



J5 countries host “Challenge” aimed at NFTs and Decentralized Exchanges

[Fourth iteration of the event yields new leads and potential cases for member countries](#)

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

The event, known as ‘The Challenge,’ includes experts from each country with the mission of optimizing the usage of data acquired from a variety of open and investigative sources available to each country, including offshore accounts information. This year’s iteration of the Challenge focuses on non-fungible tokens (NFTs) and decentralized exchanges (DEX). The J5 recently released [a red flag indicator document](#) warning various industries of potential areas of concern when dealing with NFTs.

The Challenge was first hosted in 2018 by the Dutch Fiscal Intelligence and Investigation Service (FIOD) in Utrecht with the aim of tracking down those who make a living facilitating and enabling international tax crime. The following year, the U.S. hosted a second “Challenge” in Los Angeles focused on cryptocurrency. In 2021, the COVID-19 pandemic caused the Challenge to be held virtually where the event focused on FINTECH companies. Using various analytical tools, members of each country were put into teams and tasked with generating leads and finding cryptocurrency related tax offenders, 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 Challenges have proven to be quite fruitful for the J5 as they generated significant leads for the organizations to investigate. BitClub Network, a multi-million-dollar Ponzi scheme where thousands of people were scammed into buying into a bogus mining pool, is one of the first J5 successes that stemmed from the J5 Challenges.

“These Challenges were something new to our organization when we were first introduced to them a few years ago,” said Jim Lee, Chief of the Internal Revenue Service’s (IRS) Criminal Investigation Division (CI). “But I am confident saying today that we have a good number of cases in our pipeline that we would never have without the work done at these Challenges. It is a model I hope to replicate in other mission areas because of the success and the focus on partnerships.”

This year’s J5 Challenge is hosted by Her Majesty’s Revenue & Customs (HMRC) in London from May 9th - 13th. The main aim is to establish new ways to combat tax fraud and money laundering in the wake of new emerging threats inherent in the blockchain technology related to NFTs & DEX. Most

NFT exchanges and DEX lack robust Know Your Customer (KYC) features to deter illicit actors from using them as a haven for tax fraud and money laundering. During the course of this five-day event, J5 organizations found leads that meet the criteria based on the investigation blueprints that were established. At the end of the fifth day, the various groups present their final findings and a plan for how to continue the investigation in the next six months.

“NFT’s are the modern, digital way of trade-based money laundering. A rising issue is that the platforms involved in the trade in NFT’s are not yet obliged to execute KYC-measures. Since there is little to no control, criminals have – as we say in The Netherlands – free play,” said Niels Obbink, Chief and General Director, Fiscal Information and Investigation Service (FIOD). “These technological developments in the field of decentralised finance underline the need for international cooperation. The J5 fosters this cooperation.”

The Challenge is one of several J5 events being held in London this week. The J5 is also hosting a Global Financial Institutions Summit (GFIS) to bring together the world’s most influential leaders in Financial Crime and Tax Crime Compliance from both Public and Private Sectors. Innovative collaboration and ambition are key to tackling international tax crime. The Summit will open a dialogue on shared vision, common goals and new opportunities to encourage breakthrough thinking and recommendations for future direction while building key strategic relationships.

The J5 works together to gather information, share intelligence and conduct coordinated operations against transnational financial crimes. The J5 includes the Australian Taxation Office, the Canadian Revenue Agency, the Dutch Fiscal Information and Investigation Service, Her Majesty's Revenue and Customs from the U.K. and IRS-CI from the U.S.

For more information about the J5, please visit www.irs.gov/j5.

