HMRC internal manual

International Exchange of Information Manual

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IEIM8000140 - Acting as an intermediary or counterparty

The rules provide examples of the type of activity that may meet the criteria of acting as a counterparty to an exchange transaction:

- dealers acting for their own account to buy and sell relevant cryptoassets to customers
- operators of cryptoasset ATMs
- brokers in relevant cryptoassets where they act on behalf of clients to complete orders to buy or sell an interest in relevant cryptoassets
- cryptoasset exchanges that act as market makers and take a bid-ask spread as a transaction commission for their services
- individuals or entities subscribing one or more relevant cryptoassets

While the sole creation and issuance of a relevant cryptoasset would not be considered a service effectuating exchange transactions as a counterparty or intermediary, the direct purchase of relevant cryptoassets from an issuer, to resell and distribute such relevant cryptoassets to customers would be considered effectuating an exchange transaction.

Example – Broker example, effectuating on behalf of cryptoasset users

A broker allows customers to place buy and sell orders for relevant cryptoassets, which the broker executes on their behalf. The broker earns a commission on each transaction and provides a trading interface. This broker is a RCASP, as it is providing a service effectuating exchange transactions for customers.

In contrast, the activities of an investment fund investing in relevant cryptoassets do not constitute a service effectuating exchange transactions since such activities do not permit the investors in the fund to effectuate exchange transactions.

Example- investment fund, investing on behalf of customers

JKL Ltd is an investment fund carrying on a business of investing in financial assets and relevant cryptoassets on behalf of its investors. 35% of its income is derived from its investments in financial assets and 65% from its investments in relevant cryptoassets. However, JKL Ltd does not effectuate exchange transactions for or on behalf of customers.JKL Ltd is not an RCASP.

Example- DLT validation

Entity X is solely engaged in validating distributed ledger transactions in relevant cryptoassets. Entity X is not an RCASP even if the activity is conducted as business.

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