

RASMANDATE

A MONTHLY COMPILATION OF ARTICLES AND LEGISLATIVE & REGULATORY UPDATES CURATED BY RASMA LEGAL

COVER STORY

ADGM Consultation Paper on Virtual Assets Draws Legal Insights

The Abu Dhabi Global Market (ADGM) recently issued Consultation Paper No. 10 of 2024, inviting market participants to provide feedback on proposed amendments to its Financial Services Regulatory Authority (FSRA) guidelines, including updates to virtual asset regulations. Rasma Legal shared detailed insights into the paper with Unlock Blockchain, highlighting key amendments and offering recommendations for future considerations.



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The proposed amendments include the removal of the FSRA's requirement to issue warning notices for granting Financial Services Permissions, as well as prohibiting Payment Service Providers from handling cash transactions, both directly and indirectly. Rasma Legal considers this measure as a positive step towards ensuring adherence to the FATF's recommendations on Customer Due Diligence and transaction monitoring. Enhanced notification obligations for Controlled Functions have also been proposed, and Rasma Legal recommends the introduction of governance reporting requirements similar to the UK FCA's SM&CR, given the FSMR's alignment with the UK's FSMA to align with international standards.

Virtual Assets-Specific Amendments

Own-Initiative Requirement Power: Aligning with global practices, such as the UK FCA, the FSRA has reframed Section 5A(2) to strengthen cross-border collaboration under the IOSCO Multilateral MoU.

Amendments to the Guidance on the Regulation of Virtual Asset Activities in ADGM (Attachment 2 of the Consultation Paper). The proposed amendments maintain the existing categorization of Digital Assets, as outlined below

- **Digital Securities:** possess the characteristics of a Security under the FSMR (e.g., Shares, Debentures, Units in Collective Investments Funds), and are, therefore, deemed securities.
- **Virtual Assets:** are non-fiat virtual currencies or crypto exchange tokens. These tokens are treated as commodities and not classified as Specified Investments under the FSMR.
- **Derivatives and Funds:** are regulated as Specified Investments under the FSMR.
- **Utility Tokens:** are tokens redeemed for access to specific products or services, and are treated as commodities, and are not deemed Specified Investments under the FSMR.
- **Fiat Tokens:** are stablecoins pegged to the value of the underlying fiat currencies. These tokens are treated as a form of digital representation of Fiat Currency.

Rasma Legal underscored that these amendments reflect minor adjustments rather than an overhaul, emphasizing FSRA's alignment with global regulatory frameworks and a commitment to fostering international collaboration.

Enhancing AML/CFT and Virtual Asset Regulation

Mazen Rasamny, Managing Partner at Rasma Legal, highlighted the importance of these reforms, stating that they reinforce the FSRA's focus on AML/CFT compliance, governance, market integrity, and risk management. He particularly noted the importance of addressing regulatory gaps for Payment Service Providers to ensure effective monitoring of cash transactions and compliance with FATF standards.

"The recent proposed reforms clearly reflect the FSRA's focus on ensuring its regulatory framework remains agile, aligning with international best practices and global standards" Rasamny said. "The ADGM has established itself as a pioneering model in the Middle East, being the first jurisdiction in the region to introduce a regulatory framework for spot virtual asset activities," Rasamny added.

Looking ahead, Mazen anticipates that the FSRA will introduce significant changes to its virtual assets regime that will influence the operational landscape for service providers. Rasamny also highlighted that the amendments are refinements rather than overhauls, reinforcing ADGM's reputation as a leader in virtual asset regulation.

Encouraging Participation

The feedback from Rasma Legal highlights the comprehensive nature of the proposed updates and their alignment with global regulatory standards. ADGM's efforts to refine its framework demonstrate its commitment to maintaining a robust and adaptive regulatory environment that promotes innovation while ensuring market integrity.

Market participants are encouraged to review the consultation paper and submit their feedback to ADGM by the specified deadline. This is a critical opportunity to shape the future of virtual asset regulations in the UAE.



THOUGHT LEADERSHIP

Tokenization of Real-World Assets

The process of tokenization involves issuing a digital, unique, and anonymous representation of a real-world asset. More particularly, this involves creating tokens on a blockchain that represent the underlying asset in a secure and easily transferable format.

Through this digitization process, assets become more accessible, allowing a broader range of investors to participate. Tokens can represent a wide array of asset classes, including:

Physical assets: Real estate, artwork, and collectibles.

Financial assets: Equities, bonds, and funds.

Intangible assets: Intellectual property or identity-related data.

The flexibility of blockchain technology enables these digital tokens to integrate seamlessly into various Web3 protocols and applications, unlocking new opportunities in decentralized finance (DeFi), marketplaces, and beyond.

Benefits of Tokenizing Assets

Tokenization is breaking down traditional barriers to asset ownership and trade. Some key benefits include:

- **Accessibility:** Tokenization revolutionized the investment landscape by introducing fractional ownership. This means high-value assets, which once were accessible to only a select few, can now be owned by a broader range of investors. This eliminates traditional barriers, such as high entry costs and geographic limitations, enabling seamless participation from global investors and broadening access to lucrative markets.
- **Efficiency:** Tokenization streamlines transactions by eliminating intermediaries, making transactions faster and more cost-effective. Tokenization leverages blockchains which are open source, thus transaction completion is inherently cheaper and easier to be completed compared to the traditional financial services infrastructure. With 24/7 availability of blockchain, tokenized transactions can be settled almost instantly, bypassing the delays of conventional financial processes.
- **Transparency and Security:** The blockchain ledger ensures that every transaction is recorded, providing a clear and traceable record of ownership. This decentralized nature of blockchain enhances security, preventing tampering or unauthorized changes.

Tokenization also enables secure sharing of data, allowing access only to the necessary parties while maintaining strong data protection measures. Additionally, tokenization also scales efficiently to accommodate the growing needs of organizations, offering both transparency and security while ensuring cost-efficiency.

- **Liquidity:** Previously illiquid assets are transformed into tradable units, allowing for fractional ownership and broader investor base. This process enhances liquidity and provides investors with more flexibility in trading and managing their portfolios.

Read more on [LinkedIn](#).



Authored By:

Reem Tawil

Compliance Manager

What We Achieved



We are proud to announce that Rasma Legal has been recognized as **Law Firm of the Year – UAE** by The Oath.

This prestigious award is a testament to our team's dedication, expertise, and unwavering commitment to excellence in the legal field.

We are deeply grateful to our clients, partners, and colleagues for their trust and support, which continue to inspire us to set higher benchmarks in the industry.

What We Achieved



Rasma Legal Honored at the 5th Legal Era Middle East Law Awards

Rasma Legal is proud to be named **Fintech Law Firm of the Year**. This recognition highlights our commitment to empowering our clients with innovative legal solutions and regulatory guidance, leveraging technology to drive meaningful progress.

Lawyer of the Year (TMT & AI) – Adding to this milestone, our Managing Partner, Mazen Rasamny, has been named Lawyer of the Year (TMT & AI) for his contributions and thought leadership in technology, media, telecom, and artificial intelligence law.

These prestigious awards are a testament to the trust and confidence our clients have placed in us. We also owe our deepest thanks to **Legal Era – Legal Media Group** for this incredible recognition.

A heartfelt thank you to our Rasma Legal team for their dedication and hard work. Their tireless efforts continue to drive us toward excellence and make such achievements possible.

We remain committed to delivering exceptional legal solutions, and we look forward to continuing this journey as we build a future of sustained success.

Team Spotlight

The Rasma Legal team came together to put up the office Christmas tree, embracing the joy and spirit of the holiday season. For a team that thrives on collaboration, decorating the tree was not just about the holidays—it was a reminder of the togetherness and positivity that define Rasma Legal all year round



UNITED ARAB EMIRATES | SAUDI ARABIA | LEBANON

Rasma Legal is a multi-service law firm catering to the innovation economy. The firm is headquartered in the United Arab Emirates (UAE) and has branches in Saudi Arabia (KSA) and Lebanon. Led by the expertise and leadership of Mazen Rasamny, Rasma Legal stands as a beacon of legal excellence, equipped to guide clients through their diverse legal undertakings. Having an extensive legal background spanning over 23+ years, Mazen Rasamny brings a wealth of knowledge and experience to the table.

The firm is focused on innovation and growth and has been instrumental in providing comprehensive legal services to entrepreneurs and start-ups in areas such as M&A, Corporate and Commercial laws, Debt & Equity Capital Markets, Banking & Finance (including Project Finance), Corporate & Financial Restructuring, Energy, Infrastructure, and Project Development.

The firm has also been recognized by several leading legal publications such as Asian Legal Business, IFLR1000, The Legal 500, Legal Era, The Law and more.



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