

Cabinet Resolution No. (111) of 2022 Regulating Virtual Assets and the Related Service Providers

The Cabinet, having reviewed:

- The Constitution;
- Federal Law No. (1) of 1972 Concerning the Competences of Ministries and Powers of Ministers, as amended;
- Federal Law No. (4) of 2000 concerning the UAE Securities and Commodities Authority and Market, as amended;
- Federal Law No. (8) of 2004 concerning the Financial Free Zones;
- Federal Decree Law No. (14) of 2018 concerning the Central Bank and Regulating the Financial Institutions and Activities, as amended;
- Federal Decree Law No. (20) of 2018 concerning Anti-Money Laundering and Countering the Financing of Terrorism and Non-legitimate Organizations, as amended, and its Executive Regulation;
- Cabinet Resolution No. (11) of 2000 concerning Regulation of Market Licensing and Supervision; and
- Cabinet Resolution No. (13) of 2000 concerning the Bylaws of the Securities and Commodities Authority as amended; and
- Based on the proposition of the Chairman of the Securities and Commodities Authority and approval of the Cabinet;

Hereby resolves as follows:

Article (1)

Definitions

Whenever mentioned in this Resolution, the following words and expressions shall bear the meanings assigned thereto respectively, unless the context requires otherwise:

UAE	: The United Arab Emirates
SCA	: The Securities and Commodities Authority
CBUAE	: The Central Bank of the UAE

Local Licensing Authorities	: The local licensing authority vested with the authority to regulate the virtual assets (VAs) in the emirate concerned.
Free Zones [FZs]	: Any free zone established or is being established inside the UAE under any federal or national statute.
Financial Free Zones [FFZs]	: The free zones governed by provisions of Federal Law No. (8) of 2004 concerning Financial Free Zones
Virtual Assets (VAs)	: The digital representation of the value of a property that can be digitally traded or transferred, and can be used for investment purposes. It does not include the digital representation of paper currencies, securities or other funds.
Virtual Assets Activities (VA Activities)	: Activities pertaining to provision of VA services in the UAE or relevant transactions, and are governed by the provisions of this Resolution.
Person	: Any natural or legal person
Issuer	: The natural or legal person issuing the VA.
Virtual Asset Service Providers (VASPs)	: Any legal person who carries on one or more activities or operations related to VA for the interest or on behalf of any person, including the VA platform operators, the VA brokers, and the VA custodians, and carries on any other activities in accordance with the provisions of this Resolution.
VA Platform	: A digital platform for listing, trading, and transferring ownership of VAs, conducting relevant clearing and settlement transactions, and storing and saving information and data through distributed ledger technology (DLT) or any other similar technology.
VA Platform Operator	: The legal person licensed by the SCA to make transactions pertaining to the VA via the VA platform pursuant to provisions of this Resolution.
Distributed Ledger Technology (DLT)	: A public or private digital database through which transactions of VAs are recorded, created, stored and shared, so that their authenticity and ownership is validated in a network of a

group of nodes that are created automatically from multiple locations and places, and includes Blockchain Technology.

Stored Value Facilities (SVF) : Non-cash payment (NCP) facilities, in an electronic or magnetic form, that are purchased and used by a user to pay for goods or services.

Article (2)

Objectives of the Resolution

This Resolution aims to:

1. Develop the legislative system for the VA sector in the UAE as well as the relevant activities and VASPs in a manner that defines and guarantees the rights and duties of all the parties concerned;
2. Regulate the VA Sector in the UAE as well as the relevant activities and VASPs;
3. Ensure compliance by the VA Sector in the UAE with all provisions of Federal Decree Law No. (20) of 2018 concerning Anti-Money Laundering and Countering the Financing of Terrorism and Non-legitimate Organizations, as amended, and its Executive Regulation, as well as the applicable legislation related to the sector;
4. Support the UAE Government's investment, economic and financial efforts to attract international companies and institutions operating in the VA sector to provide their services in the UAE; and
5. Protect the investors in the VA sector from illegal practices.

Article (3)

Scope of Application

1. Provisions of this Resolution shall apply to:
 - a. VA sector in the UAE, including the FZs;
 - b. VA Activities in the UAE, including the FZs detailed in Article (5) of this Resolution; and
 - c. VASP in the UAE, including the FZs;
2. Provisions of this Resolution shall not apply to:
 - a. Regulating the VAs inside FFZs and all relevant transactions;
 - b. Digital securities and contracts of digital commodities which are governed by their

- own regulations issued by the SCA; and
- c. VAs used for payment, including the SVF which fall within the competence of the CBUAE, except for those approved by the Central Bank to be listed and traded for the purposes of investment in the VA Platform;

Article (4)

General Provisions

1. It shall be prohibited for any person to engage in the VA Activities in the UAE without obtaining approval and a license either from the SCA or the local licensing authorities, as applicable, pursuant to provisions of this Resolution.
2. Whoever desires to carry on VA Activities shall have the UAE as its domicile for carrying on its activities and shall take one of the legal forms approved by the local authorities concerned with commercial licenses.
3. Whoever desires to carry on VA Activities shall obtain necessary initial approvals and permits either from the SCA or the local licensing authorities, as applicable, before proceeding with licensing procedures with the local authorities concerned with commercial licenses.
4. It shall be prohibited to deal with any person carrying on VA Activities in the UAE unless it is licensed by the SCA or the local licensing authorities, as applicable, pursuant to provisions of this Resolution.
5. VAs allocated for payment purposes which are governed by the CBUAE shall be excluded from provisions of this Article.

Article (5)

VA Activities Subject to Licensing

1. The following activities shall be licensed and overseen by the SCA pursuant to provisions of this Resolution:
 - a. Providing VA Platforms operation and management services;
 - b. Providing exchange services between one or more forms of VAs;
 - c. Providing VA transfer services;
 - d. Providing brokerage services for trading of VAs; and

- e. Providing VA custody and management services and enabling control over VAs;
- 2. Based on the proposition of the SCA, the Cabinet may, in coordination with the local licensing authorities and the CBUAE, amend the activities set out in this Article by way of adding new activities or removing existing activities.

Article (6)

Functions of the SCA

- 1. For the purpose of implementing this Resolution, the SCA shall:
 - a. Supervise and control the VA Activities, VASPs, and VA transactions conducted inside the UAE including the FZs;
 - b. Issue the resolutions required to regulate VA transactions, and licensing the VASP, and specify their work mechanism;
 - c. Verify the compliance by VASP with the application of the personal data protection legislation in force in the UAE;
 - d. Issue necessary instructions and guidelines, in coordination with the entities concerned, to formulate the mechanism required for evaluating and monitoring VASPs, and to develop the actions and measurements to be taken against suspicious transactions made in violation of Federal Decree Law No. (20) of 2018 concerning Anti-Money Laundering and Countering the Financing of Terrorism and Non-legitimate Organizations, as amended, and its Executive Regulation and the resolutions made under it, as well as the legislation in force in the UAE and the international requirements;
 - e. Raise the awareness of, and educate investors on, the investment in VAs and on the associated risks; and
 - f. Obtain the CBUAE's approval in respect of everything pertaining to guaranteeing the stability and protection of the UAE's financial and monetary system.
- 2. The SCA may, under a decision by the Chairman of the SCA, delegate all or any of the above functions to VASPs.

Article (7)

Minimum Requirements to Be Met in VA Sector

1. Upon granting licenses to VASPs, the SCA shall ensure that:
 - a. Neither the applicant nor any partner thereof has its name included in the sanctions lists or terrorist groups lists issued by the official entities in the UAE or by international organizations recognized by the UAE, including, in particular, the organizations concerned with anti-money laundering and countering the financing of terrorism and non-legitimate organizations; nor be a subject of criminal investigations inside or outside the UAE at the time of submission or consideration of the registration application; nor be convicted under a final judgment of a crime involving money laundering or financing of terrorism and non-legitimate organizations;
 - b. Efficiency of the technological systems used by the VASPs and its ability to protect investors' data in accordance with international best practices, present technologies and/or cybersecurity standards; and
 - c. VASPs' fulfilment of the requirements and conditions concerning the capital, credit guarantees, insurances, compliance management systems and other controls pursuant to the implementing resolutions made by SCA.
2. Through setting up inspection programs and regulatory measures, the SCA shall verify VASPs' fulfilment of the following requirements in case of engaging in VA Activities:
 - a. VASPs' adherence to provision of services to investors in accordance with provisions of this Resolution and its implementing resolutions, and disclosure of all risks associated with the services to investors in a clear, fair and not misleading manner;
 - b. VASPs' compliance with Federal Decree Law No. (20) of 2018 concerning Anti-Money Laundering and Countering the Financing of Terrorism and Non-legitimate Organizations, its Executive Regulation, and the requirements of the Financial Action Task Force (FATF), including in particular the provisions and requirements pertaining to VAs and VASPs; and
 - c. Availability of an effective mechanism to obligate VASPs to notify the SCA and the entities concerned in the event that the services they provide are exposed to security risks, security breaches, or any actions constituting a cybercrime.

Article (8)

Compliance with Legislation Concerning Anti-Money Laundering and Countering the Financing of Terrorism and Illegal Organizations

All VASPs in the UAE shall comply with all applicable legislation concerning anti-money laundering and countering the financing of terrorism and illegal organizations, and the resolutions issued in implementation of the said legislation.

Article (9)

Obligations of and Oversight over the Local Licensing Authorities

1. Local licensing authorities shall provide the SCA with all data and information pertaining to the VASPs, the licenses granted to them, and transactions related to these VAs upon request of the SCA to ensure compliance with the applicable legislation and international standards.
2. The SCA has the power to supervise and oversee the VASPs licensed in the UAE including those licensed by the local licensing authorities; and
3. The SCA shall manage coordination among the various local licensing authorities, the CBUAE, and the entities concerned in order to exchange information and hold events necessary to raise the awareness of the regulation of the VAs.

Article (10)

International Representation at Organizations and Events

Without prejudice to the CBUAE's powers under the legislation applicable to the FZs, the SCA shall be competent to participate in organizations and events related to VAs which require representation of the UAE, and is authorized to invite local licensing authorities and the entities concerned to participate in the said organizations and events.

Article (11)

Fees

In consideration of granting the licenses and approvals and provision of services in accordance with provisions of this Resolution and the resolutions made under this

Resolution, the SCA shall collect the fees and commissions to be defined under a cabinet resolution, provided that no duplication of fees shall be taken into consideration, that is, the fees collected by the local licensing authorities in return for the services provided under provisions of this Resolution may not be paid twice.

Article (12)

Violations and Penalties

In coordination with the local licensing authorities and the Ministry of Finance, and after obtaining the Cabinet's approval, the SCA shall make a decision defining the administrative violations and penalties in respect of the actions committed in violation of the provisions of this Resolutions and the resolutions made under this Resolution. The said decision shall define the powers of the SCA or the local licensing authorities, as applicable, to impose one or more of the following penalties:

1. Serve a warning;
2. Suspend a listing or trading of VAs;
3. Suspend the use of technologies used by VASPs related to VAs and adopt the alternative means;
4. Suspend or prevent the operation of the VA platform, and seek the assistance of the authorities concerned in the UAE to implement this suspension or prevention;
5. Suspend any VASPs from carrying on their activities, or revoke their licenses in accordance with the provisions of this Resolution;
6. Suspend any activity carried on without being licensed pursuant to provisions of this Resolution, and prevent any natural person from carrying on any relevant tasks or works without approval of the SCA. The SCA may seek the assistance of the competent authorities to implement its resolutions or to close the headquarters found in violation;
7. Impose a fine of not more than (AED 10,000,000) ten million dirhams;
8. Impose a fine equal to the value of profits obtained or losses avoided due to the violation; and/ or
9. Refer the violator of provisions of this Resolution to the public prosecution.

Article (13)

Grievances

Whoever sustains a penalty may file a grievance with the Chairman of the SCA or his/ her authorized delegate, against any penalty or administrative measure imposed on it pursuant to provisions of this Resolution. The same shall be filed according to the procedures adopted by the SCA.

Article (14)

Adjustment of Affairs

All VASPs in the UAE who are licensed before the entry of this Resolution into force shall adjust their own affairs and shall satisfy all operational requirements and conditions pursuant to provisions of this Resolution, within (3) three months as of the date of entry of this Resolution into force. The SCA may extend this time limit as required by the public interest.

Article (15)

Delegation

Based on the proposition of the SCA, the Cabinet may delegate any of the SCA's functions included in this Resolution to any of the local licensing authorities, if any, in accordance with the rules set by the Cabinet.

Article (16)

Implementing Resolutions

In coordination with the local licensing authorities and the entities concerned, the Board of the SCA shall issue the resolutions necessary for implementation of this Resolution.

Article (17)

Repeals

All and any provisions shall be repealed insofar as they go against the provisions of this Resolution.

Article (18)

Publication and Entry into Force

This Resolution shall be published in the Official Gazette and shall enter into force (30) thirty days following the date of its publication.

Mohammed bin Rashid Al Maktoum

The Prime Minister

Issued by us:

On: 18th of Jumada Al Awwal, 1444 A.H.

Corresponding to: 12th of December, 2022.