

HMRC internal manual

International Exchange of Information Manual

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IEIM8000555 - Wrapping and liquid staking

For the purposes of the CARF, certain relevant transactions involve the exchange of relevant cryptoassets for a token representing the exchanged relevant cryptoassets.

This includes instances where a relevant cryptoasset on one blockchain represents a relevant cryptoasset from another blockchain, or the creation of a relevant cryptoasset on the same blockchain, that can be used in an automatically executing transaction that the original relevant cryptoasset cannot be used in. The new relevant cryptoasset is supposed to match the asset value it is representing, and it can normally be redeemed at any time. This is commonly referred to as a wrapped token.

Similarly, a cryptoasset user may transfer relevant cryptoassets into an automatically executing contract for the purpose of being used as part of a proof-of-stake consensus mechanism to validate transactions

on a distributed ledger. In exchange the cryptoasset user may then be issued a tokenised version of their relevant cryptoassets, which carries the same value and is transferable or tradable. Further information can be found within [Introduction to cryptoassets: consensus - proof of work and proof of stake](https://www.gov.uk/hmrc-internal-manuals/cryptoassets-manual/crypto10300) (<https://www.gov.uk/hmrc-internal-manuals/cryptoassets-manual/crypto10300>)

As these transactions involve the exchange of a relevant cryptoasset for another relevant cryptoasset they constitute exchange transactions for the purposes of the CARF.

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