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RASMA LEGAL

# RASMANDATE

A MONTHLY COMPILATION OF ARTICLES AND LEGISLATIVE & REGULATORY  
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## COVER STORY

### ABU DHABI GLOBAL MARKET NEW DISTRIBUTED LEDGER TECHNOLOGY REGULATIONS

In this article:

- Introduction to the Distributed Ledger Technology (DLT) Foundations Regulations 2023
- The governance structure of a DLT foundation
- Registration of a DLT foundation
- DLT foundation obligations



The Registration Authority of Abu Dhabi Global Market (ADGM) officially released the Distributed Ledger Technology (DLT) Foundations Regulations 2023, referred to as the “Regulations”, published on November 1, 2023. This marks a significant milestone in the evolution of digital assets regulatory frameworks across the region and at an international level.

This legal framework has been crafted to establish a comprehensive structure catering to the specific requirements of the blockchain industry, encompassing DLT foundations and decentralized autonomous organizations (DAO).

As per the Regulations, DLT foundations are defined as a legal entity with separate legal personality established to use, deploy, develop, facilitate or support DLT or to issue tokens. These foundations have legal personality and accordingly can sue and be sued.

### **The governance structure of a DLT foundation:**

DLT foundations must have (i) founders (persons establishing DLT foundations, who may, until they resign or step down, participate in managing certain activities); and (ii) a council (with a minimum of two and no more than sixteen councillors managing the day-to-day operations).

DLT foundations may also involve other governing bodies, namely (i) beneficiaries (persons with rights to the DLT foundations’ assets); and (ii) tokenholders (persons holding rights to tokens issued by DLT foundations). Tokenholders may or may not be beneficiaries; tokenholders may not have rights to the DLT foundations’ assets but have governance rights regarding project management.

The Regulations stipulate each DLT foundation to have a charter, which must include the following provisions:

- Rules for the appointment, removal and decision-making quorum of the governing bodies,
- Guidelines for token issuance, specifying types, purposes and attached rights, and
- Provisions concerning the DLT foundation’s assets, white papers, and DLT frameworks, including audit frequency and security measures.

If a DLT foundation issues tokens, its charter must outline the rights and categories of relevant tokenholders, including whether the tokens are voting or non-voting and the scope of matters decided upon by the voting (delegated matters). Delegated matters reserved for tokenholders must be distinguished from reserved matters falling within the competence of the DLT foundation council.

As part of the reserved matters, the councillors are responsible for ensuring compliance with applicable laws. Councillors must exercise their veto rights on decisions of tokenholders which (i) violate applicable laws, public order, morality, or the charter, (ii) contradict the principles set forth in the white paper, or (iii) could lead to a detrimental result caused by an attack on the DLT framework.

Under certain circumstances specified in the Regulations, councillors and other persons exercising control over DLT foundations, including beneficial owners may be held accountable for breaches by DLT foundations, and be liable for any loss in value of the DLT foundation assets resulting from the breach.

#### **Registration of a DLT foundation:**

To register a DLT foundation, the founder must submit several documents to the ADGM Registration Authority (Registrar), including:

- a charter,
- a declaration of compliance with the applicable laws,
- a statement of initial beneficial ownership, and
- if developed, a hyperlink to the white paper providing project details and DLT framework outlining details of the DLT used.

Additionally, the Registrar may also require founders to submit legal opinions and security audit reports with respect to the DLT charter, white paper, and DLT framework.

In order to be registered by the Registrar, the charter must require the DLT foundation to have initial assets with the minimum initial asset value.

The minimum initial asset value of a DLT foundation must be paid within six months following the receipt by the DLT foundation of the registration certificate under section 9 of the Regulations, or when the DLT foundation becomes active as prescribed by the Registrar, whichever comes first. Nothing in this subsection shall be construed as allowing the DLT foundation to operate before it receives the registration certificate. The minimum initial asset value must be paid in fiat currency and cannot be contributed in any other form, including tokens.

Furthermore, existing foundations can become a DLT foundation under the Regulations as outlined in Sections 107-111.

#### **DLT foundation obligations:**

DLT foundations must disclose certain information (such as names of founders and councillors), keep adequate and fair accounting records, appoint auditors to review annual accounts, and conduct periodic security audits on data protection and security systems.

Councillors may be liable for breach of these requirements, with fines determined depending on the type of breach as outlined in the Regulations. Additionally, Section 120 thereof also allows striking off DLT foundations for default.

The Regulations represent a significant step in the field of digital assets regulation and foster a conducive environment for innovation. This regulatory framework not only enhances standards within the region but also provides regulatory certainty and establishes a global precedent as the world's pioneering model of its kind.

## DFSA'S Remarkable 2023: Record Growth, Global Alliances, and sustainable initiatives

## LEGAL & REGULATORY UPDATES

In 2023, the Dubai Financial Services Authority (DFSA) experienced exceptional growth, licensing a record-breaking 117 firms, marking a 25% increase from the previous year. Notably, there was substantial growth in Asset and Hedge Fund Managers in the Dubai International Financial Centre (DIFC), with a 125% YoY increase in the latter. Nasdaq Dubai now leads the world's largest ESG sukuk market at \$27bn, making up over 60% of US-denominated ESG sukuk. The DFSA also strengthened ties with regulatory bodies, signing an MoU with the UAE's Financial Intelligence Unit and partnering with the Hong Kong Monetary Authority to enhance climate finance in the Middle East and Asia. Additionally, the DFSA announced a regulatory fee waiver for sustainability-related debt securities listings in the DIFC throughout 2024. Looking ahead, Fadel Al Ali, Chairman of the DFSA, emphasized their commitment to four strategic pillars: Delivery, Engagement, Innovation, and Sustainability, aiming to set global standards and drive progress in the financial landscape.





## **CBUAE Achieves Milestone with Cross Border Digital Currency Transaction via mBridge platform.**

## **LEGAL & REGULATORY UPDATES**

The Central Bank of The UAE has successfully completed its first cross-border transaction using a digital version of its currency, the dirham. This transaction, occurring on January 29, involved the transfer of 50 million dirhams (approximately \$13.6 million) to China through the mBridge central bank digital currency (CBDC) platform. Launched in 2021, the mBridge project is a collaborative effort involving the central monetary authorities of China, Hong Kong, Thailand, and the UAE, in conjunction with the Bank for International Settlements – BIS.

The mBridge platform, which uniquely includes China in its international partnership, completed its pilot phase in September 2022 and was officially launched in September 2023. It brings together multiple commercial banks from member countries to improve the underlying infrastructure and technology.

In the context of increasing interest in blockchain and cryptocurrencies, governments worldwide are exploring the potential of national digital currencies issued by central banks. According to a BIS report, approximately 90% of central banks are contemplating CBDC projects, with 11 countries having launched them, 15 in pilot phases, and 26 in development stages.





## Unveiling SAMA's BNPL Regulations: Key Features for a Dynamic Financial Landscape

### 1. Licensing Requirements: Ensuring Financial Soundness

SAMA's regulations lay down stringent licensing requirements for BNPL companies. One of the standout features is the establishment of a minimum capital requirement of SAR 5 million. This provision underscores SAMA's commitment to fostering financial soundness and stability within the BNPL sector.

### 2. Operational Mandates: Saudization for Local Empowerment

The regulations emphasize Saudization in human resources, mandating a 50% rate in all departments. This commitment to local employment not only aligns with national development goals but also ensures that the benefits of the growing BNPL sector are shared with the Saudi workforce.

## THOUGHT LEADERSHIP

The Saudi Central Bank (SAMA) has taken a proactive step in shaping the future of the Buy Now, Pay Later (BNPL) sector in Saudi Arabia by introducing a comprehensive set of regulations. These regulations, designed to cater to the evolving financial landscape, are marked by several salient features that underscore the commitment to consumer protection, market stability, and responsible financial practices.

### 3. Information Security and AML/CTF Compliance: Safeguarding Consumers

A critical aspect of the regulations revolves around information security and compliance with anti-money laundering/countering the financing of terrorism (AML/CTF) standards. BNPL companies are required to establish robust internal policies, ensuring the safeguarding of consumer data and preventing financial crimes.

### 4. Consumer Protection: Empowering Customers

SAMA's regulations place a strong emphasis on consumer protection, setting clear guidelines for credit limitations and fee restrictions. The regulations ensure that BNPL companies adopt transparent contractual terms and fair credit assessment practices, empowering consumers and fostering trust in the BNPL ecosystem.

### 5. Advertising Norms: Promoting Transparency

Guidelines for BNPL advertising are outlined in the regulations to ensure transparency and consumer awareness. Companies are required

## THOUGHT LEADERSHIP

to include their name, logo, slogans, and contact information in advertisements, and any deviations from these norms are subject to prompt correction.

### 6. Conflict of Interest Policies: Fostering Fair Practices

To promote fair treatment of consumers, BNPL companies must develop policies addressing potential conflicts of interest. These measures are designed to ensure that the interests of consumers are prioritized, contributing to a fair and ethical BNPL marketplace.

### 7. SAMA's Oversight: Ensuring Compliance

The regulations underscore SAMA's pivotal role in overseeing BNPL companies. From conducting inspections to periodic reviews, SAMA ensures that companies adhere to the established regulations. This oversight mechanism contributes to a robust and compliant BNPL sector.

**In conclusion, SAMA's BNPL regulations are characterized by their commitment to financial stability, consumer protection, and responsible business practices. As BNPL companies adapt to these regulations, the Saudi Arabian financial landscape is poised for sustainable growth and innovation, aligning with the Kingdom's broader economic vision.**

**THOUGHT LEADERSHIP****AUTHORED BY**

**Ruchi Sharma** contributes her expertise to our dynamic corporate team with a primary focus on start-up advisory. She provides advise to diverse clientele, including tech companies, entrepreneurs, and corporates. Ruchi, a law graduate from the University of Mumbai, India, brings a wealth of legal expertise to her role. Her responsibilities encompass a wide spectrum of services, such as handling general corporate matters, employment, private equity transactions, mergers and acquisitions, regulatory compliance, due diligence, corporate documentation, and formulating entry and exit strategies. Ruchi is instrumental in guiding clients through the intricacies of the transaction. Ruchi is a key player in our corporate team, seamlessly navigating the complexities of the business landscape and providing invaluable insights to our clients.



## ROUNDUP

## WHAT KEPT US BUSY AT RASMA LEGAL



Rasma Legal announces the launch of its new logo, symbolizing the commitment to exploring endless opportunities for growth, setting professional standards, and staying connected to its roots. The distinctive blue color palette, symbolizes trust and professionalism, while the pristine white embodies transparency and clarity, creating a harmonious blend that reflects the law firm's commitment to reliable solutions, forward-thinking approach, and cultural values.

[Read our coverage by Legal Era.](#)



### **Finalist**

**'Innovation through Technology -  
Private Practice'**

**'Diversity Initiative of the Year'**

## ROUNDUP

## WHAT KEPT US BUSY AT RASMA LEGAL



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### Honourable Mention

### 'Equality Initiative of the Year'

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# DRIVING CHANGE THROUGH INNOVATIVE EXPERTISE



**Rasma Legal**, founded by **Mazen Rasamny**, 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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