HMRC internal manual

International Exchange of Information Manual

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IEIM8000230 - Examples of cryptoassets for CARF Purposes

Some examples of cryptoassets for CARF purposes are provided below. This is not an exhaustive list. Further examples can be found in HMRC's Cryptoasset Manual (https://www.gov.uk/hmrc-internal-manual/cryptoassets-manual).

Example – Exchange tokens

ValleyCoin is an exchange token, marketed as a "cryptocurrency", issued on a blockchain. It does not represent any claim against an issuer, nor does it confer rights to dividends, governance, or redemption. It simply allows users to store and transfer value. ValleyCoin is a relevant cryptoasset because:

- it is a digital representation of value;

- it relies on cryptographically secured distributed ledger technology;
- it can be used for payment or investment purposes; and
- it does not fall under any of the exclusions (central bank digital currency (CBDC), specified electronic money product (SEMP), or determined unusable for payment or investment purposes).

Example – Security token

Newman Token is a security token that provides the holder with the entitlement to a share in the future profits of Newman Ltd. It is a cryptoasset for CARF purposes because it is a cryptographically secured digital representation of value that confers rights to value and can be transferred or traded electronically.

Example – Derivatives in the form of a Cryptoasset

Eriksdale Token is a cryptoasset that represents a leveraged exposure to the price of another cryptoasset. Its value increases or decreases at three times the rate of the underlying asset. It is a cryptoasset for CARF purposes because it is a cryptographically secured digital representation of value that confers contractual rights to financial performance and can be transferred or traded electronically.

Other uses of cryptographic technology that are not digital representations of value, are not cryptoassets. Examples include the use of cryptography to:

- create a decentralised immutable record of activities or materials involved in making, storing, shipping or delivering a product, where the record does not convey any ownership rights in such product; or
- a declarative record of ownership of assets (such as a real estate ledger or similar agreement) where the record does not convey any ownership rights in the assets represented by such record.

Example – Supply Chain Records

TrackToken is a cryptographic token used to record the movement of goods through a supply chain. It creates an immutable, decentralised record of activities or materials involved in making, storing, shipping or delivering a product. The record does not convey any ownership rights in the goods being tracked. It is not a cryptoasset for CARF purposes because, although it uses cryptography and distributed ledger technology, it does not represent value or confer any rights or claims to property, membership, or income.

Example – Declarative Records of Ownership

AllRose is a blockchain-based ledger which issues tokens designed to record information about real estate ownership. The tokens are purely declarative and do not themselves represent or confer any legal ownership rights in the underlying real estate.

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