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H.E. Mr. Jürgen Ligi
Minister of Finance
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Paris, 28 August 2024

Subject: The Global Forum's CARF Commitment Process

Dear Minister of Finance Ligi,

I am writing in connection with the ongoing work of the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) to ensure the widespread implementation of the Crypto-Asset Reporting Framework (CARF) as well as to inform you of a signing ceremony of the CARF Multilateral Competent Authority Agreement (CARF MCAA) that is taking place at the Global Forum's 2024 Plenary meeting from 26 to 28 November in Asuncion, Paraguay .

The CARF extends the Automatic Exchange of Information (AEOI) for tax purposes to the crypto-asset sector to help tax authorities address the tax risks posed by crypto-assets. It will also preserve the integrity of the Common Reporting Standard (CRS) for AEOI in relation to Financial Accounts, which can be side-stepped using crypto-assets. Furthermore, it is anticipated to produce significant deterrent effects to tax evasion and avoidance using crypto-assets. The political momentum behind the CARF is shown by 59 jurisdictions having already announced their "intent" to commence exchanges under the CARF from 2027. This of course includes Estonia, which I warmly welcome. Further details on the CARF, how it builds closely on the CRS and on the jurisdictions intending to exchange information under the CARF from 2027 are contained in the enclosed Annex.

The Global Forum's work on the CARF is in response to a G20 request in October 2022, for the Global Forum to "build on its commitment and monitoring processes to ensure the widespread implementation of the CARF by relevant jurisdictions", which was welcomed by the Global Forum Plenary as the means to deliver an effective CARF based on a level playing field for governments and business. The Global Forum subsequently established the CARF Group to take forward the work and significant progress has been made. The Global Forum Plenary has since asked for the CARF commitment process to be finalised by the 2024 Global Forum Plenary meeting. The first step for implementing the CARF is to express political commitment in accordance with common timelines. I am therefore writing to you to invite Estonia to make a commitment to implement the CARF under the Global Forum's CARF commitment process.

Delivering an effective CARF based on a level playing field requires all jurisdictions that host a relevant crypto-asset sector to implement the CARF. Estonia has been identified by the CARF Group as very likely to be hosting such a crypto-asset sector based on the criteria adopted by the Global Forum (noting that the Global Forum Secretariat is currently engaged with your officials at a technical level to discuss this analysis). If confirmed, Estonia will be seen as a jurisdiction of relevance to the CARF and will be expected to commit to implement the CARF by the Global Forum's 2024 Plenary Meeting. Regardless of this exercise, Estonia is welcome to commit to implement the CARF to benefit from receiving information held abroad on crypto-assets that taxpayers resident in Estonia own. The Global Forum's CARF commitment process is also the mechanism through which the statements made so far to implement the CARF are being formalised.

Committing to implement the CARF under the Global Forum's CARF commitment process entails committing to implement the CARF in time to commence exchanges under the CARF from 2027, or 2028 if Estonia faces particular challenges with meeting the 2027 timeline. Similarly to the commitments to the CRS, committing to the CARF is expected to include a commitment to exchange information with all interested appropriate partners (jurisdictions that have implemented the CARF, which meet the expected standards in relation to confidentiality and data safeguards and that are interested in receiving CARF information from your jurisdiction).

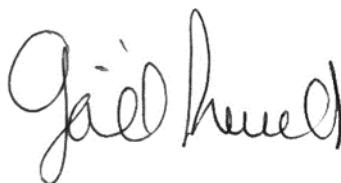
I would therefore welcome Estonia's commitment to implement the CARF, in accordance with the details set out in the paragraph above, by the 2024 Global Forum Plenary Meeting. Such a commitment can be made through replying as such to this letter.

A key step towards putting into effect a commitment to implement the CARF is signing the CARF MCAA. As mentioned above, there will be an opportunity to sign the CARF MCAA at the 2024 Global Forum Plenary meeting which I would welcome Estonia's involvement in. Participation can be during the meeting, where a person with the appropriate authority can sign the MCAA, or through signing the relevant documents remotely in advance. Further details have already been shared with Estonia's Global Forum representatives.

In addition to being able to provide further details on any of the issues in this letter and the technical Annex, Ms. Zayda Manatta, Head of the Global Forum Secretariat (who can be contacted at zayda.manatta@oecd.org or at gftaxcooperation@oecd.org) is ready to answer any queries you or your team may have, as well as to provide further assistance in relation to the implementation of the CARF.

I would welcome your response to this letter before Thursday, 31 October 2024 at the latest (and earlier if possible). This will enable the Global Forum to have a comprehensive overview of the commitments made by the Global Forum Plenary in November and to properly report to the public and the G20 on the progress it has made to deliver its request.

Yours sincerely,



Gaël Perraud
Chair, Global Forum

Reply by email to: gftaxcooperation@oecd.org, for the attention of Mr. Gaël Perraud

Annex A. The building blocks to implement the CARF and how they build upon the CRS

This Annex sets out in high-level terms the various building blocks necessary to commit to and implement the Crypto-Asset Reporting Framework, including how they build closely on the requirements of the Common Reporting Standard (CRS), in relation to the automatic exchange of information (AEOI) on Financial Accounts.

Building block 1 - Political commitments to implement the CARF

The first building block to implement the CARF is to make a political commitment under the Global Forum's commitment process. This builds very closely on the Global Forum's commitment process in relation to the CRS. It includes a common timeline to commence CARF exchanges (2027, or 2028 if a jurisdiction faces particular challenges with the 2027 timeline) and an expectation that information will be required to be exchanged with all interested appropriate partners (being jurisdictions that have implemented the CARF, which meet the expected standards in relation to confidentiality and data safeguards and which are interested in receiving CARF information from another jurisdiction that has implemented the CARF).

59 jurisdictions have already announced their intent to implement the CARF in time to commence exchanges from 2027.²⁴ The Global Forum's CARF commitment process will supersede the joint statement issued by these jurisdictions.

Building block 2 - The legal frameworks

Like with the CRS, jurisdictions implementing the CARF will need to put in place the necessary domestic and international legal frameworks.

Domestic legal framework

As with the CRS, implementing the CARF requires jurisdictions to implement the due diligence and reporting obligations (which closely mirror the CRS), along with the relevant definitions and an enforcement framework into their domestic legislative framework. This is to ensure that Reporting Crypto-Asset Service Providers (RCASPs) collect and report the necessary information for exchange.

International legal framework

Jurisdictions need an international legal framework to exchange CARF information automatically once it is reported. This can be bilateral or multilateral. As for the CRS, the Convention on Mutual Administrative Assistance in Tax Matters (MAAC) can be relied upon to provide a legal basis for AEOI. As with the CRS, there is an administrative agreement (the CARF Multilateral Competent Authority Agreement or CARF MCAA) to put in place in conjunction with the MAC that sets out

²⁴ Argentina, Armenia, Australia, Austria, Azerbaijan, Barbados, Belgium, Belize, Bermuda, Brazil, Bulgaria, Canada, Cayman Islands, Chile, Colombia, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, Indonesia, Ireland, Isle of Man, Italy, Japan, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mauritius, Mexico, Monaco, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Singapore, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, the United Kingdom, and the United States of America.

the specificities of the CARF exchanges. Similarly to for the CRS, bilateral exchanges under the CARF MCAA are only activated once both parties to the exchange have activated the exchanges with each other.

Building block 3 – The IT and administrative frameworks

As with the CRS, IT and administrative frameworks are needed to operationalise the exchanges and to ensure that the CARF is effective.

The IT framework

RCASPs are required to report information under the CARF to the competent authority in the jurisdiction. This requires the jurisdiction to establish a mechanism through which the reporting takes place. AEOI portals that have been put in place for reporting under the CRS could be used for reporting under the CARF.

Once the information has been reported, it will need to be validated, sorted and prepared for exchange and transmitted to the jurisdiction's exchange partners. Again, given the similarities between the CRS and the CARF, it should be possible to leverage the same solutions, noting that there is a dedicated CARF XML Schema that must be used for the exchanges (similar to how the CRS XML Schema must be used for the CRS).

For the transmission of the information, the Common Transmission System (CTS) can be used, as for all other types of tax information exchange.

The administrative framework

As with Reporting Financial Institutions under the CARF, there should be an administrative compliance framework to ensure that RCASPs comply with the requirements of the CARF. This includes measures to identify RCASPs and ensure that they report information and that the information they are reporting is in line with the CARF.

Building block 4 – Ensuring appropriate confidentiality and data safeguards are in place

Ensuring confidentiality and safeguarding the information exchanged is critical to the exchange of information for tax purposes in general and to AEOI in particular. As with all forms of information exchange for tax purposes including the CRS, the CARF requires jurisdictions to have appropriate confidentiality and data safeguards in place. This includes appropriate legal frameworks and systems and procedures to ensure that the legal framework is respected in practice. The Global Forum has an established process to assess the confidentiality and data safeguard frameworks in place for AEOI. Where jurisdictions are relying on the same frameworks for the CARF that they use for CRS, the results of the assessments could be relied upon for the CARF.