

**Issuance Date**11/12/2022

**Active From**13/01/2023

## **The Cabinet Cabinet Resolution No. (111) of 2022 Concerning the Regulation of Virtual Assets and their Service Providers**

The Cabinet:

- After perusal of the Constitution;
- Federal Law No. (1) of 1972 Concerning the Competencies of the Ministries and the Powers of the Ministers, as amended;
- Federal Law No. (4) of 2000 Concerning the Emirates 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 the Regulation of Financial Institutions and Activities, as amended;
- Federal Decree-Law No. (20) of 2018 Concerning Combating Money Laundering Crimes, Combating Financing of Terrorism and Financing of Illegal Organizations, as amended, and its Executive Regulations;
- Cabinet Resolution No. (11) of 2000 Concerning the Regulations as to Market Licensing and Supervision;
- Cabinet Resolution No. (13) of 2000 Concerning the Regulation as to the Functioning of the Securities and Commodities Authority, as amended; and
- Based on what was proposed by the Chairman of the Board of Directors of the Securities and Commodities Authority and the approval of the Cabinet,

Has decided:

### **Article (1) Definitions**

**In application of the provisions of this resolution, the following terms and expressions shall have the meanings assigned thereto, unless the context indicates otherwise:**

**State** : The United Arab Emirates.

**Authority** : Securities & Commodities Authority.

**Central Bank** : The Central Bank of the United Arab Emirates.

**Local Licensing Authorities** : The local authority competent to regulate virtual assets in the concerned Emirate.

**Free Zones** : Any free zone existing or is established within the State pursuant to any federal or local legislation.

**Financial Free Zones** : Free zones subject to the provisions of Federal Law No. (8) of 2004 concerning Financial Free Zones.

**Virtual Assets** : A digital representation of the value that can be traded or transferred digitally, can be used for investment purposes, and does not include digital representations of paper currencies, securities or other funds.

**Virtual Assets Activities** : The activities related to the provision of virtual asset services in the State, or the related operations that are subject to licensing in accordance with the provisions of this Resolution.

**Person** : Any natural or legal person.

**Issuer** : Any natural or legal person issuing a Virtual Asset.

**Virtual Assets Service Providers**: Any legal person practicing one or more activities related to virtual assets or the related processes for the benefit or on behalf of a person, such as the operator of the virtual assets platform, the broker of virtual assets and the custodian of virtual assets, and any other activities in accordance with the provisions of this Resolution.

**Virtual Assets Platform** : A digital platform for listing, trading and transferring ownership of virtual assets, conducting related clearing and settlement processes, and storing and saving information and data through distributed ledger technology or any other similar technology.

**Virtual Assets Platform Operator** : The legal person licensed by the Authority to regulate dealing in virtual assets through the Virtual Assets Platform in accordance with the provisions of this Resolution.

**Distributed Ledger Technology** : A public or private digital database, through which disposals made to virtual assets are recorded, created, preserved, and shared, so that it automatically proves their authenticity and ownership on a network of nodes block from multiple locations and places, including Blockchain technology.

**Stored Value Facilities**: Non-cash facilities in electronic or magnetic form that are purchased by a user as a mean of payment for commodities and services.

## **Article (2) Objectives of the Resolution**

This resolution aims to achieve the following:

1. Developing the legislative system of the virtual assets sector in the State, its related activities and service providers in a way that defines and guarantees the rights and duties of all related parties.
2. Regulating the virtual assets sector in the State and its related activities and service providers.
3. The compliance of the virtual assets sector in the State with all provisions of the Federal Decree-Law No. (20) of 2018 concerning **Combating Money Laundering Crimes, Combating Financing of Terrorism and Financing of Illegal Organizations, as amended, and its executive regulations and applicable legislations related to the sector.**
4. Supporting the State efforts to provide an attractive investment, economic and financial environment for global companies and institutions operating in the virtual assets sector to provide their services in the State.
5. Protecting investors in virtual assets from illegal practices.

## **Article (3) Scope of Application**

### **1. The provisions of this resolution shall apply to the following:**

- a. The virtual assets sector in the State, including free zones.
- b. Activities related to virtual assets in the State, including free zones, as set forth in Article (5) of this resolution.
- c. Virtual asset service providers in the State, including free zones.

### **2. The provisions of this resolution do not apply to the following:**

- a. The regulation of virtual assets that take place within the financial free zones and all operations associated with them.
- b. Digital securities and digital commodity contracts, which are subject to the respective regulations issued by the Authority.
- c. Virtual assets for payment purposes, including stored value facilities, which are subject to the jurisdiction of the Central Bank, with the exception of these approved by the Central Bank for listing and trading for investment purposes in the virtual assets platform.

#### **Article (4) General Provisions**

1. It is prohibited for any person to engage in virtual asset activities in the State, without obtaining approval and a license from the Authority or the local licensing authorities, as the case may be, in accordance with the provisions of this resolution.
2. A person wishing to engage in virtual asset activities **shall have headquarters in the State to conduct his business**, according to one of the legal forms approved by the local authorities concerned with commercial licenses.
3. A person wishing to engage in virtual asset activities shall **obtain the necessary preliminary approvals** and permits from the Authority or the local licensing authorities, as the case may be, before proceeding with its licensing procedures from the local authorities concerned with commercial licenses.
4. It is prohibited to deal with any person who engages in virtual assets activities in the State unless he is licensed by the Authority or the local licensing authorities, as the case may be, in accordance with the provisions of this resolution.
5. The virtual assets designated for payment purposes, which are subject to the jurisdiction of the Central Bank, shall be excluded from the provision this article.

#### **Article (5) Virtual Assets Activities Requiring a License**

1. The following activities require a license and are subject to oversight by the Authority, in accordance with the provision of this resolution:
  - a. provision of Virtual Asset Platform operation and management services;
  - b. provision of exchange services between one or more forms of virtual assets;
  - c. provision of Virtual Asset transfer services;
  - d. provision of brokerage services in trading operations in Virtual Assets;
  - e. provision of Virtual Asset custody, management, and control services; and
  - f. provision of financial services related to offering and/or selling by the issuer to the Virtual assets, or participating in providing those services.
2. The Cabinet, based on the Authority's proposal and after coordinating with the local licensing authorities and the Central Bank, may amend the activities described in this Article, whether by addition or deletion.

#### **Article (6) Functions of the Authority**

1. For the purposes of implementing the provisions of this Resolution, the Authority shall assume the following functions:
  - a. Supervising and controlling the virtual assets activities, their service providers and transactions that take place within the State, including free zones;
  - b. Issuing resolutions regulating virtual asset transactions and licensing its service providers and their work mechanism;
  - c. Verifying the commitment of virtual asset service providers to apply the legislations in force in the State in relation to the protection of personal data.
  - d. Issuing the necessary instructions and guidelines, in coordination with the concerned entities, to establish a mechanism for evaluating and monitoring virtual asset service providers, and the procedures and measures to be taken regarding suspicious transactions that are in violation of the provisions of the Federal Decree-Law No. (20) of 2018 Concerning Countering Money Laundering Crimes and Combatting Terrorism and Illegal Organisations' Financing, its amendments, and its Executive Regulations, the resolutions issued pursuant to it, the legislations in force in the State, and international requirements;

e. Raising awareness and educating investors about the investment in virtual assets and its risk; and  
f. Obtaining the Central Bank approval in everything related to ensuring the protection and stability of the financial and monetary system in the State.

2. The Authority, based on the resolution of the Authority's board of directors, may delegate any of its functions mentioned in this resolution to virtual asset service providers.

#### **Article (7) Minimum requirements to be met in the virtual assets sector**

1. The Authority is committed to verifying the availability of the following requirements when granting licenses to virtual asset service providers:

a. That the license applicant or one of its partners is not included in the sanctions lists or terrorism lists issued by the official authorities in the State or by international organizations recognized by the State, especially those concerned with combating **money laundering and combating the financing of terrorism and illegal organizations**, and not be subject to any criminal investigations within or outside the State during the submission or study of the application for registration, and that no final judicial judgment has been rendered against him in the crime of money laundering, financing terrorism, or financing illegal organizations;

b. The efficiency of the **technical systems** used by virtual asset service providers and their ability to protect investor data in accordance with international best practices, current technology and/or cybersecurity standards; and

c. Virtual asset service providers meet the **capital requirements and conditions, credit guarantees, insurances, compliance management systems and other rules in accordance with the executive resolutions issued by the Authority.**

2. The Authority is committed to verifying, through setting up inspection programs and control procedures, that the following requirements are met when virtual asset service providers engage in virtual asset activities:

a. The commitment of virtual asset service providers to provide their services to investors in accordance with the provisions of this Resolution and the resolutions issued pursuant thereto and to disclose to them all risks related to those services in a clear, fair and non-misleading manner;

b. The compliance of virtual asset service providers with the provisions and requirements set forth in the Federal Decree-Law No. (20) of 2018 Concerning Countering Money Laundering Crimes and Combatting Terrorism and Illegal Organizations' Financing, its Executive Regulations and the requirements of the **Financial Action Task Force (FATF)**, in particular the provisions and requirements related to virtual assets and their service providers; and

c. Provision of an effective mechanism that obliges the providers of virtual assets services to **notify the Authority and the concerned authorities in the event that the services provided by them are exposed to security risks, security breaches, or any behavior that falls within the scope of electronic crimes.**

#### **Article (8) Compliance with the legislations to combat money-laundering crimes and combat the financing of terrorism and the financing of illegal organizations**

All providers of the virtual assets services in the State shall comply with the applicable legislations regarding anti-money laundering crimes and combating the financing of terrorism and financing of illegal organizations and the resolutions issued to implement them.

#### **Article (9) Obligations and oversight of local licensing authorities**

1. The local licensing authorities shall provide the Authority with all data and information related to the virtual assets services providers, licenses issued thereto and the transactions of these assets upon request by the Authority, in order to achieve compliance with the applicable legislations and international obligations.

2. The Authority shall have the power to supervise and control providers of virtual assets services licensed in the State, including those licensed by the local licensing authorities.

3. The Authority shall coordinate between the various local licensing authorities, the central bank and the concerned entities, in order to exchange information and hold the necessary activities regarding spreading the necessary awareness regarding the regulation of virtual assets.

#### **Article (10) International representation in organizations and events**

Without prejudice to the powers of the Central Bank in the legislations applicable in the financial free zones, the Authority shall be concerned with participating in organizations and events related to virtual assets that require representation of the State, and it may invite local licensing authorities and concerned authorities to participate in those organizations and events.

#### **Article (11) Fees**

In return for issuing licenses and approvals and providing other services, under this resolution and the resolutions issued in pursuance hereof, the Authority shall collect the fees and commissions determined by a resolution of the Cabinet, taking into account that they shall not be duplicated with any fees collected by the local licensing authorities for the services they provide under the provisions of this resolution.

#### **Article (12) Violations and Penalties**

**The Board of Directors of the Authority, after coordinating with the local licensing authorities, the Ministry of Finance, and the approval of the Cabinet, shall issue a resolution specifying the violations and administrative penalties for actions that occur in violation of the provisions of this resolution and the resolutions issued pursuant thereto, provided that the resolution includes the power of the Authority or the local licensing authorities, as the case may be, to take one or more of the following penalties:**

1. Warning.
2. Suspension of listing or trading virtual assets.
3. Suspending the technologies used by service providers related to virtual assets and adopting alternative means.
4. Suspending or preventing the operation of the virtual assets platform and seeking the assistance of the concerned authorities in the State to implement this.
5. Preventing any provider of virtual assets services from practicing its activity or cancelling its license in accordance with the provisions of this resolution.
6. Suspending any activity that is being practiced without a license in accordance with the provisions of this resolution and the prevention of any natural person from carrying out any tasks or work related to it without being approved by the Authority. The Authority may seek the assistance of the competent authorities to implement its resolutions or close the violating headquarters.
7. **Imposing a financial fine not exceeding AED (10,000,000) ten million dirhams.**
8. Imposing a financial fine equal to the value of the profits obtained from the violation or the losses that were avoided.
9. Referring the violator of the provisions of this resolution to the Public Prosecution.

#### **Article (13) Grievances**

Anyone who has been subjected to a penalty may file a grievance before the Chairman of the Board of Directors of the Authority or whomever it delegates against any penalty or administrative measure that was imposed on him in accordance with the provisions of this resolution, and that is in accordance with the procedures applicable at the Authority.

#### **Article (14) Regularization**

All providers of virtual assets services licensed in the State, prior to the entry into force of this resolution, shall adjust their status and fulfil the conditions and operational requirements in accordance with the

provisions of this resolution, within three months from the date this resolution come into force. The Authority may extend this period for other periods as required by the public interest.

#### **Article (15) Delegation**

The Cabinet, based on the Authority's proposal, may delegate any of the Authority's competencies mentioned in this resolution to one of the local licensing authorities, if any, in accordance with the controls it deems appropriate.

#### **Article (16) Executive Resolutions**

The Board of Directors of the Authority shall issue the necessary resolutions to implement this resolution in coordination with the local licensing authorities and the concerned authorities.

#### **Article (17) Repeals**

Any provision that contradicts or conflicts with the provisions of this resolution shall be repealed.

#### **Article (18) Publication and Validity**

This resolution shall be published in the Official Gazette and shall come into force after thirty (30) days from the date of its publication.

/Duly sealed by UAE Cabinet/  
Mohammed bin Rashid Al Maktoum  
Prime Minister

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