

RASMANDATE

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

COVER STORY

Proprietary Trading Under the Virtual Assets Framework governed by Dubai's Virtual Assets Regulatory Authority

Regulations and Scope

(a) Understanding Cryptocurrencies

Cryptocurrencies are digital assets secured by cryptography and built on blockchain technology. Unlike traditional currencies issued by central banks, cryptocurrencies operate on decentralized networks, providing transparency, security, and resistance to censorship.



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The most well-known cryptocurrency is Bitcoin, but thousands of other digital assets exist, each serving different purposes, including smart contracts, decentralized finance (DeFi), and non-fungible tokens (NFTs).

As the global digital asset market expands, jurisdictions worldwide, including the UAE, have implemented regulatory frameworks through various regulatory authorities, including VARA, to govern various virtual asset (VA) activities. These frameworks aim to enhance security, protect investors, and ensure compliance with anti-money laundering (AML) and counter-financing of terrorism (CFT) regulations. Among the regulated VA activities is proprietary trading, a key area that we will explore further in this article.

(b) What is Proprietary Trading

Proprietary Trading, commonly known as Prop Trading, refers to a financial activity where entities or individual traders use their own capital to trade various financial instruments, including cryptocurrencies. Unlike traditional brokers who execute trades on behalf of clients, proprietary traders seek to generate profits solely for their entity, utilizing advanced trading strategies, algorithmic models, and risk management techniques.

In the cryptocurrency space, proprietary trading involves high-frequency trading (HFT), as well as arbitrage, market-making, and other advanced strategies designed to capitalize on market inefficiencies and price fluctuations across multiple exchange platforms, whether centralized or decentralized.

(c) Proprietary Trading Regulations Under VARA

VARA is the principal regulatory authority overseeing Virtual Assets (VAs) in Dubai. VARA was established in 2022 to create a transparent and secure framework for cryptocurrency activities, including proprietary trading.

Under VARA's regulations, VAs proprietary trading requires a No Objection Certificate (NoC) from VARA to confirm that the activity may be conducted with regulatory oversight without a VA license.

Notably, any entity in Dubai that actively invests its own portfolio in VAs at or above USD 250,000,000 (Two Hundred Fifty Million US Dollars) equivalent value of VAs, during any rolling thirty (30) calendar days period, must register with VARA, prior to investing at, or in no event later than three (3) working days of having invested such volume.

The registration process involves submitting a VARA-provided questionnaire containing details such as entity information and structure, shareholding details, business plan and model and financial projections and operational expenses.

It is essential to note that registration for proprietary trading under VARA does not grant an entity the right to conduct any VA-related activity in Dubai except for proprietary trading, as it is considered a standalone activity. Furthermore, entities investing their own funds are strictly prohibited from accepting or trading VAs on behalf of third parties. Hence, licensed VASPs are prohibited from proprietary trading or trading their group's portfolio of assets under the regulated activities license. A separate company must be set up for proprietary trading.

(d) Practical Considerations for Proprietary Traders Below the VARA Threshold

Although proprietary traders operating below the above-mentioned threshold within a specific timeframe are not currently required to obtain VARA registration, however, in practice, this is not always the case. Given the increasing scrutiny on AML and CFT compliance, individuals frequently depositing substantial amounts into their bank accounts from cryptocurrency trading, with such amounts not being consistent with their profile, may raise regulatory red flags. As a result, many proprietary traders choose to incorporate companies for operational clarity.

When incorporating a company—whether through the Dubai Department of Economy and Tourism (DET) or a Free Zone Authority—even if the trading volume does not exceed the USD 250 Million threshold, the issuance of the entity's license may be contingent upon VARA's proprietary trading registration. While VARA retains sole discretion to determine whether registration is necessary for entities trading below this threshold, submission of the VARA aforementioned "Initial Disclosure Questionnaire (IDQ)" is currently mandatory for regulatory review.

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THOUGHT LEADERSHIP

UAE's Vision for Artificial Intelligence

Integration of the September 2024 AI Public Policy Document

In September 2024, the UAE issued its Public Policy Document on International AI Governance, reinforcing its stance on AI ethics, security, and innovation. This policy laid the groundwork for the UAE's evolving AI strategy by addressing global AI governance challenges and advocating for ethical and responsible AI development. It aimed to enhance transparency, accountability, and security in AI applications while positioning the UAE as a leader in international AI regulations.

1. The September 2024 policy supported the UAE's AI ambitions by:

- Establishing principles for AI governance, emphasizing transparency, accountability, and ethical AI deployment.
- Strengthening the UAE's leadership in global AI discussions by actively participating in multilateral forums and shaping international AI regulations.
- Promoting collaboration between governments, businesses, and academia to ensure AI innovations align with global best practices.
- Advocating for international AI security standards to prevent misuse of AI technologies and enhance cybersecurity measures.
- Encouraging the responsible use of AI for economic diversification, social welfare, and sustainable development.

This policy aligns seamlessly with the National AI Strategy 2031, reinforcing the UAE's commitment to AI governance and technological leadership. The principles outlined in the 2024 policy continue to shape the UAE's approach to AI regulation, ensuring advancements in AI remain ethically grounded and internationally recognized.

2. National AI Strategy 2031

The UAE's AI Strategy 2031 seeks to establish an integrated ecosystem that fosters AI advancements across key sectors, promoting economic growth and enhancing public services.

Strategic Objectives:

- Strengthening the UAE's position as a global AI hub.
- Enhancing AI sector competitiveness.
- Establishing AI research and innovation incubators.
- Implementing AI in public services to improve quality of life.
- Developing AI-driven talent and future job markets.
- Encouraging AI research and data-driven infrastructure.
- Optimizing AI governance and regulatory frameworks.

Implementation & Oversight: The Emirates Council for Artificial Intelligence and Digital Transactions oversees the execution of the strategy in collaboration with local and federal entities. The focus spans across industries including:

- Energy and resources.
- Logistics and transportation.
- Tourism and hospitality.
- Healthcare.
- Cybersecurity.

By positioning itself as a testbed for AI-driven solutions, the UAE is actively investing in advanced training programs, talent development initiatives, and research support.

3. The Dubai AI Seal Initiative

In a continued effort to promote AI development and governance, the Dubai Government recently introduced the Dubai AI Seal, a verification system designed to recognize AI businesses operating in the city. This initiative aligns with the UAE's broader AI strategy, supporting businesses that develop or implement AI technologies across various industries.

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FINTECH UPDATE

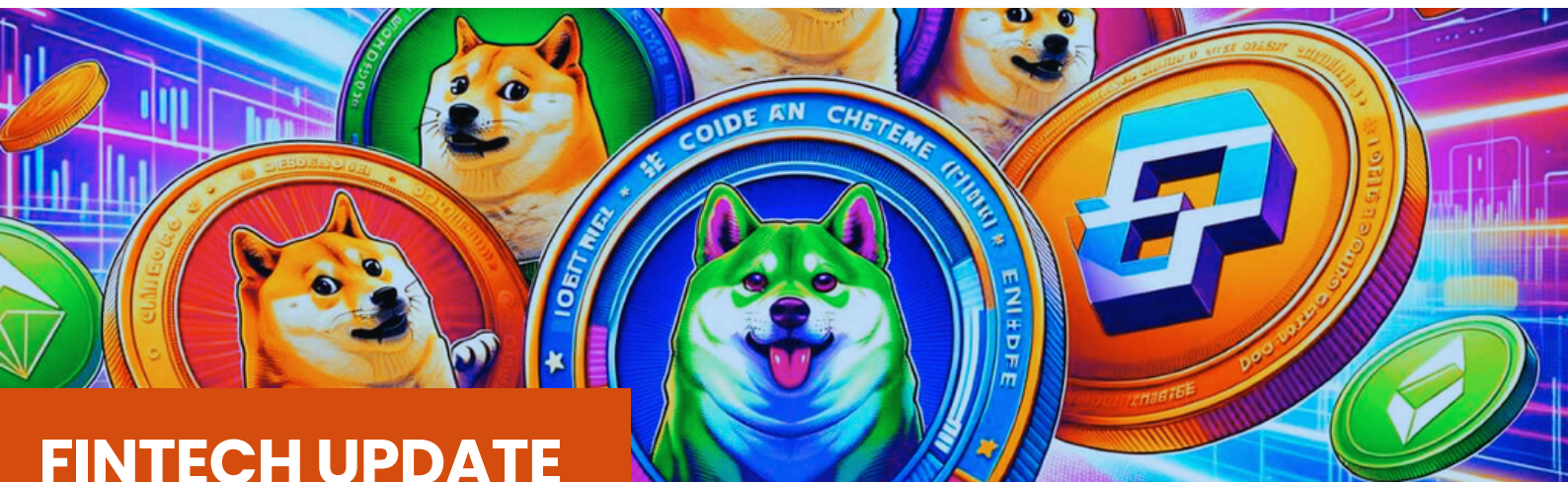
The Ministry of Interior and VARA Partner to Combat Illicit Activities in the Virtual Asset Sector

The Ministry of Interior UAE and the Virtual Assets Regulatory Authority [VARA] have signed a Memorandum of Understanding (MoU), reaffirming their shared commitment to enhancing security and curbing illicit activities in the virtual asset space.

The MoU establishes a framework for cooperation which focuses on information exchange and a series of strategic initiatives. These initiatives cover, inter alia, the development of joint training programs, as well as electronic platforms designed to monitor and detect suspicious activities. The key objectives of this collaboration include:

- Strengthening consumer protection within the virtual asset market.
- Combating financial crimes, including money laundering and the financing of terrorism, through enhanced due diligence, monitoring, and enforcement mechanisms.
- Promoting market integrity and security for Virtual Asset Service Providers (VASPs) and investors.
- Ensuring only compliant VASPs are permitted to operate within the Emirate of Dubai, maintaining the integrity of the jurisdiction as leading global hub for virtual asset innovation.

This strategic partnership is another significant step in the UAE's continued commitment to enhancing regulatory oversight and developing a well-regulated and trustworthy virtual assets environment for market participants and stakeholders. It highlights the UAE's proactive approach in balancing innovation with security protocols, ensuring that the growth of the virtual asset sector remains sustainable, compliant with international standards, and aligned with the UAE's broader regulatory vision.



FINTECH UPDATE

VARA Issues Consumer and Marketplace Alert on Memecoins

The Virtual Assets Regulatory Authority (VARA) has issued a consumer and marketplace alert regarding the risks associated with Memecoins.

Memecoins are highly speculative and have garnered attention in the virtual asset markets. VARA's alert emphasizes the potential for significant financial losses due to the volatile nature of Memecoins.

These assets are often influenced by social media trends, and can be subject to market manipulation. The regulator advises investors to be particularly cautious of claims promising high returns, as these may indicate fraudulent activity.

In reinforcing its commitment to consumer protection, VARA stressed that all virtual asset issuances, in or from the Emirate of Dubai, must comply with its laws and regulations. The authority's Marketing Regulations address how virtual assets can be advertised and promoted. Entities conducting unauthorized virtual asset activities, especially those promoting high-risk assets like Memecoins, will face enforcement actions.

VARA also noted that access to platforms offering Memecoins could be restricted.

For investors seeking to navigate the virtual asset landscape, VARA's guidelines remain a crucial resource in identifying credible, regulated platforms and avoiding any speculative investments.

Team Spotlight

Rasma Legal has attended the **DIFC Outreach Session regarding ICC and PCC regime**. The session highlighted the structures offered by the Dubai Financial Services Authority (DFSA), including Incorporated Cell Companies (ICCs), Protected Cell Companies (PCCs), and umbrella funds. It showcased the key benefits of each structure, emphasizing their unique features and differences.



Furthermore, we have attended **Building Trust in Web3 Forum** by OneInfinity and Dubai Insurance Featuring VARA, Ripple, MANTRA and Crystal Intelligence.



Team Spotlight

We have joined the **USJ Job Fair**.

We had a great time connecting with talented individuals, exploring career opportunities, and sharing insights into the dynamic legal field. Thank you to everyone who stopped by—we look forward to seeing you again!



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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.

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