

Crypto Licensing Regimes in the UAE

Introduction to the United Arab Emirates

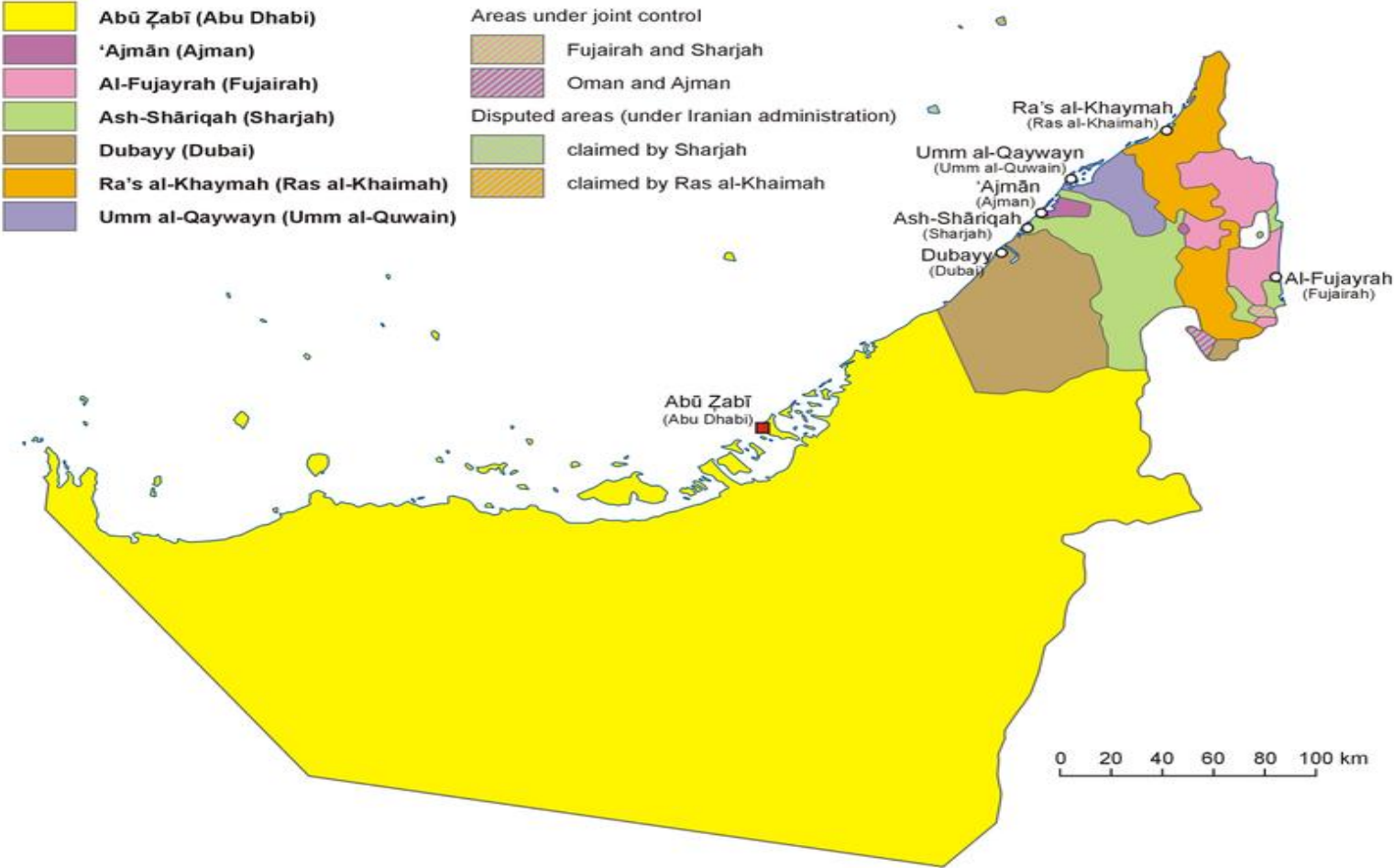
United Arab Emirates

Background

- Became a country in 1971 – President is from Abu Dhabi and Prime Minister is from Dubai
- Federal system of operation similar to the US wherein 7 different states operate independently for most matters and are managed for certain matters at the federal level such as monetary policy, defense and foreign policy.
- Seven states include Abu Dhabi (Capital), Dubai, Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah and Fujairah
- UAE's oil wealth resides mostly with Abu Dhabi
 - Access to destinations through Etihad airways
 - Significant capital deployment through sovereign wealth funds with over \$2 trillion in assets
 - Good infrastructure, schools, entertainment and hospital.
 - Generally slower paced than Dubai. A closer analogy will be Chicago versus New York, wherein Chicago is Abu Dhabi and New York is Dubai.
- Commercial center is Dubai due to investor friendly policies and faster execution
 - Access to the globe via Emirates Airlines that flies to most major capitals of the world
 - Jebel Ali Port serving as the trading hub for Asia and Africa
 - First world infrastructure including top tier schools, hospitals and entertainment



United Arab Emirates



Regulatory Regimes

Abu Dhabi Global Market (ADGM)

- Financial Services Regulatory Authority of the ADGM – Established in 2015
 - Regulates Digital Assets (digital securities and Virtual Assets)
 - Crypto assets framework launched in 2018, was updated and renamed Virtual Assets (VA) framework.
 - The most well-established regulatory regime in the region with a wide variety of firms either operating or in the process of getting a license
 - VA regime operates either as Multilateral Trading Facilities or VA Intermediaries - custodians, brokers, asset managers and advisors, with focus on the risks relating to financial crime, consumer protection, technology governance and custody arrangements.
 - Other aspects covered are derivatives and funds investing directly Digital Assets
 - Fiat tokens / stablecoins may be considered under payments service regime
 - Conservative approach towards licensing with Accepted VA regime
 - Recent changes to licensing process seeking technology demonstrations prior to accepting a formal application
 - Released its Guiding Principles to Approach to Virtual Asset Regulation and Supervision in September 2022
 - Final guidance on Non-Fungible Tokens (NFT's) expected by year end.
 - Remit is to do business in or from the ADGM meaning that services can be provided under a reverse solicitation basis



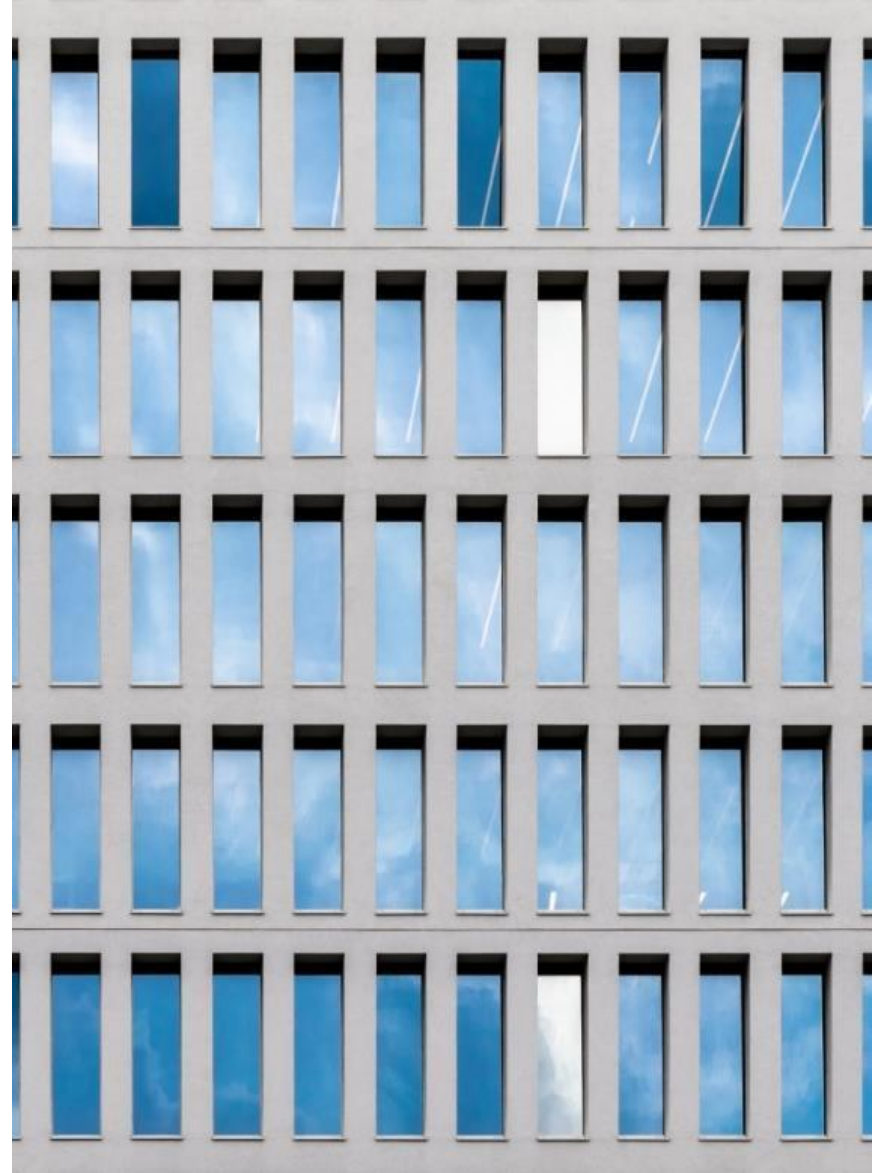
Dubai World Trade Centre

- Dubai Virtual Assets Regulatory Authority – established in 2022
 - Regulates virtual and digital assets
 - Dubai remit however tolerated practice may allow business to be conducted in other emirates except Abu Dhabi
 - Launched an MVP license with an idea to create a cohort of established and new firms to test its regulatory framework on with limited activity allowed via the MVP licenses
 - MVP process was a 4-8 week process. MVP cohort is now closed.
 - Current cohort is between 50-60 firms from across the virtual and digital assets space including crypto firms, Web 3, Metaverse, Banking and others
 - Formal regulations expected in Q1 2023



Dubai International Financial Center

- Dubai Financial Services Authority of the Dubai International Financial Centre
 - Established in 2003
 - Have published a consultation paper in early 2022
 - Regulations are expected in Q1 2023
 - Expected approach is likely to be more conservative than both VARA and the ADGM
 - Likely to only entertain established businesses looking to set up in the DIFC



UAE Mainland

- Securities and Commodities Authority
 - Regulates capital markets businesses
 - Regulates commodities business
 - Federal remit outside of freezones (DIFC, ADGM)
 - Has published draft virtual assets regulations. Crypto currencies are considered commodities to bring them under the regulatory purview of the authority
 - Has not issued any crypto or virtual asset licenses
- UAE Central Bank
 - Lender of last resort
 - Regulates Banks, leasing companies, payments and money exchange businesses
 - Stored value facility regulations refer to crypto/virtual assets within the definition of money's worth allowing crypto assets/virtual assets to be received in client wallets
 - In case a fiat wallet is offered to clients, the SVF license is required
 - IT security assessment in line with UAE standards is required



Key Questions

- How long does it take to set up a crypto broker or exchange in each jurisdiction?
- What are the key elements that firms should consider before applying?
- What are the main roadblocks in applying for a crypto license e.g., Banking?
- What are the cross-border implications for each jurisdiction?
- Do the various regulators coordinate their efforts?





Thank You

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