



OECD International Academy for Tax Crime Investigation

*Anti-Money Laundering: Current Trends, Prosecutions,
and the Challenges around Cryptocurrencies*



Terminology & Glossaries

Understanding terminology and using it correctly

The importance of language

- Terminology should be accurate
- Terminology should have clear meaning
- Clear language is important when requesting judicial authorization for searches and seizures
- Terminology should be consistent with your agency's
- Terminology should be consistent with legal terminology
- Joint forces operations terminology should be identical (e.g. Police & Tax Authorities)

The importance of language

- Terminology is important when communicating with private sector platforms or projects
 - Freezing orders
 - Production Orders / Subpoenas
- If you don't use the correct terms to ask for information, you may not get it.
- Poorly worded judicial requests may end up being challenged in court.

Legal Issues

What you call something matters

- Some regulatory powers apply only to currencies
- Some regulatory powers apply only to assets
- Some regulations apply only to securities
- Some digital currencies are not cryptocurrencies
- Some “cryptocurrencies” may be considered to be securities or “asset backed securities”
- A crypto-asset does not cover all types of virtual assets

“Digital Asset” is possibly the most encompassing term

Sources of terminology & definitions

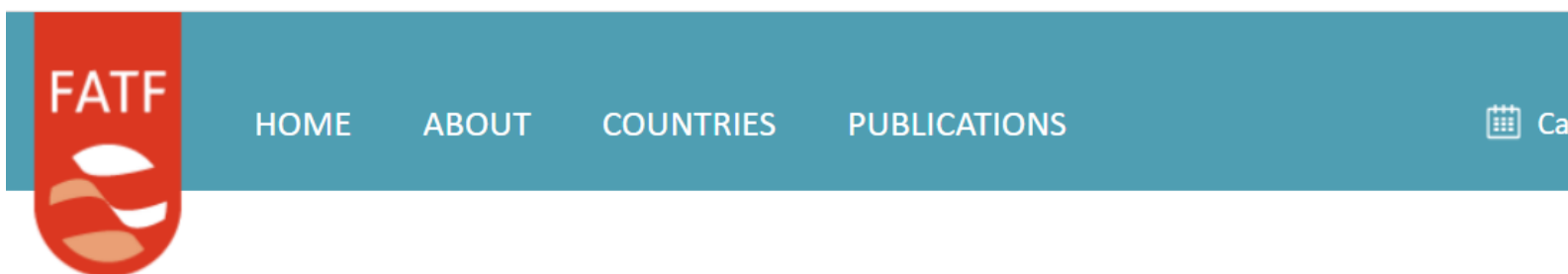
- **Legislation** (e.g. Criminal Code, Tax Code, Securities Act, Currency Act)
- **Government agency literature** (e.g. Tax authorities, finance departments, etc.)
- **Case Law**
- **Developers** (e.g. Bitcoin project, Ethereum project)
- **Private sector** (e.g. Exchanges, NFT platforms)
- **Academic literature** (e.g. Journal articles, Books)

Legislation – Canadian Example

- The **Currency Act** states that only Canadian Dollars are money.
 - In Canada, cryptocurrencies are not “money”.
 - No Canadian legislation treats cryptocurrency as “money”.
- Canadian regulations often use the term “**Virtual Currency**” when referring to cryptocurrencies.
- Bitcoins and other cryptocurrencies have been seized by Canadian law enforcement using the term **money** in search warrants.

FATF Glossary

<https://www.fatf-gafi.org/glossary/>



A-C

D-I

J-M

N-R

S-T

U-Z

FATF Recommendations

This glossary includes definitions from the Glossary of the FATF Recommendations, as well as definitions and acronyms from other sources.

Virtual Asset

A virtual asset is a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies, securities and other financial assets that are already covered elsewhere in the FATF Recommendations.

Source: *Glossary of the FATF Recommendations*

OECD

- **OECD Crypto-Asset Reporting Framework and Amendments to the Common Reporting Standard (2022).** Page 15

<https://www.oecd.org/tax/exchange-of-tax-information/public-consultation-document-crypto-asset-reporting-framework-and-amendments-to-the-common-reporting-standard.pdf>

1. The term “**Relevant Crypto-Asset**” means any Crypto-Asset that is not a Closed-Loop Crypto-Asset or a Central Bank Digital Currency.
2. The term “**Crypto-Asset**” means a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions.
3. The term “**Closed-Loop Crypto-Asset**” means a Crypto-Asset that:
 - a) is issued as a means of payment with Participating Merchants for the purchase of goods or services;
 - b) can only be transferred by or to the issuer or a Participating Merchant; and
 - c) can only be redeemed for Fiat Currency by a Participating Merchant redeeming with the issuer.
4. The term “**Participating Merchant**” means a merchant that has an agreement with an issuer of a Closed Loop Crypto-Asset to accept such Crypto-Asset as a means of payment.
5. The term “**Central Bank Digital Currency**” means any digital Fiat Currency issued by a Central Bank.

Law Enforcement Glossaries

- **Europol Guide for Bitcoin Investigators**
 - Appendix 1: Basic Bitcoin Terminology
- **Europol Ethereum Guide – Follow the Ether**
 - Key Ethereum Terms (pages 3-6)

Available from Europol (EC3)

Appendix 1: Basic bitcoin terminology

Altcoin:	a cryptocurrency other than bitcoin
Blockchain:	a complete list of all bitcoin transactions
Block:	a container enclosing bitcoin transactions; chains of blocks form the blockchain
bitcoin:	the first decentralised virtual currency / cryptocurrency
BTC:	abbreviation for bitcoin
Client:	end-user software that generates private key and sends payments

Ether is the cryptocurrency of the Ethereum network, the native asset that facilitates payments and other operations on the network.

Ethereum addresses can be shared publicly to receive Ether, tokens and NFTs and to view a balance in relation to the address. They are used for storing Ether assets, tokens, contracts and more. Can be recognised by the fact that they start with 0x.

Ethereum private key allows for cryptographically signing a transaction and sending funds from an associated Ether address.

Ethereum account is the entity in which a user can hold an Ether balance on an address and from which transactions can be sent.

Ethereum transactions are stored in the Ethereum blockchain and signify the transfer of Ether, tokens or NFTs from one address to another.

Law Enforcement Tool Glossaries

- **Chainalysis Glossary**
 - <https://reactor.chainalysis.com/knowledge-base/reactor/glossary>
- **CipherTrace Glossary**
 - <https://ciphertrace.com/glossary/>

Glossary

Address

A digital destination used to send and receive cryptocurrency funds. It is similar to a physical house address or an email address, however, cryptocurrency wallets often contain many addresses. A Bitcoin address is a hash of the public key and consists of 26-35 alphanumeric characters.

Asset

The type of cryptocurrency used in a transfer (Bitcoin, Ethereum, etc.). Can also refer to non-fungible representations of value (e.g. cryptokitties).

Block

An entry of the cryptocurrency transactions that have been made in a certain time frame. A new block is validated approximately every 10 minutes on the Bitcoin network and becomes part of the blockchain. The blockchain is a sequence of connected data blocks.

Private Sector Glossaries

- **Coinbase Glossary**
<https://help.coinbase.com/en/coinbase/getting-started/crypto-education/glossary>
- **CoinMarketCap Crypto Glossary**
<https://coinmarketcap.com/alexandria/glossary>
- **Etherscan Glossary**
<https://info.etherscan.com/glossary/>

Crypto Glossary

This is a glossary of terms related to crypto, blockchain and Coinbase.

0-9



A



- [Address](#)
- [Airdrop](#)
- [Altcoins](#)
- [Attack Surface](#)

[Home](#) / [Glossary](#)

Glossary

A B C D E F G H I J K L M N O P Q R S T U
V W X Y Z

ABI

Application Binary Interface. Translates smart contract bytecode so that it can be read on EVM (Ethereum Virtual Machine).

Account

An object containing an address, balance, nonce and optional storage and code. An account can be a contract account or an EOA (externally owned account).

Developer/Project Glossaries

- **Bitcoin Developer Glossary**
<https://developer.bitcoin.org/glossary.html>
- **Ethereum Project Glossary**
<https://ethereum.org/en/glossary/>
- **Binance Glossary**
<https://academy.binance.com/en/glossary>

Table Of Contents

- Developer Guides ▾
- Reference ▾
- Examples ▾

Glossary

Previous topic

[P2P Network](#)

Glossary

51 percent attack

Majority attack

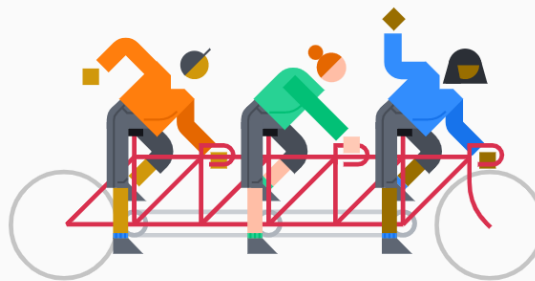
The ability of someone controlling a majority of network hash rate to revise transaction history and prevent new transactions from confirming.

Address

A 20-byte hash formatted using base58check to produce either a P2PKH or P2SH Bitcoin address. Currently the most common way users exchange payment information.

The Words of Crypto

Time to understand the language



A B C D E F G H I J K L M N O P Q R S T U V W Z

account

An object containing an [address](#), balance, [nonce](#), and optional storage and code. An account can be a [contract account](#) or an [externally owned account \(EOA\)](#).

“Academic” Glossaries

- **Mastering Bitcoin**

<https://github.com/bitcoinbook/bitcoinbook/blob/develop/glossary.asciidoc>

- **Mastering Ethereum**

<https://github.com/ethereumbook/ethereumbook/blob/develop/glossary.asciidoc>

Quick Glossary

This quick glossary contains many of the terms used in relation to bitcoin. These terms are used throughout the book, so bookmark this for a quick reference.

address

A Bitcoin address looks like 1DSrfJdB2AnWaFNgSbv3MZC2m74996JafV. It consists of a string of letters and numbers. It's really an encoded base58check version of a public key 160-bit hash. Just as you ask others to send an email to your email address, you would ask others to send you bitcoin to one of your Bitcoin addresses.

bip

Bitcoin Improvement Proposals. A set of proposals that members of the bitcoin community have submitted to improve bitcoin. For example, BIP-21 is a proposal to improve the bitcoin uniform resource identifier (URI) scheme.

bitcoin

The name of the currency unit (the coin), the network, and the software.

Quick Glossary

This quick glossary contains many of the terms used in relation to Ethereum. These terms are used throughout the book, so bookmark this for quick reference.

Account

An object containing an address, balance, nonce, and optional storage and code. An account can be a contract account or an externally owned account (EOA).

Address

Most generally, this represents an EOA or contract that can receive (destination address) or send (source address) transactions on the blockchain. More specifically, it is the rightmost 160 bits of a Keccak hash of an ECDSA public key.

Questions: Your agency

- 1. Does your agency have publicly accessible web sites or other sources with terminology definitions?**
 - What is its URL?
 - Is terminology used consistently across your agency's documents and web sites?

- 2. What terms would you use on judicial requests authorizations for the following?**
 - Bitcoins
 - Tether coins (stablecoin)
 - Bored Apes and other collectible NFTs?

Canada Revenue Agency

- **CRA - Guide for cryptocurrency users and tax professionals** <https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/digital-currency/cryptocurrency-guide.html>
- **CRA - Virtual Currency** <https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/digital-currency.html>



Guide for cryptocurrency users and tax professionals

Cryptocurrency is a relatively new innovation that requires guidelines on taxation so that Canadians are aware of how to meet their tax obligations. The Senate reviewed the issue of taxation on cryptocurrency in 2014 and recommended action to help Canadians understand how to comply with their taxes, which the Canada Revenue Agency (CRA) is doing by presenting this guide.

Tax treatment of cryptocurrency for income tax purposes

Cryptocurrency is a digital representation of value that is not legal tender. It is a digital asset, sometimes also referred to as a crypto asset or altcoin that works as a medium of exchange for goods and services between the parties who agree to use it. Strong encryption techniques are used to control how units of cryptocurrency are created and to verify transactions. Cryptocurrencies generally operate independently of a central bank, central authority or government.

The following pages outline the income tax implications of common transactions involving cryptocurrency. When we refer to cryptocurrency in this publication, we are talking about Bitcoin or other similar virtual currencies.



Virtual Currency

What is virtual currency?

Virtual currency is digital asset that can be used to buy and sell goods or services. Cryptocurrency is a blockchain-based, virtual currency. Bitcoins are an example of a cryptocurrency. However, there are thousands of other types. Cryptocurrencies are not controlled by central banks or any country, and they can be traded in a relatively anonymous way.

Many cryptocurrencies can be:

- bought with traditional currency (known as fiat currency / legal tender) and sold for fiat currency / legal tender
- transferred from one person to another
- exchanged for other cryptocurrencies or used to pay for goods or services directly

All of these types of transactions or exchanges may have tax implications.

For more information on virtual currency see our [Guide for cryptocurrency users and tax professionals](#).

What tax rules apply when virtual currency is used to buy goods or services?

Income tax purposes



Note

This information is for individuals preparing income tax and benefit returns and corporations preparing income tax returns, who have sold a good or service and were paid in cryptocurrency. There are different rules for calculating [GST/HST](#) on a taxable transaction.

When cryptocurrency is used to pay for goods or services, the rules for barter transactions apply for income tax purposes.

Canada Revenue Agency

Commonly used terms

- **Virtual currency** is digital asset that can be used to buy and sell goods or services.
- **Cryptocurrency** is a blockchain-based, virtual currency. Bitcoins are an example of a cryptocurrency.

Judicial Authorizations

- **Virtual Asset or Digital Asset** would likely be used on search warrants because it is the broadest of terms.
- **Money** would not be used to cover digital assets. (Although it has been used in the past.)

Questions: Governance Tokens

1. What is a “governance token”?
2. What roles do they play in a token project?
3. Could they be called “asset backed securities”?
4. Could they be called “virtual currencies”?
5. Could they be called “cryptocurrencies”?
6. What term would you use to cover governance tokens in a search warrant if you intended to seize them?

Binance Academy

<https://academy.binance.com/en/articles/what-are-governance-tokens>

“Governance tokens give holders the right to vote on issues that govern the development and operations of a blockchain project. It’s a method for projects to distribute the decision-making power to their communities. This decentralized governance model helps align the interests of the token holders with that of the project.”