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

COVER STORY

Distinguishing Merchant Acquiring and Payment Aggregation Services in the UAE

The UAE's payment services ecosystem, governed by the Central Bank of the UAE (CB UAE) "Retail Payment Services and Card Schemes Regulation" (RPSCS), categorizes digital payment services into nine distinct categories. Among these, Merchant Acquiring Services and Payment Aggregation Services play crucial roles in facilitating seamless financial transactions.

THIS ISSUE

Though they share similarities in supporting merchants and payees, they perform two separate functions during a transaction.

1) Core Differences Between Merchant Acquiring Services and Payment Aggregation Services:

Under the RPSCS, Merchant Acquiring Services involve a payment service provider contracting directly with the payee, the intended recipient of funds, to accept and process payment transactions. This service ensures that funds are transferred to the payee upon successful payment completion.

Payment Aggregation Service providers, on the other hand, act as intermediaries that enable e-commerce websites and merchants to accept various payment instruments from customers. Unlike Merchant Acquirers, payment aggregators eliminate the need for merchants to build their own payment integration systems. They pool funds received from customers and transfer them to the merchants after a specified period.

While both services are integral to the retail payment ecosystem, the distinction lies in their scope and the responsibilities undertaken by the service providers.

2) Regulatory Classification:

Merchant Acquiring Services and Payment Aggregation Services fall under Categories I, II, and III of the RPSCS, depending on the nature of the activities they perform. The classification determines the regulatory obligations, including initial capital requirements and the scope of permissible operations.

3) Key Features Under each retail payment service activity:

To better understand the operational distinctions and complementary roles of Merchant Acquiring Services and Payment Aggregation Services, it is essential to delve into their key features as defined by the RPSCS:

a) Merchant Acquiring Services:

- Direct Merchant Contracts: Acquirers establish formal agreements with merchants to enable card acceptance and process transactions. These agreements outline fees, settlement timelines, and risk responsibilities.
- Settlement and Fund Disbursement: Ensures the seamless transfer of customer funds to merchant accounts after successful transaction processing.
- Risk Management: Assumes liability for chargebacks, fraud, and disputed transactions, offering merchants added financial security.
- Infrastructure Support: Provides hardware (e.g., POS terminals) and software solutions for in-store and online payments.

b) Payment Aggregation Services:

- Simplified Onboarding for Merchants: Aggregators streamline the process for smaller merchants by eliminating the need for individual merchant accounts with acquirers.
- Payment Instrument Integration: Supports a wide range of payment methods, including cards, wallets, and BNPL (Buy Now, Pay Later) services, enhancing the payment experience for customers.
- Pooled Fund Handling: Aggregators temporarily hold funds in designated accounts before disbursing them to merchants after a defined period.
- Lower Entry Barriers: Ideal for smaller or newly established businesses without the capacity to engage directly with an acquirer.
- E-commerce Enablement: Facilitates easy integration with online platforms through APIs and plug-ins, allowing merchants to accept payments seamlessly.

4) What Are the Benefits of a Payment Aggregator?

Benefits of Using a Payment Aggregator
Cost-Effectiveness: The payment aggregator model is highly cost-efficient, particularly for businesses handling a large volume of smaller transactions. This makes it an ideal solution for marketplaces, as it enables affordable e-wallet, credit card, and debit card processing without significant fixed costs or high fees.

Read more on LinkedIn.

Authored By:
Rita Rahme
Associate

THOUGHT LEADERSHIP

Understanding DIFC Data Protection Laws

FIn today's world, protecting personal data is no longer optional—it's a necessity. The Dubai International Financial Centre (DIFC) has taken a proactive step with its Data Protection Law No. 5 of 2020, a comprehensive framework designed to safeguard personal information and align with global standards including the EU General Data Protection Regulation (GDPR). DIFC Data Protection law ensures that businesses operating in the DIFC handle data responsibly, transparently, and securely, while giving data subjects greater control over their data.

What Does the Law Mean for Data Subjects?
For data subjects, the DIFC Data Protection Law is a tool to ensure that their personal data is treated with respect. It grants several key rights, including:

- The Right to Know: Data subjects have the right to know how their data is being used.
- The Right to Correct: If the data collected is inaccurate or incomplete, data subject can request that it be corrected.
- The Right to Be Forgotten: In certain situations, data subject have the right to for their data to be deleted.
- The Right to Object: If data subject feel uncomfortable with how their data is being used, they have the right to request that the processing stop.

Read more on **LinkedIn**.

Authored By:
Reem Tawil
Compliance Manager

FINTECH UPDATE

UAE Paving the Way for Crypto Mining

With the increasing adoption of cryptocurrency in the United Arab Emirates (UAE), the tax treatment of cryptocurrency mining has become a matter of significant importance. On 14 January 2025, the Federal Tax Authority (FTA) issued VAT Public Clarification VATP039 to address the taxation implications associated with cryptocurrency mining.

The FTA defines cryptocurrency mining as "the process by which specialized computers, commonly referred to as mining rigs, validate blockchain transactions for a specific cryptocurrency, for which a reward may be earned in exchange for contributing computational power."

This clarification aligns with recent amendments to the Value Added Tax (VAT) framework, particularly the extension of VAT exemptions to specified activities involving virtual assets. These changes are encapsulated in Cabinet Decision No. 100 of 2024, which amends the Executive Regulation of Federal Decree-Law No. (8) of 2017 on VAT, along with subsequent updates to the regulatory framework.

The UAE government has recently focused on establishing the nation as a leading, regulated, and investor-friendly jurisdiction for cryptocurrency activities. Supported by the UAE central government, these efforts include the issuance of comprehensive regulations to oversee the cryptocurrency market. Dubai, in particular, has taken a pioneering role by establishing the Virtual Assets Regulatory Authority (VARA). VARA serves as the first regulatory body in the Middle East and North Africa region dedicated to regulating the cryptocurrency market in Dubai. The primary objective of these initiatives is to ensure that Dubai's market is both attractive and secure for individuals and entities seeking to invest in cryptocurrency, thereby fostering a conducive environment for such investments.

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FINTECH UPDATE

Mastercard Launches Crypto Credential in UAE and Kazakhstan

Mastercard has introduced its **Crypto Credential solution** to the UAE and Kazakhstan, marking its entry into the EEMEA region. The system simplifies cryptocurrency transactions by allowing users to send and receive funds through easy-to-use aliases instead of complex blockchain addresses. It also verifies wallet compatibility before transactions, minimizing risks of failure or loss.

Launched in partnership with **ATAIX Eurasia, Intebix, CoinMENA, and Fuze**, the solution ensures compliance with global regulatory frameworks, including the Travel Rule, which combats money laundering and fraud in digital asset transactions.

During the pilot phase, Crypto Credential focuses on peer-to-peer transfers, with plans to expand into NFTs, ticketing, and other payment solutions. This launch extends Mastercard's crypto initiatives already active in North America, Europe, Latin America, and Asia Pacific.

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Team Spotlight

Rasma Legal is proud to share that our Associate Rita Rahme attended the hybrid training for counsels at the International Criminal Court in The Hague as an admitted Assistant to Counsel.

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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.

CONTACT US

rasmalegal.com Linkedin Info@rasmalegal.com