

Virtual Asset Regulators in the UAE:

A comparison of the different licensing frameworks

In recent years, regulators within the United Arab Emirates (the **UAE**) have worked to foster an environment for the sustainable growth of the UAE virtual asset sector through the enactment of several regulatory measures established at both a local and federal level. Companies seeking to provide virtual asset services to or from the UAE will need to navigate a complex regulatory landscape, consisting of several regulators with various regulatory remits depending on the proposed activities and the target geography for such services.

At present, there are five main regulatory frameworks within the UAE governing the provision of virtual asset services, comprising: (i) Federal regulations issued pursuant to Cabinet Resolution No. Law 111 on virtual assets; (ii) regulations issued within the two financial free zones of the Dubai International Financial Centre (**DIFC**) and the Abu Dhabi Global Market (**ADGM**); (iii) regulations applying onshore within the Emirate of Dubai (excluding the DIFC) within the remit of the recently established Dubai Virtual Assets Regulatory Authority (**VARA**); and (iv) the crypto business licensing framework applicable within the Dubai Multi Commodities Centre free zone (**DMCC**).

We have prepared the below comparison table, outlining the main features of each of the key virtual asset licensing frameworks within the UAE.

Item	Dubai (VARA)	DIFC	ADGM	DMCC	Federal	
Regulator/ Licensing Entity	Dubai Virtual Assets Regulatory Authority (VARA)	Dubai Financial Services Authority (DFSA)	Financial Services Regulatory Authority (FSRA)	Dubai Multi Commodities Centre Authority (DMCC)	Securities and Commodities Authority (SCA) Central Bank of the United Arab Emirates (CBUAE)	
Applicable jurisdiction	Emirate of Dubai (aside from the DIFC)	Dubai International Financial Centre	Abu Dhabi Global Market (Al Maryah Island)	Emirate of Dubai (aside from the DIFC)	Onshore United Arab Emirates (aside from the DIFC and ADGM)	
Is a fully operational licensing regime in place?	Yes (subject to completion of the VARA MVP/Regulatory sandbox period)	Yes	Yes	Yes	Yes	
Required corporate structure	Physical presence required within the Emirate of Dubai Must be in one of the legal forms approved by the relevant Dubai commercial licensing authorities	Physical presence required within the DIFC Must be a Body Corporate incorporated under the DIFC Companies Law	Physical presence required within the ADGM Must be a Body Corporate incorporated under the ADGM Companies Law	Physical presence required within the DMCC Must be a DMCC incorporated company or a branch of a non-DMCC company	Physical presence required within Onshore UAE Must be in one of the legal forms approved by the relevant UAE trade licensing authorities	
Licensing Costs	Initial License Application Fees: AED 40,000 to AED 100,000 depending on the relevant activity plus Annual/ongoing costs depending on the relevant activity	Initial License Application Fee: US\$15,000 to US\$175,000 depending on the relevant activity plus Annual/ongoing costs depending on the relevant activity	Initial License Application Fee: US\$20,000 to US\$145,000 depending on the relevant activity plus Annual/ongoing costs depending on the relevant activity	Initial License Application Fee: approximately AED 35,000 plus Annual/ongoing costs depending on the relevant activity	Initial Licensing Fees and Application Review Fee: between AED 53,000 to AED 505,000 depending on the relevant activity plus Annual/ongoing costs depending on the relevant activity	
Are the following key licensing categories covered for virtual assets?	a. Broker-dealer services	✓	✓	✓	✗	✓
	b. Advisory services	✓	✓	✓	✗	✓
	c. Exchange/MTF services	✓	✓	✓	✗	✓
	d. NFTs	✓	✗	✗	✓	✗
	e. Custody services	✓	✓	✓	✗	✓
	f. Managing virtual assets	✓	✓	✓	✗	✓
	g. Dealing in investments as principal	✓	✓	✓	✓	✓
Are there restrictions on which virtual asset tokens can be offered in this jurisdiction?	Yes There is no public list of "accepted virtual assets" but VARA has wide discretion to restrict certain categories of virtual assets (for e.g. anonymity-enhanced cryptocurrencies) from being offered within the Emirate of Dubai	Yes The DFSA maintains a public list of "recognised" virtual assets that may be offered within the DIFC	Yes There is no public list of "accepted" virtual assets in the ADGM, however, the FSRA approves of virtual assets on an entity-by-entity basis. Only "accepted" virtual assets can be offered within the ADGM	No However, regulated activities related to virtual assets may only be operated within the context of the 'Dealing in investments as principal' license category	Yes SCA maintains a public list of "accepted" virtual assets that may be offered within Onshore UAE	
Can security/investment tokens be offered in this jurisdiction?	Yes	Yes	Yes	No	Yes	

Concluding Thoughts

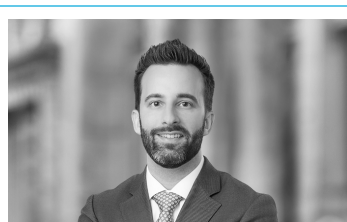
The various virtual asset licensing frameworks within the UAE demonstrate the country's commitment to fostering an innovative yet robust regulatory environment for the provision of virtual asset services. While the virtual asset industry within the UAE remains relatively new, the UAE regulators have been proactive in implementing measures designed to protect investors, minimise financial crime, whilst encouraging the sustainability and growth of the industry. As the industry continues to evolve, we can expect additional regulatory and policy measures introduced by the relevant authorities to adapt to new challenges and opportunities facing the industry.

Given the nascent nature of virtual asset regulations, it remains difficult to provide estimated timelines for completion of a virtual assets licensing application as these would be determined by the complexity of the relevant application and the scope of proposed activities. Service providers should seek regulatory advice before commencing activities relating to virtual assets in the UAE.

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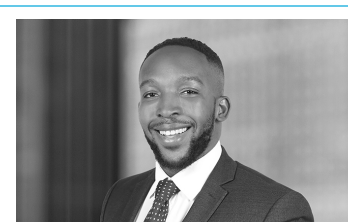
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