



JOINT CHIEFS OF GLOBAL TAX ENFORCEMENT

J5 countries host 'Challenge' aimed at FINtech companies

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LOS ANGELES – The Joint Chiefs of Global Tax Enforcement (J5) brought together investigators, cryptocurrency experts and data scientists in a coordinated push to track down individuals and organizations perpetrating tax crimes around the world this week.

The event, known as 'The Challenge,' includes experts from each country with the mission of optimizing data from a variety of open and investigative sources available to each country, including offshore account information. Using various analytical tools, members of each country were put into teams and tasked with generating leads and finding tax offenders using cryptocurrency based on the new data available to them through The Challenge. Working within existing treaties, real data sets from each country were brought to the challenge to make connections where current individual efforts would take years to make those same connections.

The Challenge was first hosted in 2018 by the Fiscal Intelligence and Investigation Service (FIOD) in Utrecht in 2018 and brought together leading data scientists, technology experts and investigators from all J5 countries in a coordinated push to track down those who make a living out of facilitating and enabling international tax crime. The following year, the U.S. hosted a second "Challenge" in Los Angeles focused on cryptocurrency.

"While a great deal of preparation goes into these events, the Challenges are by no means a rehearsal for us," said Jim Lee, Chief, IRS Criminal Investigation. "As evidenced from the last couple of years, these Challenges result in real enforcement actions taken by the J5. They serve as an opportunity to continue to share information and further develop leads, but they also jumpstart investigations. I expect we will see results from this Challenge in the months and years to come."

This year the challenge focused on Financial Technology (FINtech) companies. FINtech companies invent new and innovative financial solutions, mainly making use of the digital opportunities the internet offers. Many FINtech companies develop and market new financial products and payment possibilities like cryptocurrency, payment processing platforms like PayPal, crowdfunding loans, and insurance. With these products, FINtech companies are competing with large traditional financial institutes like banks and insurance companies and profits in the billions of dollars are not unheard of.

"In a fast-changing digital world, the J5 also must adjust and change," said Niels Obbink, General Director of FIOD. "During this challenge, experts have worked hard to focus on the legal opportunities countries have to start J5 investigations aimed at FINtech companies."

Many FINtech companies have adopted compliance regulations and are partnering with governments and law enforcement in prohibiting financial crime. However, due to the online nature of the products, the novelty and the lack of regulation and compliance in some areas, the FINtech industry can be used by tax avoiders and money launderers to commit crimes.

All FINtech companies have one attribute in common: they trade in intangible online assets and services. Because of that intangible nature, they can trade from anywhere in the world, only limited by the availability of the Internet. Government regulation on cryptocurrency and financial services have led to the need for FINtech companies having a physical presence in particular countries or areas.

This year the J5 challenge was held virtually due to the COVID-19 pandemic. While international collaboration of this magnitude benefits from in-person interaction, the team was able to engage with each other through virtual platforms. Because of the virtual nature of the event and the time differences between the countries, the Challenge was split into multiple phases. In the first phase of the challenge, legal experts of the five countries discussed the fiscal, compliance and criminal options that each country had regarding FINtech companies. During the second phase, the five countries developed a list of specific companies where leads suggested criminal behavior. By the conclusion of the Challenge, each country identified specific companies that will be a part of their investigations.

This year's Challenge followed a virtual February meeting of all five J5 Chiefs where each country reiterated their dedication to the alliance and expressed excitement about the operational results to come. In early March, the Chief Executive Officer and an associate of Sky Global were indicted on charges that they participated in a criminal enterprise that facilitated the transnational importation and distribution of narcotics through the sale and service of encrypted communications devices. Earlier this week, a ten-count indictment was returned by a federal grand jury in Brooklyn charging Jason Peltz with securities fraud, money laundering, tax evasion and a variety of other offenses. Both cases were worked under the umbrella of the J5.

The J5 was formed in 2018 after a call to arms from the OECD Taskforce on Tax Crime and has been working together to gather information, share intelligence and conduct coordinated operations, making significant progress in each country's fight against transnational tax crime. The J5 includes the Australian Taxation Office (ATO), the Canada Revenue Agency (CRA), the Dutch Fiscal Information and Investigation Service (FIOD), Her Majesty's Revenue and Customs (HMRC) from the UK and the Internal Revenue Service Criminal Investigation Division (IRS-CI) from the US.

For more information about J5, please visit www.irs.gov/J5.