



CLA Global TS

The Growth Strategist For Asia

The New Era of Digital Asset Transparency

Understanding the Crypto-Asset
Reporting Framework

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As digital assets continue to reshape the global financial ecosystem, tax authorities around the world are stepping up their efforts to enhance transparency and strengthen cross-border information exchange. One of the most significant developments in this area is the Crypto-Asset Reporting Framework ("**CARF**"), developed by the Organisation for Economic Co-operation and Development ("**OECD**").

Following the release of detailed rules and technical guidance, and with an increasing number of jurisdictions committing to implementation, CARF has moved well beyond the design phase into active adoption and early-stage implementation. For businesses and individuals operating in the digital asset space, CARF represents a fundamental shift in how crypto asset activities are monitored and reported for tax purposes.

This article explains what CARF is, why it was introduced, how it works, who is affected, and how organisations can prepare for compliance in an increasingly transparent global environment.

The Rise of Crypto-Assets and the Need for Transparency

Unlike traditional currencies issued and regulated by governments, crypto-assets are underpinned by technologies such as cryptography and Distributed Ledger Technology. These technologies allow crypto-assets to be created, transferred, recorded, and stored in a decentralised manner, often without the involvement of traditional financial intermediaries or centralised authorities such as central banks.

Over time, crypto assets have evolved beyond purely speculative instruments. They are now widely used as investment assets and, in some cases, as a means of payment for goods and services. Their ability to facilitate fast and relatively low cost cross border transfers has driven adoption by both individuals and businesses.

However, these features have also posed growing challenges for tax authorities, particularly in relation to identifying taxpayers, tracking ownership, and monitoring cross-border transactions at scale. Inconsistent reporting standards across jurisdictions have further increased the risk of non-compliance and information gaps.

Accordingly, the OECD developed CARF as a response to these challenges. Similarly in concept to the Common Reporting Standard ("**CRS**") for traditional financial accounts, CARF is intended to establish a globally consistent framework to reporting crypto-asset transactions and holders. By introducing standardised due diligence, reporting, and automatic exchange of information requirements, CARF seeks to close information gaps and ensure that the rapid growth of the crypto-asset economy does not undermine international tax transparency.

What Is CARF?

CARF is an internationally agreed standard for the automatic exchange of information relating to crypto-assets. Its primary objective is to provide tax authorities with greater visibility over crypto-asset transactions that could give rise to tax liabilities, particularly in cross-border contexts.

CARF sets common rules on customer due diligence, reporting obligations, and information exchange. By aligning how crypto-asset data is collected and shared, the framework reduces fragmentation and supports cooperation between tax authorities globally.

As part of this international effort, Singapore signed the Multilateral Competent Authority Agreement on Automatic Exchange of Information pursuant to CARF in November 2024. Singapore is expected to commence exchanges under CARF from 2028, providing affected organisations with a limited but important window to assess their exposure and prepare for compliance.



How CARF Works and its key mechanics

CARF operates through a standardised reporting and exchange process between jurisdictions. Recent enhancements to the framework have focused on improving data quality, interoperability, and enforcement effectiveness.

One notable development is the introduction of more robust data validation and feedback mechanisms (i.e., Status Message XML Schema), designed to support both tax authorities and reporting entities. These mechanisms allow jurisdictions to identify errors, inconsistencies, and incomplete information in submitted reports more efficiently.

Key features include:

- ▶ **Structured Error Reporting** – allowing jurisdictions to provide consistent and detailed feedback on reporting issues.
- ▶ **File-Level and Record-Level Feedback** – enabling reporting entities to identify and correct specific errors more efficiently and accurately.
- ▶ **Alignment with existing reporting systems** – including CRS, which allows many jurisdictions and organisations to leverage on established processes and systems.

Together, these features help ensure that crypto asset reporting under CARF is reliable, verifiable, and enforceable.

Scope of CARF

CARF establishes a comprehensive framework covering four key elements.

First, it defines **which crypto assets are in scope**, focusing on assets that present potential tax risks and can be transferred or held in a decentralised manner.

Second, it **identifies Reporting Crypto-Asset Service Providers**, including entities and in certain cases individuals, that facilitate crypto-asset transactions and are responsible for collecting and reporting information.

Third, it **specifies reportable transactions and information**, such as acquisitions, disposals, and transfers of crypto assets, together with details on transaction value, type, and counterparties.

Finally, CARF sets out **standardised due-diligence procedures**, requiring reporting entities to identify crypto-asset users, determine their tax residence, and establish the jurisdictions to which information must be reported.

Who Will Be Affected?

CARF will have multi layered implications across the crypto and financial ecosystem, impacting a broad set of stakeholders:

- ▶ **Crypto Asset Service Providers**, including crypto exchanges, brokers, custodians, and wallet providers, will be required to implement customer due diligence, collect transaction data, and submit CARF-compliant reports to tax authorities.
- ▶ **Financial Institutions** may also be affected, particularly those with exposure to crypto-assets through derivatives, structured products, or pooled investment vehicles.
- ▶ **Investors and Crypto-Asset Users**, both individuals and entities, can expect increased transparency and scrutiny, with limited scope for non-disclosure of cross-border crypto-asset activity.
- ▶ **For tax authorities**, CARF significantly enhances the ability to identify non-compliance and assess tax risks associated with crypto-asset transactions.



How we can help

Preparing for CARF compliance requires early planning, technical understanding, and ongoing monitoring. We support organisations across the full CARF compliance lifecycle, including:

- ▶ **CARF Readiness review** – assessing existing systems, processes and data against CARF requirements
- ▶ **Reporting guidance** – advising on reportable information, transaction classification and documentation
- ▶ **Ongoing compliance support** – including report reviews, corrections, regulatory updates and support audit readiness.



Conclusion

CARF represents a decisive step forward in global tax transparency for the digital-asset economy. As implementation timelines become clearer and information exchanges draw closer, particularly in jurisdictions such as Singapore, organisations must act early to understand their obligations and strengthen their compliance frameworks.

With the right preparation and support, organisations can not only meet regulatory requirements but also improve governance, reduce risk, and build trust in an increasingly transparent and regulated digital-asset landscape.



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