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ACE IN THE SKY

During the recent G20 Ministerial Symposium on Tax and Development, India's Minister of Finance, Nirmala Sitharaman, urged G20 nations to bring cryptocurrencies under the Automatic Exchange of Information framework.

The Automatic Exchange Of Information (AEOI) is a system developed in 2014 by the Organization for Economic Co-operation and Development (OECD) to combat tax evasion. The idea is based on the US Foreign Account Tax Compliance Act (FATCA).

Under the AEOI's Common Reporting Standard (CRS), each participating country will annually automatically exchange information such as account numbers, names and account balances. In total there are 109 signatories including China, India, Hong Kong, Russia, and all countries in the European Union (EU).

"While the development of the crypto asset reporting framework is underway, I call upon the G20 to examine the feasibility of an Automatic Exchange of Information in respect of other non-financial assets beyond those covered under the CRS like immovable properties as well."

Sitharaman did not provide any indication of how cryptocurrencies could be included in the AEOI, which relies on the release of information by third parties and entities hosting financial products. Regulators have repeatedly attempted to target self-custody wallets in the past, seemingly ignorant to the fact there is no feasible way to enforce KYC practices on these products. This approach has so far proven as effective as shaking fists angrily while screaming at the sky.

The one ace that regulators do have up their sleeve is the current reliance on crypto offramps provided by centralized entities; until funds can be spent on real-world goods and services directly from self-custody wallets, the long arm of the law does have some leverage.

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