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IEIM8000160 - Assessing Control or Significant Influence in a manner consistent with Financial Action Task Force (FATF) Guidance

An individual or entity will be considered to make available a trading platform to the extent it exercises control or significant Influence (COSI) over the platform, allowing it to comply with the due diligence and reporting obligations with respect to exchange transactions concluded on the platform.

Whether an individual or entity exercises COSI should be assessed in a manner consistent with the 2012 FATF Recommendations (as amended in June 2019 with respect to virtual assets and virtual asset service providers) and related FATF guidance.

Under FATF guidance, decentralised finance (DeFi) applications or the underlying software itself is not a

Virtual Asset Service Provider (VASP) but rather the creators, owners and operators or some other persons may be considered VASPs if they maintain control or sufficient influence over such applications or software. Similarly, for the CARF it is the individuals or entities that may be RCASPs, rather than the underlying technology itself.

FATF Guidance on DeFi is found in the following documents:

- FATF Updated Guidance For A Risk-Based Approach Virtual Assets And Virtual Asset Service Providers (October 2021) (https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Updated-Guidance-VA-VASP.pdf.coredownload.inline.pdf) – see Paras 67-69 for criteria that must be considered by RCASPs and tax authorities.
- FATF Targeted Update On Implementation Of The FATF Standards On Virtual Assets And Virtual Asset Service Providers (June 2023 (https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/June2023-Targeted-Update-VA-VASP.pdf.coredownload.inline.pdf)) – see pp. 28-32 which restate the criteria and provide several worked examples to assist RCASPs and tax authorities.
- FATF Targeted Update On Implementation Of The FATF Standards On Virtual Assets And Virtual Asset Service Providers (June 2024 (https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/2024-Targeted-Update-VA-VASP.pdf.coredownload.inline.pdf)) – see pp. 28-30 which provides further worked examples and detail on criteria to consider.

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