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## Legal Insights

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# THE CAYMAN ISLANDS IMPLEMENTS CRYPTO-ASSET REPORTING FRAMEWORK

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The Common Reporting Standard (“**CRS**”) which was published by The Organisation for Economic Co-operation and Development (“**OECD**”) is intended to, among other things, improve international tax transparency. The CRS achieves this objective by, among other things, requiring committed jurisdictions to obtain information on offshore accounts held with “Financial Institutions” and automatically exchange that information with the jurisdiction of residence of taxpayers on an annual basis.

However, the scope of CRS is based on traditional financial assets and fiat currencies, such that crypto-assets in most cases do not fall within the remit of CRS. In contrast to conventional financial instruments, crypto-assets can be stored and transferred directly between users without relying on traditional regulated financial intermediaries e.g. banks and any central administrator. Additionally, the growth of the crypto-asset market has led to the emergence of a new set of largely unregulated or self-regulating intermediaries and service providers, including crypto exchanges and digital wallet operators.

Given the rapid growth of the crypto-asset market and lack of visibility of tax administrations on verifying tax liabilities relating to crypto-assets held by taxpayers, the OECD developed the Crypto-Asset Reporting Framework (“**CARF**”), which is designed to ensure the collection and automatic exchange of information on transactions in “Relevant Crypto-Assets” in a standardized manner on an annual basis.

As at 4 December 2025, 48 jurisdictions have committed to implementing the CARF in time to commence first exchanges in 2027 (which includes the Cayman Islands), with a further 27 by 2028 (which includes BVI and Hong Kong). The U.S.A has committed to implementing the CARF by 2029.

### What is the CARF designed to do?

The CARF provides for the automatic exchange of tax relevant-information on crypto-assets. In the same vein as the CRS, the CARF is intended to achieve transparency for transactions in crypto-assets by the annual, automatic exchange of crypto-asset transaction information among the participating jurisdictions whose tax residents hold or engage in crypto-asset transactions.

### Which crypto-assets are Relevant Crypto-Assets that are within scope of the CARF?

The definition of “Crypto-Assets” in the CARF focuses on the use of cryptographically secured

distributed ledger technology or “similar technology”. This is intended to cover crypto-assets which can be held and transferred in a decentralized manner, without the intervention of traditional financial intermediaries, including stablecoins, derivatives issued in the form of a crypto-asset and certain NFTs. However, the CARF does not apply to crypto-assets which do not have the capacity of being used for payment or investment purposes, central bank digital currencies and specified electronic money products.

### Who is a Reporting Crypto-Asset Service Provider covered by the scope of the CARF?

Individuals or entities that “as a business” provide services effectuating exchange transactions in Relevant Crypto-Assets, for and on behalf of customers are in scope of the CARF (“**Reporting Crypto-Asset Service Providers**”). This would cover, for example, Cayman Islands licensed crypto-asset exchanges and broker-dealers trading crypto-assets on behalf of customers, but would not include an investment fund which invests in crypto-assets or a token issuer.

### What type of transactions are Relevant Transactions that are reportable under the CARF?

The following transactions are relevant transactions which are reportable under the CARF:

1. exchanges between Relevant Crypto-Assets and fiat currencies;
2. exchanges between one or more Relevant Crypto-Assets; and
3. transfers of Relevant Crypto-Assets (including air drops, income derived from staking or a loan).

A transfer of Relevant Crypto-Assets includes a transfer of Relevant Crypto-Assets by a retail merchant in consideration of goods or services for a value exceeding US\$50,000.

### Who does a Reporting Crypto-Asset Service Provider need to report on?

A Reporting Crypto-Asset Service Provider needs to (i) report on each customer who is a “Reportable User” i.e. if he/ she is resident in a Reportable Jurisdiction (being a jurisdiction which is subject to the CARF reporting) and (ii) determine whether a customer which is an entity has one or more controlling persons who are Reportable Persons.

For each type of transaction, a Reporting Crypto-Asset Service Provider must report:

1. identifying details of customers (name, address, date of birth, TIN and tax residence);
2. details of transactions of Crypto-Assets, including the type of Crypto-Asset, the aggregate gross amount paid and the aggregate fair market value; and
3. transfers to wallets not linked to a financial institution or service provider, enhancing visibility into self-custody holdings.

A Reporting Crypto-Asset Service Provider must maintain all documentation and data for a period of not less than 5 years.

### What due diligence information must a Reporting Crypto-Asset Service Provider collect on its customers?

A Reporting Crypto-Asset Service Provider must obtain a self-certification for each of its customers in order to determine their tax residence, in addition to any AML/ KYC collected in accordance with the Reporting Crypto-Asset Service Provider’s procedures.

## Has the Cayman Islands implemented a domestic framework for the CARF?

The Tax Information Authority (International Tax Compliance) (Crypto-Asset Reporting Framework) Regulations, 2025 (“**CARF Regulations**”) and Tax Information Authority (International Tax Compliance) (Common Reporting Standard) (Amendment) Regulations, 2025 were published in the Cayman Islands Gazette on 27 November 2025 (together, the “**Amendment Regulations**”). The CARF Regulations implement the global Crypto-Asset Reporting Framework in the Cayman Islands to enhance tax transparency and fight evasion and money laundering.

**Both Amendment Regulations take effect from 1 January 2026 (“Effective Date”).**

## What are the key takeaways from the CARF Regulations?

The CARF Regulations apply the standard for automatic exchange of information relating to Crypto-Assets developed by the OECD.

Under the CARF Regulations, a Cayman Islands Reporting Crypto-Asset Service Provider will need to:

1. establish and maintain written policies and procedures to comply with the CARF;
2. obtain a self-certification for each of its customers in order to determine their tax residence;
3. register with the Cayman Islands Department for International Tax Co-operation as a Crypto-Asset Service Provider. For existing entities which are Cayman Islands Reporting Crypto-Asset Service Providers prior to the Effective Date, the deadline for registration is 30 April 2026. For all entities which become Cayman Islands Reporting Crypto-Asset Service Providers after the Effective Date, the deadline for registration is 31 January the following year;
4. submit an annual return for each of its Crypto-Asset users who are Reportable Users or have Controlling Persons that are Reportable Persons by 30 June of the year following the calendar year to which the return relates; and
5. retain all documents and records for 6 years.

A Cayman Islands Reporting Crypto-Asset Service Provider can appoint an agent to carry out the duties imposed under the CARF Regulations and act as principal point of contact (“**PPoC**”) – the PPoC must be any entity or individual resident in the Cayman Islands.

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## Further Assistance

This publication is not intended to be a substitute for specific legal advice or a legal opinion. If you require further advice relating to the matters discussed in this Briefing, please contact us. We would be delighted to assist.

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## About Loeb Smith Attorneys

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