

RASMANDATE

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

VOLUME II ISSUE 6

JUNE - JULY 2024

IN THIS ISSUE

Cover Story

Cryptocurrency Regulation in the
United Arab Emirates (UAE): Navigating
the Legal Landscape

1

Legal & Regulatory Update

4

What Kept Us Busy

5

Thought Leadership

Unveiling Challenges in UAE's
Fintech Growth

6

Intern Spotlight

8

What We Achieved

9

COVER STORY

CRYPTOCURRENCY REGULATION IN THE UNITED ARAB EMIRATES (UAE): NAVIGATING THE LEGAL LANDSCAPE

Cryptocurrencies have emerged as a disruptive force in the global financial landscape, presenting novel challenges and opportunities for regulators worldwide. In the United Arab Emirates (UAE), a dynamic and rapidly evolving jurisdiction, the treatment of cryptocurrencies under the regulatory framework has stored significant attention.

Legal Status of Cryptocurrencies in the UAE

Understanding the regulatory landscape in the UAE can be complex due to its federal structure and the autonomy of its seven emirates. Each emirate may have its regulations in areas where federal laws are absent. The regulatory oversight in the financial and capital markets is primarily overseen on a federal level by The Central Bank of the UAE (CBUAE) and the Securities and Commodities Authority (SCA). However, in designated financial free zones within the emirates like the Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM), regulatory authority is delegated to specialized bodies such as the Dubai Financial Services Authority (DFSA) and the Financial Services Regulatory Authority (FSRA), respectively.

The UAE has shown openness to blockchain technology, the underlying technology of cryptocurrencies, acknowledging its potential to enhance efficiency, transparency, and security across various sectors. In 2017, the CBUAE initiated regulation of cryptocurrencies, mandating that all VA transactions take place through authorized exchanges and comply with Anti-Money Laundering (AML) regulations, reflecting efforts to curb the illicit use of VAs.

Furthermore, the SCA issued a regulatory framework for the offering, issuing, listing and trading of VAs, with guidance issued on initial coin offerings (ICOs) in 2019 to ensure compliance with securities laws and investor protection measures.

Regulatory Framework for Cryptocurrency Activities

Businesses engaged in cryptocurrency exchanges or trading may fall under the purview of the UAE's regulatory framework for financial services, requiring compliance with licensing requirements, AML regulations, and know-your-customer (KYC) procedures.

At the federal level, the SCA has implemented the Crypto Assets Activities Regulation (CAAR), governing various aspects of crypto assets, including their offering, issuing, listing, trading, and associated financial activities like custody services and fundraising platforms.

At the emirates level, specifically the Emirate of Dubai, there has been significant strides in embracing blockchain technology and shaping its cryptocurrency laws.

VARA was established to oversee and license VAs services, promote Dubai as a global hub for VAs, and enforce regulations to ensure investor protection and financial stability. VARA regulates the activities related to VAs, which include VA Broker-Dealer Services, VA Custody Services, VA Exchange Services, VA Advisory Services, VA Lending and Borrowing Services and more.

In 2022, VARA has introduced Law No. 4 of 2022, known as the Virtual Assets Law, to regulate transactions involving virtual assets. This law applies across Dubai and its free zones, excluding the DIFC. It establishes a licensing framework and defines VAs broadly to include cryptocurrencies, tokens, and non-fungible tokens (NFTs). The legislation aims to enhance transparency by requiring investors to disclose their identities and financial information, thereby mitigating the risk of money laundering.

Moreover, the Dubai Multi Commodities Centre (DMCC) has launched the DMCC Crypto Centre, positioning Dubai as a hub for cryptocurrency and blockchain businesses, offering a supportive regulatory environment while ensuring adherence to relevant laws and regulations.

In this context, as of March, 2024, DIFC's new Digital Assets Law No. 2 came into force. The Law establishes the legal characteristics of digital assets for property law purposes by regulating their ownership and transferability.

Key Considerations and Challenges

Despite the growing interest in cryptocurrencies, several challenges persist within the UAE regulatory landscape. The global nature of cryptocurrency transactions raises jurisdictional and enforcement challenges, necessitating international cooperation among regulators. Furthermore, balancing innovation with investor safeguards remains a key consideration for policymakers and regulators in the UAE.

Future Outlook

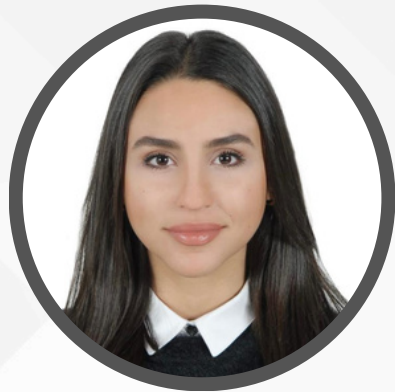
Looking ahead, the UAE is poised to further develop its regulatory framework for cryptocurrencies and blockchain technology. Authorities may consider enacting targeted legislation to address the unique characteristics and risks of cryptocurrencies, providing clarity and legal certainty for market participants. Collaboration between government agencies, industry stakeholders, and international partners will be essential in shaping a conducive regulatory environment that fosters innovation while safeguarding the integrity of the financial system.

Conclusion

In conclusion, UAE is navigating the evolving landscape of cryptocurrency regulation with a nuanced approach that balances innovation with investor protection and financial stability.

The UAE has demonstrated a proactive stance in addressing the risks and opportunities associated with VAs. Additionally, the establishment of regulatory authorities as above-mentioned, like the Dubai Virtual Assets Regulatory Authority VARA underscores the UAE's dedication to ensuring compliance and oversight in the VAs space. Moving forward, continued collaboration between government agencies, and industry stakeholders will be essential in shaping a robust regulatory framework that promotes innovation while safeguarding the interests of investors and maintaining the integrity of the financial system.

ABOUT THE AUTHOR



Melissa Wehbe is an Associate at Rasma Legal with over five years of extensive experience spanning diverse legal disciplines. She holds a Bachelor of Laws (LLB) from Notre Dame University, and is fluent in English, Arabic and French. As a qualified lawyer, Melissa brings a wealth of expertise in corporate law, commercial law, civil law, property and real estate law, and dispute resolution. Her proficiency and deep understanding of corporate and commercial legal intricacies make her a valuable asset to the firm. Prior to her current role, Melissa played a pivotal role in managing disputes and litigation matters alongside esteemed partners, providing insightful counsel particularly within Saudi Law on construction and commercial cases. Melissa's commitment to excellence and her ability to navigate complex legal challenges effectively position her as a trusted advisor.

UAE Central Bank Approves Framework for Regulating Stable Cryptocurrencies

LEGAL & REGULATORY UPDATE

The Central Bank of The UAE (CBUAE) Board of Directors has approved a detailed framework for the licensing and regulation of stable cryptocurrencies. This initiative is part of a wider policy agenda aimed at strengthening the banking and insurance sectors while enhancing financial infrastructure services.

This development is important as it marks a significant step towards integrating stable cryptocurrencies into the mainstream financial system. By establishing clear regulatory guidelines, the CBUAE aims to ensure the stability and security of digital assets, promoting confidence among investors and users.

Additionally, this move supports the growth and modernization of the financial sector in the UAE, positioning the country as a leader in the adoption of innovative financial technologies. Enhanced regulatory oversight also mitigates risks associated with digital currencies, promoting a safer and more robust financial ecosystem.



WHAT KEPT US BUSY

DMCC

We recently had the pleasure of attending the DMCC event centered around the Ecosystem for Gaming and Crypto.



Unveiling Challenges in UAE's Fintech Growth



AUTHORED BY

Reem Tawil Compliance Manager

In today's financial landscape, fintech companies play a crucial role in ensuring operations are quick, secure, and transparent. These companies have grown significantly in recent years, even amid global challenges.

Fintech enhances convenience by streamlining online financial services, offering users with an accessible and seamless end-to-end journey. Fintech companies make traditional financial services like investments, loans, bill payments, automated transactions, and savings more accessible to everyone.

THOUGHT LEADERSHIP

They also introduce new financial innovations, such as cryptocurrency trading, digital payments, open banking and online crowdfunding, which go beyond traditional banking. Essentially, innovative fintech companies are the driving force behind these advancements, making them possible and widely available.

Fintech Overview in the UAE Region

The UAE has successfully established two major fintech hubs in the MENA region: the RegLab at the Abu Dhabi Global Market (ADGM) and the FinTech Hive at the Dubai International Financial Centre (DIFC). These hubs exemplify the UAE's dedication to fostering innovation and leading the expansion of fintech across the MENA region.

UAE has developed national fintech strategies and established government-supported accelerators and incubators, where both the public and private sectors in the UAE are committed to fostering the growth of the fintech market.

Fintech Major Threats

A major challenge to the growth of the fintech market is cyberattacks and security breaches. In general, fintech companies are prime targets for cyberattacks due to the sensitive data being handled and the significant risks in case of any breach.

In UAE, the Federal Law No. 5 of 2012 on Combatting Cybercrimes criminalizes these activities and applies to both UAE onshore and the Financial Free Zones.

Another main threat accompanying fintech in UAE is the regulatory challenges resulting from overly strict regulations or a lack of regulation especially for technological advancements. Traditional laws often don't fit well with tech-driven business models. Regulations tend to lag behind technology because regulators need time to understand its legal implications. This is where law firms come into play, providing essential assistance to fintech companies, particularly startups that are still navigating the legal landscape in the UAE.

As a result, various regulatory authorities throughout the GCC have implemented forward-thinking strategies by creating regulatory sandboxes. These sandboxes enable fintech companies to experiment with and refine innovative solutions within a controlled setting. Notable examples include the DFSA Innovation Testing Licence (ITL) Programme and the ADGM RegLab.

Additionally, regulators in the UAE prioritize both innovation and consumer protection. The Personal Data Protection Law ("PDPL"), Federal Decree Law No. 45 of 2021, ensures robust data privacy frameworks, while strict anti-money laundering ("AML") regulations by the Central Bank of the UAE aim to combat financial crime effectively. Recent enhancements in Know Your Customer (KYC) compliance emphasize the efforts to promote transparency and security in financial transactions.

THOUGHT LEADERSHIP

These initiatives reflect the UAE regulators' proactive approach to balancing innovation with safeguarding consumer rights and financial integrity.

Furthermore, the fintech sector in the UAE is fiercely competitive, with both startups and established financial institutions competing for market share. To stay ahead, continuous innovation and differentiation are crucial. The rapid advancement of technologies like blockchain, AI, and machine learning adds to the challenge. Companies need to invest significantly in R&D to integrate these new technologies and maintain their competitive edge.

The fintech sector in the GCC is thriving, fuelled by increasing demand for innovative financial solutions. Emerging supportive regulations and an expanding consumer base present in the UAE do promise opportunities for fintech companies aiming to expand their operations.



THE INTERN SPOTLIGHT

Reflections from Rasma Legal's Internship Program

“

I had an incredibly rewarding experience during my internship at Rasma Legal. The past month has been both challenging and enriching, and I am grateful for the opportunity to have been a part of such a dynamic team.

Throughout the internship, I was able to gain hands-on experience in various domains of the legal field across different jurisdictions. This greatly enhanced my practical skills and theoretical knowledge. The projects I worked on allowed me to apply what I had learned in my academic studies to real-world scenarios, and I feel much more confident in my abilities as a result.

One of the highlights of my internship was the supportive and collaborative team environment. My colleagues were always willing to offer guidance and share their expertise, which made the learning process smooth and enjoyable.

— Yara Habanjar

”



ROUNDUP

WHAT WE ACHIEVED



Rasma Legal is proud to announce its recognition with the '**Jurisdiction Award: UAE**' in the latest edition of the **Women in Business Law Awards: EMEA**.

This recognition is deeply meaningful to us and reflects our dedication to building an inclusive workplace where talent and merit drive success.

We are committed to leading by example and remain resolute in driving meaningful change.



We are delighted to announce that Rasma Legal has been recognized for the second consecutive year in the **IFLR1000 rankings**.

This year, our firm is distinguished as a **Notable Firm** in **M&A for UAE** and **Financial and Corporate for Lebanon**.

This achievement reflects the unwavering dedication of our talented team and the enduring trust placed in us by our valued clients. We express our heartfelt gratitude to both for being instrumental in our continued success.

RASMANDATE is a monthly compilation of articles and legislative & regulatory updates, curated by Rasma Legal. This publication is intended to be circulated for informational purposes only. The publication in no way constitutes legal advice/opinion being provided by Rasma Legal to its readers or the public at large. Rasma Legal encourages readers to seek professional legal advice before acting upon the contents provided herein. The firm shall not be responsible for any liability or loss that may be attributed to the contents of this publication. This publication is the property of Rasma Legal, and the same may not be circulated, distributed, reproduced, or otherwise used by anyone without the prior express permission of its creators.
© 2024 Rasma Legal. All rights reserved.

DRIVING CHANGE THROUGH INNOVATIVE EXPERTISE



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**.

UNITED ARAB EMIRATES (UAE) | SAUDI ARABIA (KSA) | LEBANON