Asset Reporting Framework.
30. Regulation 6 makes the OECD framework legally binding in the Cayman Islands. The OECD's Crypto-Asset Reporting Framework (CARF) applies to all relevant crypto asset service providers in the Cayman Islands.
31. *Regulation 7* sets out what service providers must do to comply. Providers must create and follow written procedures for identifying reportable users. They must collect self-certifications from users to determine tax residency. These procedures must be documented and retained as evidence of compliance.
32. *Regulation 8* requires service providers to register with the Authority. Existing providers must register by 30 April 2026. New providers must register by 31 January following the year they begin operations. Providers must notify the Authority of any changes to their registration details. Certain government entities and pension funds are exempt.
33. *Regulation 9* details annual reporting requirements. Providers must submit a return for each reportable user. a nil return if there are no reportable users or a notice if they reported in another jurisdiction. Returns must be accurate, adequate, and current, and submitted by 31 May each year.
34. *Regulation 10* establishes a standardized process for submitting returns. Returns must be submitted via the Authority's electronic portal. The Authority will provide instructions to service providers on accessing and utilising the portal. Any submissions made via the portal are considered valid unless proven otherwise.
35. *Regulation 11* allows delegation of compliance duties. Providers can appoint a local agent to fulfill their obligations. However, the provider remains fully responsible for compliance and record-keeping.



36. *Regulation 12* gives the Authority power to verify compliance. The Authority can request documents or inspect records. If records are held outside the Islands, the provider must bring them in. Records must be kept for at least six years.
37. *Regulation 13* prevents abuse of the rules. Any arrangement designed to avoid compliance is treated as if it never existed.
38. *PART 3* contains Regulations 15 to 22 which deal with offences and penalties.
39. *Regulation 14* criminalises the submission of materially false self-certifications, regardless of the person's knowledge or the location where the certification was made.
40. *Regulation 15* makes it an offence for a Cayman Reporting Crypto-Asset Service Provider to breach any requirement under Part 2.
41. *Regulation 16* criminalises the intentional submission of inaccurate information that could lead to a breach of confidentiality under the Act.
42. *Regulation 17* criminalises the destruction, alteration, or concealment of information to avoid compliance.
43. *Regulation 18* makes it an offence to hinder the Authority in carrying out its duties under the Regulations.
44. *Regulation 19* provides a limited defence for offences, excluding excuses such as lack of funds or reliance on third parties.
45. *Regulation 20* extends criminal liability to directors, partners, trustees, and other decision-makers of entities that commit offences, unless they can prove due diligence.
46. *Regulation 21* sets maximum fines of CI\$50,000 for corporate and unincorporated providers, and CI\$20,000 for other cases.
47. *Regulation 22* clarifies the application of the Criminal Procedure Code to offences and penalties under these Regulations.
48. *PART 4* which contains *Regulations 23 to 33* which deal with compliance measures including
49. *Regulation 23* authorises the Authority to impose primary and continuing penalties for non-compliance, with a cap of CI\$50,000.



50. *Regulation 24* sets out the factors the Authority must consider when determining whether to impose a penalty and its amount, prioritizing deterrence and compliance.
51. *Regulation 25* establishes time limits for imposing penalties, generally one year from discovery or six years from the contravention.
52. *Regulation 26* prevents the imposition of a penalty if a prosecution has already occurred for the same offence.
53. *Regulations 27 to 30* introduce a structured process for imposing penalties, including breach notices, opportunity for representations, and final penalty notices.
54. *Regulations 31 to 33* grant the right to appeal penalties to the court, provide for an automatic stay of enforcement during appeal and outline the court's powers on appeal.
55. Part 5 contains *Regulations 34 to 36* which are miscellaneous provisions.
56. *Regulation 34* clarifies how the conduct and mental state of representatives are attributed to principals for enforcement purposes.
57. *Regulation 35* specifies how the Authority may serve notices, including via electronic communication.
58. *Regulation 36* facilitates the use of certificates and electronic records as evidence in legal proceedings.
59. The Schedule contains the Crypto Asset Reporting Framework.

Responding to the consultation

The Ministry of Financial Services and Commerce invites you to review the **draft Tax Information Authority (International Tax Compliance) (Crypto-Asset Reporting Framework) Regulations, 2025** (attached as Appendix 1) and to provide your feedback and comments.

Please note that any responses received may be made public, albeit on an anonymous basis where possible. Responses may also be shared with other public bodies to assist the Ministry with developing relevant policies.

The deadline to respond to the Ministry is 5pm on 15th September 2025.

Please respond via email to dfslegislation@gov.ky, with the message title "Crypto-Asset Reporting Framework".