



An overview of the regulation of virtual assets in Dubai (UAE)

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Contents

1. Virtual asset laws and regulations in Dubai (UAE)	3
What is considered a virtual asset in Dubai (UAE)?	3
What are the relevant laws and regulations in Dubai (UAE)?	3
Who do such laws and regulations apply to?	6
Who are the relevant regulatory authorities in relation to virtual assets in Dubai (UAE)?	6
What are the penalties for breaches of virtual asset laws and regulations in Dubai (UAE)?	7
2. Regulation of virtual assets and offerings of virtual assets in Dubai (UAE)	8
Are virtual assets classified as 'securities' or other regulated financial instruments in Dubai (UAE)?	8
Are stablecoins and NFTs regulated in Dubai (UAE)?	8
Are decentralised finance (DeFi) activities (e.g. lending virtual assets) regulated in Dubai (UAE)?	10
Are there any restrictions on issuing or publicly offering virtual assets in Dubai (UAE)?	10
Are there any exemptions to the restrictions on issuing or publicly offering of virtual assets in Dubai (UAE)?	11
3. Regulation of VASPs in Dubai (UAE)	12
Are VASPs operating in Dubai (UAE) subject to regulation?	12
Are VASPs providing virtual asset services from offshore to persons in Dubai (UAE) subject to regulation in Dubai (UAE)?	12
What are the main requirements for obtaining licensing / registration as a VASP in Dubai (UAE)?	13
What are the main ongoing requirements for VASPs regulated in Dubai (UAE)?	16
What are the main restrictions on VASPs in Dubai (UAE)?	17
What is the main information that regulated virtual asset trading platforms have to make available to its customers?	18
What market misconduct legislation/regulations apply to virtual assets?	19
4. Regulation of other crypto-related activities in Dubai (UAE)	20
Are managers of crypto funds regulated in Dubai (UAE)?	20
Are distributors of virtual asset funds regulated in Dubai (UAE)?	20
Are there requirements for intermediaries seeking to provide trading in virtual assets for clients or advise clients on virtual assets in Dubai (UAE)?	21
5. Other relevant regulatory information	22
Are there any upcoming regulatory developments in respect of crypto-related activity in Dubai (UAE)?	22
Has there been any notable events in Dubai (UAE) that has prompted regulatory change recently?	23
6. Pending litigation and judgments related to virtual assets in Dubai (UAE) (if any)	24
7. Government outlook on virtual assets and crypto-related activities in Dubai (UAE)	24
8. Advantages of setting up a VASP in Dubai (UAE)	25

1. Virtual asset laws and regulations in Dubai (UAE)

Dubai has been at the forefront of developing its virtual assets regulatory landscape. In March 2022, Dubai enacted the Regulation of Virtual Assets law (**VAL**) and established the Dubai Virtual Assets Regulatory Authority (**VARA**) to oversee the regulation of virtual assets in Dubai. Since then, Dubai has issued the **Virtual Assets and Related Activities Regulations 2023**, which have been further amended and expanded, with significant updates enforced from October 1, 2024. VARA's regulatory scope now explicitly includes decentralised finance platforms, stablecoin issuers, and NFT marketplaces.

The VARA is responsible for licensing and regulating virtual assets, including crypto assets, digital assets, and NFTs, across Dubai's mainland and free zone territories, except for the Dubai International Financial Centre (**DIFC**). In 2024–2025, VARA has also increased collaboration with the Dubai Financial Services Authority to enhance cross-border AML/CFT compliance. Additionally, VARA's enforcement powers now include real-time transaction monitoring and mandatory reporting of cybersecurity incidents.

Additionally, Dubai Multi Commodities Centre Authority (**DMCCA**) and Dubai Airport Freezone Authority (**DAFA**) both have their own regulatory frameworks for virtual assets, aimed at aligning with the requirements laid out in the SCA Virtual Asset Regulation Framework.

What is considered a virtual asset in Dubai (UAE)?

As per the definition given in Law No.4 of 2022 on the regulation of VAL, a 'virtual asset' is a digital representation of value which can be digitally traded or transferred or used as an exchange or payment tool for investment purposes and does not include digital representation of fiat currencies or financial securities and a 'virtual token' is a digital representation of a group of rights which can be issued and traded digitally through a virtual asset platform (a platform operated by a virtual asset provider licensed by VARA).

What are the relevant laws and regulations in Dubai (UAE)?

Here is an outline detailing the applicable laws on virtual assets in Dubai and their evolution:

- i. **Sharia Ruling on Cryptocurrencies (Fatwa No. 89043)**: In 2018, the UAE's General Authority for Islamic Affairs and Endowments issued a fatwa (89043) declaring Bitcoin and cryptocurrencies ineligible for trading. According to Sharia criteria, these virtual currencies lack state recognition, making them impermissible under Islamic law.

While the quoted fatwa deems cryptocurrencies impermissible, it notes that regulated and authorities-adopted cryptocurrencies may become permissible.

- ii. **Law No. 4 of 2022**: Regulating Virtual Assets in the Emirate of Dubai was enacted to establish regulatory framework governing activities and operations related to virtual assets. The Objective was to regulate and oversee the issuance, offering, and relevant disclosure processes of virtual assets and virtual tokens in Dubai.
- iii. **Cabinet Resolution No. 111/2022**: Regulating Virtual Assets and their Service Providers was brought out to regulate virtual assets and their service providers in the UAE, to put in place legislation, to define and ensure the rights and duties of all relevant parties, regulate the virtual asset sector, comply with provisions related to Combating Money Laundering and the Financing of Terrorism and Illegal Organisations.
- iv. **Cabinet Decision No. 112/2022**: Was issued to delegate certain competencies related to the regulation of Virtual Assets to the Dubai VARA, to ensure proper implementation of the provisions of Cabinet Decision No. 111/2022 as well as to establish a unified and appropriate work mechanism to regulate the process of supervision and control over VASPs licensed by the Dubai VARA, and the mechanism for sharing fees, commissions, and fines.
- v. **Administrative Order No.01/2022**: issued by the Dubai VARA in January 2022, aimed to regulate marketing, advertising, and promotional activities related to virtual assets within Dubai. This order introduced key definitions and applied to all forms of marketing, promotional, and advertising content connected to virtual assets or virtual asset-related activities. It outlined various compliance requirements for entities involved in such activities and granted VARA the authority to take corrective measures in case of non-compliance. These measures included the right to suspend marketing activities, impose fines, or revoke the licenses of entities that failed to meet the prescribed standards. In 2023, the regulations

governing marketing activities were updated and revised as part of VARA's Marketing and Promotions Rules, expanding the scope of marketing regulations to ensure enhanced transparency and consumer protection. These revised rules will take effect from October 1, 2024.

- vi. [Administrative Order No.02/2022](#): issued in March 2022, built upon the marketing regulations established under the Dubai Virtual Asset Law, ensuring that marketing and advertising related to virtual assets are conducted in a manner that is non-misleading and compliant with VARA's standards. The primary objective of this order was to safeguard consumers from deceptive marketing practices while promoting fair advertising in the virtual asset space. The penalties for non-compliance were stringent, allowing VARA to impose fines of up to AED 200,000 for each violation, suspend marketing activities for up to six months, revoke any licenses issued by VARA, and require entities to make public statements acknowledging their violations. These provisions have also been updated in alignment with the broader Virtual Assets and Related Activities Regulations 2023, with the new rules scheduled to be enforced starting October 1, 2024.
- vii. [The Virtual Assets and Related Activities Regulations 2023](#): were initially issued on February 7, 2023, to establish a comprehensive regulatory framework for VASPs. These regulations were designed to address licensing, compliance, market conduct, and consumer protection in the virtual asset sector. Supervision and enforcement by VARA included oversight, examination, and the authority to investigate and impose fines for non-compliance with anti-money laundering and counter-terrorism financing obligations. It established a compliance framework with clear obligations, marketing regulations, and enforcement measures to maintain market integrity. Information protection was prioritised, extending to safeguarding against unauthorised disclosure or use.

Since their issuance, these Regulations have undergone several amendments. It includes expanded definitions that now cover a broader range of services, such as advisory roles, decentralised finance (**DeFi**), and custodial services. In addition, stricter marketing regulations have been introduced, focusing on transparency and consumer protection. These rules require entities to clearly disclose risks associated with virtual assets in all marketing materials, ensuring that consumers are well-informed. Furthermore, new licensing requirements have been established, obliging all entities engaged in virtual asset marketing to obtain specific licenses tailored to their activities. The updated framework also introduces a graduated penalty system, categorising breaches based on severity, with corresponding penalties designed to enforce compliance effectively. These penalties range from fines to more severe measures such as the suspension or revocation of licenses, depending on the nature of the violation. The latest amendments to the VARA Regulations are scheduled for enforcement on October 1, 2024.

Compulsory Rulebooks

In May 2025, VARA released Version 2.0 of its compulsory activity-based Rulebooks, introducing stricter controls on margin trading and token distribution, harmonised compliance requirements, and clearer definitions for key operational terms (such as "client assets," "qualified custodians," and "collateral requirements"). All VASPs must comply with these updated Rulebooks by June 19, 2025. VARA's Supervision Teams will engage directly with each licensed entity to provide activity-specific guidance during this 30-day transition period.

- i. [The Company Rulebook](#): Governing VASPs licensed by the VARA in Dubai, explains crucial requirements for company operations. The rules state that VASP Boards need qualified individuals overseeing procedures, and Senior Management must be qualified, working under Board direction. Outsourcing deals should cover notice periods, finances, and service standards. Policies addressing conflicts of interest and regular fitness assessments for staff are important. For transactions with related parties, monthly reports to VARA are required, with document submission if requested. VARA can revoke or suspend approvals if fit and proper requirements aren't met by individuals or VASPs.
- ii. [The Compliance and Risk Management Rulebook](#): Covers general principles for managing compliance risks, mandates effective compliance systems, and designates duties for the Compliance Officer. In addressing Anti-Money Laundering (**AML**) and Combating the Financing of Terrorism (**CFT**), it requires a Money Laundering Reporting Officer (**MLRO**) and sets criteria for client due diligence. The Rulebook also prohibits corrupt payments, emphasising strict compliance with anti-bribery and corruption rules.
- iii. [The Technology and Information Rulebook](#): Is designed to enhance safety for VASPs and protect individuals during virtual asset transactions. It establishes mandatory requirements across three parts: Part I focuses on technology governance and security measures, including cybersecurity policies and

virtual asset transaction security; Part II addresses personal data protection, ensuring compliance with relevant laws and regulations; and Part III outlines guidelines for VASPs to use and protect confidential information.

- iv. **The Market Conduct Rulebook:** Sets specific guidelines for VASPs to regulate their behavior, focuses on marketing regulations, client agreements, and complaints handling. The Rulebook defines who can invest in virtual assets and requires VASPs to disclose key information publicly. Market transparency is emphasised, prohibiting VASPs from trading virtual assets for their own accounts without authorisation from the VARA.

VA Activity and other Service Rulebooks

- i. **The Advisory Services Rulebook:** For VASPs ensures transparent, client-centric advice and adherence to VARA regulations. It mandates clear risk disclosure, unbiased advice, and the collection of client information for tailored recommendations. The rulebook underscores staff competency, fact-checking for accuracy, and encourages VASPs to assess diverse virtual assets, providing clients with varied investment options.
- ii. **The Broker Dealer Service Rulebook:** Establishes specific rules and guidelines, focusing on investor protection, fair treatment, and the prevention of abusive practices. The rulebook sets minimum requirements and regulatory obligations for various areas, including best execution, market conduct, technology, information, compliance, risk management, and capital/prudential requirements. Applicable to all Emirate-based VASPs offering broker-dealer services, irrespective of size, the rulebook covers policies and procedures for detecting and preventing market offenses, ensuring best execution for client orders, and establishing rules for margin trading, including information collection and segregation of client accounts. Margin trading is now limited to qualified and institutional investors only. The updated Rulebook introduces stricter leverage thresholds, clearer collateralisation requirements, and enhanced monitoring and reporting obligations for VASPs offering margin trading. Retail clients are prohibited from accessing margin trading services.
- iii. **The Custody Service Rulebook:** It is designed to assist VASPs in managing risks associated with custody services. It provides guidelines including a comprehensive framework for the safekeeping of virtual assets, segregation measures to minimise internal failure risks, and operational risk management policies. The Rulebook mandates regular independent internal audits and requires disclosure of client protections, data privacy, client complaints handling, and whistleblowing policies.
- iv. **The Exchange Service Rulebook:** This is a vital set of guidelines for VASPs offering Exchange Services in the Emirate of Dubai, impacting crypto traders in the UAE. The rules cover board requirements, internal policies, disclosure of conflicts of interest, client privacy, and complaint handling. They also address Exchange Services rules, including trading venue participants, code of conduct, business continuity, and market surveillance. Specific regulations for margin trading, such as compliance, VARA approval, obligations, prudential requirements, margin agreements, and dispute resolution, are outlined. Overall, these guidelines aim to ensure compliance and risk management in the crypto trading sector in Dubai.
- v. **The Lending and Borrowing Service Rulebook:** Emphasises risk mitigation through liquidity and collateral standards, reinforced by accountability through regular audits. Key requirements include maintaining sufficient virtual assets, regular collateral monitoring, and notifying clients about non-withdrawable virtual assets. The rulebook also explains reporting practices, due diligence assessments, and independent third-party audits for risk management. Overall, it sets clear guidelines to ensure transparency, risk mitigation, and regulatory compliance in lending and borrowing services provided by VASPs.
- vi. **The VA Management and Investment Service Rulebook:** Provides guidelines on client suitability, ensuring VASPs only serve clients suitable for their services based on experience and financial situation. The rulebook emphasises the importance of written client agreements, covering terms like account termination, asset value fluctuation, and complaint procedures. VASPs are required to disclose all fees transparently to avoid confusion, ensuring they are neither excessive nor unclear. Additionally, the rulebook explains the need for effective risk management, requiring VASPs to monitor and promptly address liquidity and market risks.
- vii. **The VA Transfer and Settlement Service Rulebook:** Aims to enhance efficiency and risk awareness in the virtual asset landscape by emphasising policies for rectifying incomplete transfers. Key provisions include addressing non-executed or defectively executed transfers, ensuring client authorisation for all

transfers, and maintaining client instruction records for at least eight years. The rulebook also stresses risk disclosure to inform clients about potential issues, such as irreversible transactions and technical difficulties. It emphasises timely execution of transfers and sets clear guidelines for smooth processes, risk awareness, and client protection in virtual asset transfer and settlement services.

- viii. **The VA Asset Issuance Rulebook**: Sets rules for creating and using virtual assets. It focuses on how issuers should behave, what information they must share in a whitepaper, and the ongoing rules they must follow after creating virtual assets. The rulebook requires Issuers to get approval and follow specific processes laid down by the VARA. Issuers are not allowed to use virtual assets for illegal activities, and they have to follow rules related to supervision and checks by VARA.
- ix. **The Fiat Referenced Virtual Asset (FRVA) Rulebook**: An annexure to the VA Issuance Rulebook, lays out rules for issuing Fiat Referenced Virtual Assets. It covers approval requirements, due diligence, risk management, corporate governance, audits, and reserve assets. The rulebook adds disclosures about reference currency, FRVA creation and redemption policies, and marketing guidelines for transparency. Capital requirements ensure issuer stability, including paid-up capital, net liquid assets, insurance, and VARA-defined needs. Crucially, the rulebook prohibits FRVA issuers from offering incentives for purchasing or holding FRVAs.

Who do such laws and regulations apply to?

The virtual assets laws and regulations in Dubai apply to all Virtual Assets and VA Activities in the Emirate. Here is a list of entities and individuals to whom the virtual assets laws and regulations apply in Dubai, based on the Virtual Assets and Related Activities Regulations 2023 issued by VARA:

- i. Any individual or entity conducting Virtual Asset Activities in the Emirate of Dubai, including free zones and special development zones.
- ii. Any person or entity issuing Virtual Assets in the course of a business within Dubai.
- iii. Any person or entity that intends to provide Virtual Asset Services in Dubai including an exchange, custodian wallet provider.
- iv. Any person or entity intending to engage in large proprietary trading in Virtual Assets.
- v. Anyone that is required to carry out an AML/CFT risk assessment for its business relating to Virtual Assets in Dubai.
- vi. Any DeFi platform, stablecoin issuer, or NFT marketplace targeting users in Dubai or conducting business in the Emirate.
- vii. Any entity providing virtual asset lending, borrowing, payment, or remittance services, whether centralized or decentralized.

Who are the relevant regulatory authorities in relation to virtual assets in Dubai (UAE)?

- i. **VARA**: The VARA enacted under Law No. 4 of 2022, is affiliated with the Dubai World Trade Centre Authority (**DWTCA**), has a clear mission: overseeing the legal framework for businesses dealing with virtual assets in Dubai. This includes crypto assets, digital assets, and Non-Fungible Tokens (**NFTs**). VARA is in charge of licensing and regulation across Dubai's mainland and free zones (excluding Dubai International Financial Centre).
- ii. **Central Bank of the UAE**: The Central Bank of the United Arab Emirates plays a role in overseeing financial activities, including aspects related to virtual currencies and stablecoins, across the entire UAE, including Dubai.
- iii. **Securities and Commodities Authority (SCA)**: The SCA is a UAE-wide regulatory authority overseeing securities and commodities activities, which may include aspects related to virtual currencies and coordinates with VARA on matters of overlap, especially regarding tokenised securities and investment products.

- iv. **Ministry of Economy:** The Ministry of Economy is involved in shaping the overall economic policies of the UAE and may play a role in the broader regulatory landscape.

VARA, under DWTCA, takes charge of licensing and overseeing the virtual asset sector in Dubai's mainland and free zones, excluding the DIFC. Any conflicting local laws are overridden by the Virtual Assets Law, but federal laws and regulations issued by the Central Bank and SCA continue to apply in their respective domains. An understanding has been established between the SCA and DWTCA since 2021, specifically regarding the offering, regulation, issuance, and trading of virtual assets within the DWTCA's free zone.

What are the penalties for breaches of virtual asset laws and regulations in Dubai (UAE)?

The Virtual Assets and Related Activities Regulations 2023, alongside the Rulebooks issued by the VARA, detail penalties and fines for non-compliance. VARA has discretionary powers to enforce actions against entities violating laws, regulations, or directives. These actions range from written reprimands to fines, additional supervision, monitoring, or reporting requirements, as determined by VARA. The fine amounts are described in Schedule 3 of The Virtual Assets and Related Activities Regulations 2023, categorising violations from high to low seriousness, based on the nature and severity of violations:

- i. **Category 1:** Violations related to market offenses, compliance, risk management, conduct, or offenses not covered elsewhere. Entities may face fines up to AED 100 million.
- ii. **Category 2:** Violations related to Virtual Asset Activities, including unauthorised engagement, KYC obligations, reporting, and **(AML/CFT)** requirements. Individuals may incur fines up to AED 50 million, while corporate entities may face fines up to AED 100 million.
- iii. **Category 3:** Violations not falling under Categories 1 and 2, pertaining to other regulations or directives. Entities may be fined from AED 5 million to AED 15 million.

VARA has emphasised that violators may be required to disgorge profits or avoid losses, with amounts potentially exceeding the previously stated limits, specifically up to 300% of the profits gained or losses avoided.

Regulations specify grounds for fines based on factors like carrying out VA Activities in violation, issuing a Virtual Asset unlawfully, misrepresenting to the public, and breaching Ultimate Beneficial Owner disclosure requirements. VARA considers factors like the nature, seriousness, and impact of the violation, whether it constitutes a market offense, the entity's conduct post-violation, its disciplinary record, VARA's published materials, and actions by other regulatory bodies.

Furthermore, VARA can suspend authorisation issuance, suspend or revoke virtual asset service provider activities, and suspend dealings with virtual assets in specific situations. A Board of Directors resolution from the DWTC Authority describes acts constituting a Virtual Assets Law violation and corresponding penalties. VARA has broader authority to suspend or revoke licenses for VASPs for a period exceeding six months in cases of severe non-compliance. Coordination with the relevant commercial licensing authority in Dubai may lead to the cancellation of the entity's trade license. Violating the Virtual Assets Law carries substantial penalties and broad consequences.

In May 2025, VARA introduced Version 2.0 of its Rulebooks, which tightened enforcement standards and clarified penalty structures. The revised rulebooks now also require full compliance with the FATF Travel Rule, making it mandatory for all VASPs to collect, store, and transmit verified data on both the originator and beneficiary for every qualifying virtual asset transfer. Failure to implement these requirements may result in severe penalties, including license suspension and reputational damage. Penalties for non-compliance can now also include:

- i. Temporary or permanent suspension of onboarding new clients
- ii. Delays in licensing or renewal
- iii. Public disclosure of enforcement actions against the offending entity

The maximum monetary penalty for companies remains up to AED 100 million, but VARA has clarified that fines may also be calculated as a percentage of annual income (up to 15%) or up to AED 50 million for individuals, depending on the violation. For ongoing or egregious violations, fines can accrue interest at 1% per month on a compounding basis until fully paid.

Additional grounds for penalty include:

- i. Failure to implement proper compliance and risk management frameworks
- ii. Breaches of cybersecurity or client asset segregation requirements
- iii. Issuing or marketing virtual assets without explicit VARA approval (now strictly enforced for all primary offerings and token issuances).

VARA has also introduced stricter personal liability rules for responsible officers and board members, especially for repeated or willful violations, and may coordinate with other authorities to revoke trade licenses or pursue criminal charges in cases of fraud or market manipulation

2. Regulation of virtual assets and offerings of virtual assets in Dubai (UAE)

Are virtual assets classified as 'securities' or other regulated financial instruments in Dubai (UAE)?

Virtual assets are not classified as securities or regulated financial instruments in Dubai; rather, they are defined as a digital representation of value that is tradeable and their regulation falls under the recently established VARA according to the Law No.4 of 2022 on the Regulation of Virtual Assets.

As per the definition given in Law No.4 of 2022 on the regulation of Virtual Assets, a 'virtual asset' is a 'digital representation of value which can be digitally traded or transferred or used as an exchange or payment tool for investment purposes and does not include digital representation of fiat currencies or financial securities' and a 'virtual token' is a 'digital representation of a group of rights which can be issued and traded digitally through a virtual asset platform (a platform operated by a virtual asset provider licensed by VARA)'.

Though, according to the Virtual Assets and Related Activities Regulations 2023, the VARA has the power to classify or provide clarification on any Virtual Asset or type of Virtual Asset as being regulated by the Central Bank of UAE or as being prohibited in the Emirate. Therefore, virtual assets may or may not be classified as securities or other regulated financial instruments depending on VARA's classification or clarification.

VARA has issued further clarifications and rulebooks specifying that most virtual assets, including cryptocurrencies, stablecoins, and NFTs are not considered securities or regulated financial instruments unless they possess characteristics that fall within the definition of "securities" under UAE federal law or are explicitly classified as such by VARA or the SCA.

Asset-Referenced Virtual Assets (**ARVAs**), which are tokens backed by real-world assets (such as commodities, real estate, or financial instruments), are subject to a separate regulatory regime under VARA's Asset-Referenced Virtual Assets Issuance Rules. ARVAs are not automatically treated as securities, but require formal approval and licensing to ensure market integrity and investor protection.

In cases where a virtual asset exhibit features of a security (such as conferring ownership, profit rights, or being marketed as an investment), VARA may refer the matter to the SCA or the Central Bank for further classification. VARA and the SCA have established joint procedures to address any overlap or ambiguity in classification, particularly for tokenised securities and investment products.

Are stablecoins and NFTs regulated in Dubai (UAE)?

Stablecoins: Stablecoins are indeed regulated in Dubai under a framework established by the CBUAE and the VARA:

- i. Fiat Referenced Virtual Assets (**FRVAs**) are not considered legal tender and are not issued or guaranteed by any government or central bank. They differ from virtual assets representing equity claims or central bank digital currencies (**CBDCs**).
- ii. The CBUAE has developed a regulatory framework for stablecoins, particularly those pegged to the UAE Dirham (AED). This framework was approved on June 3, 2024, and aims to provide clear guidelines for licensing and oversight of stablecoin arrangements.

- iii. The reserves backing stablecoins must comply with the regulations set forth by the CBUAE and VARA. These reserves must:
 - Consist primarily of cash, with only a minor portion (up to 10%) allowed in high-quality liquid assets.
 - Be denominated in the reference currency (AED).
 - Be held in segregated accounts with regulated banks or custodians in jurisdictions meeting FATF standards.
 - Always have a value exceeding the total volume of payment tokens in circulation.
- iv. The regulatory framework outlines requirements for VARA approval, additional disclosures, and marketing rules for VASPs issuing FRVAs.
- v. VASPs must demonstrate sufficient technical capability and financial resources to ensure the stable backing of FRVAs.
- vi. VASPs must adhere to licensing requirements, technology standards, data protection policies, and anti-money laundering regulations.
- vii. VARA holds the authority to impose additional conditions on FRVA issuance beyond standard requirements.
- viii. Failure to comply with these regulations can lead to revocation of approval or other regulatory actions.

In May 2025, VARA released its updated ARVA Issuance Rules, which require any stablecoin or token backed by real-world assets (such as commodities, real estate, or financial instruments) to obtain a formal VARA license, comply with enhanced investor protection measures, and submit to ongoing supervision. Licenses may be revoked for misrepresentation, failure to launch, insolvency, or regulatory breaches.

The CBUAE's new regulations will only allow businesses in the UAE to accept dirham-backed stablecoins for transactions, restricting the use of foreign stablecoins like Tether or USDC for payments related to goods and services. Foreign payment tokens may still be used for specific virtual asset purchases, fostering a structured environment for crypto transactions while maintaining regulatory compliance.

NFTs: In Dubai, NFTs are regulated under the framework established by the Dubai VARA. Although NFTs are not automatically classified as virtual assets, financial institutions and banks must carefully evaluate their nature, especially when engaging with businesses that deal with them. This is due to the potential for some NFTs, particularly fractionalised ones or those part of larger collections, to be treated similarly to securities.

Under VARA's regulations, NFTs are recognised as a type of virtual asset. However, in cases where NFTs are fractionalised or part of a larger collection, banks and financial institutions must conduct thorough evaluations to determine whether they should be classified as securities. This requirement ensures that institutions understand the risks and obligations associated with dealing in such assets.

The regulatory framework for NFTs falls under the Virtual Assets and Related Activities Regulations 2023, which were issued by VARA on February 7, 2023. These regulations apply to all VASPs operating in Dubai, including those dealing with NFTs. VASPs are required to obtain a license from VARA, which involves demonstrating sufficient financial resources, adhering to customer due diligence protocols, and establishing risk management policies. For NFTs that may be considered securities, banks and financial institutions are required to obtain legal opinions regarding their classification before entering into agreements with businesses that issue or trade NFTs. This helps ensure that financial institutions fully understand the nature of the assets they are dealing with and comply with the appropriate regulatory standards. Furthermore, VASPs are required to follow strict governance controls and risk management frameworks to mitigate the potential risks associated with NFT transactions.

Additionally, VARA has introduced specific market conduct and transparency rules for the marketing and advertising of NFTs. These regulations are designed to protect consumers by ensuring transparency and preventing misleading marketing practices. Non-compliance with these regulations can result in penalties ranging from AED 20,000 to AED 200,000, highlighting the importance of adhering to regulatory standards.

As per the recent updates, all VASPs dealing with NFTs, whether as marketplaces, custodians, or issuers must comply with enhanced licensing, disclosure, and risk management requirements. NFT platforms must now provide detailed information on asset provenance, ownership rights, and associated risks to clients. VARA has also clarified that the tokenisation of real-world assets (such as real estate) via NFTs is subject to approval and ongoing regulatory oversight.

Are decentralised finance (DeFi) activities (e.g. lending virtual assets) regulated in Dubai (UAE)?

DeFi, short for Decentralised Finance, is a fresh approach to financial services. Instead of relying on traditional banks or intermediaries, it harnesses smart contracts on a special kind of computer network called a public Distributed Ledger Technology (**DLT**). This network consists of many computers working together without a single owner. In the DeFi system, financial activities like lending, investing, and asset exchange happen without the need for a typical middleman. Smart contracts, which act like digital agreements, automatically manage these transactions.

The provisions for DeFi activities are included in Part III of the Virtual Assets and Related Activities Regulations 2023. Here are some of the highlights of the rules for DeFi activities:

- i. DeFi operators are required to obtain a license from the VARA before conducting any DeFi activities in the Emirate.
- ii. The license application process includes providing information about the planned DeFi activities, financial information, and background checks on individuals associated with the application.
- iii. The DeFi activities that can be conducted by DeFi operators include, but are not limited to, lending, borrowing, exchanging, and investing.
- iv. Decentralised exchanges (**DEXs**) providing DeFi Activities are subject to various regulatory requirements, such as regulations to prevent market manipulation, insider trading, and other illicit activities.
- v. DeFi operators must comply with AML/CFT regulations and any other relevant regulations as deemed by VARA.
- vi. VARA has prohibited the issuance and use of anonymity-enhanced cryptocurrencies within its jurisdiction, reinforcing its commitment to transparency in financial transactions.

VARA will conduct regular inspections and audits of licensed DeFi operators to ensure compliance with regulations.

In February 2025, VARA issued its first DeFi Limited License to MANTRA, initiating regulated DeFi operations in Dubai. The license permits MANTRA to offer services like lending, borrowing, and exchange to institutional, qualified, and retail investors under strict conditions, including KYC/AML compliance, smart contract audits, and ongoing monitoring.

Are there any restrictions on issuing or publicly offering virtual assets in Dubai (UAE)?

The Virtual Assets and Related Activities Regulations 2023 prescribe certain requirements and restrictions on the issuing or public offering of virtual assets in Dubai:

- i. Issuance Rules: Any entity in the Emirate that issues a Virtual Asset in the course of a business must comply with the VA Issuance Rulebook (Version 2.0). Category 2 VA issuances (e.g., utility tokens) no longer require prior VARA approval but must be distributed exclusively through licensed platforms. ARVAs, such as stablecoins or tokenised real-world assets, are classified as Category 1 and require full regulatory compliance, including reserve audits and investor disclosures.
- ii. Power to classify Virtual Assets: VARA has the sole and absolute discretion to classify any Virtual Asset or type of Virtual Asset as being prohibited in the Emirate, and to provide clarification or opinion on the regulatory treatment of any Virtual Asset or type of Virtual Asset. Recently, VARA has introduced “exempt VAs” for non-transferable or closed-loop assets (e.g., loyalty points), which are exempt from licensing requirements but still subject to anti-fraud rules.

- iii. **Prohibited Virtual Assets:** Virtual Assets that may facilitate money laundering or terrorism financing are prohibited, as provided under Article 17 of Law No. 4 of 2022 Regulating Virtual Assets in the Emirate of Dubai. Furthermore, VARA may prohibit Virtual Assets if they are deemed to pose risks to consumers, investors, or market integrity.
- iv. **Licensing Requirements:** Any entity providing Virtual Asset-related activities or services must be licensed by VARA, subject to the fulfillment of certain requirements. In particular, VARA may grant a license if the entity has met the specified criteria, including fitness and propriety or soundness of its financial affairs. VARA now issues a “DeFi Limited License” for decentralised platforms under strict conditions, including mandatory KYC/AML check. Also, real estate tokenisation projects require additional approvals from the Dubai Land Department and VARA.
- v. **Compliance with Directives:** VARA may issue directives to any Entity or VASP, requiring them to comply with specific regulatory capital or liquidity requirements, or requiring them to refrain from taking certain actions, in addition to the requirements set out in the Regulations or Rules. As of 2025, VARA mandates ESG reporting for all issuers and enforces FATF Travel Rule compliance for cross-border transactions.
- vi. **Anonymity-Enhanced Cryptocurrencies:** The issuance of Anonymity-Enhanced Cryptocurrencies and all Virtual Asset Activity related to them is completely prohibited in Dubai.

Anonymity-enhanced cryptocurrencies are digital currencies designed to provide users with extra privacy. They aim to make transactions and user identities more difficult to trace or link, offering a higher level of confidentiality compared to traditional cryptocurrencies.
- vii. **Tokenised Real-World Assets:** Projects tokenising real estate, commodities, or financial instruments must comply with ARVA Issuance Rules, including segregation of reserves and third-party audits.
- viii. **Sustainability Standards:** Issuers must disclose energy consumption and carbon footprint for energy-intensive assets (e.g., proof-of-work tokens).

Are there any exemptions to the restrictions on issuing or publicly offering of virtual assets in Dubai (UAE)?

There are some exemptions to the restrictions for virtual asset issuances in Dubai under certain conditions. These include Exempt Entities and Exempt Virtual Assets, as outlined below:

An Entity is considered an Exempt Entity if all of the following conditions are met:

- i. The consideration received by the Entity in connection with a VA issuance project does not exceed AED 2,000,000 per project or the equivalent amount in fiat currency or Virtual Assets.
- ii. The aggregate consideration received by the Entity in connection with all its VA issuances does not exceed AED 10,000,000 or the equivalent amount in fiat currency or Virtual Assets.

The Exempt Entity complies with all other Rules in the VA Issuance Rulebook, including:

- i. General Rules that govern the conduct of all business from, or through the Emirates.
- ii. Whitepapers and public disclosures, including detailed disclosure requirements and risk statements that issuers must provide in whitepapers.
- iii. Compliance obligations of issuers, including complying with the rules related to technology and security, anti-money laundering and combating the financing of terrorism, marketing regulations, personal data protection, tax reporting and compliance, and books and records.

VAT Exemptions: Recent amendments to the UAE’s VAT regulations have exempted certain activities related to virtual assets from VAT. These include:

- i. **Transfers and Conversions:** The transfer of ownership and conversion of virtual assets, such as cryptocurrencies and NFTs, are exempt from the standard 5% VAT. This exemption applies retroactively from January 1, 2018.

- ii. Management Services: Management services for investment funds that deal with virtual assets are also exempt from VAT. This includes services related to fund operations and performance monitoring.

All transactions for which the Exempt Entity uses an intermediary are handled by Licensed Distributors only. Note that VARA shall have the sole and absolute discretion to decide whether an Entity is an Exempt Entity for the purposes of the Regulations and this VA Issuance Rulebook.

3. Regulation of VASPs in Dubai (UAE)

Are VASPs operating in Dubai (UAE) subject to regulation?

The Virtual Assets and Related Activities Regulations 2023 mentions the VASP as an entity that provides one or more virtual asset services to customers, including but not limited to, buying, selling, transferring, exchanging, safekeeping, and/or administering virtual assets. This broadly includes any person who carries out the business of providing virtual asset services in or from within Dubai, whether as a primary or ancillary activity, involving virtual assets like cryptocurrencies or other digital tokens. Examples of VASPs in Dubai may include cryptocurrency exchange platforms, virtual asset custodians, virtual asset wallet providers, virtual asset brokers, or organisations involved in initial coin offerings (ICOs) or other forms of virtual asset issuances.

VASPs operating in Dubai are subject to regulation by VARA. The VARA was established and authorised by Law No. (4) of 2022 Regulating Virtual Assets in the Emirate of Dubai to regulate Virtual Assets and VASPs. VARA has the power to issue Rules, Directives and Guidance, and VASPs providing VA Activities in the Emirate will need to comply with applicable CBUAE federal regulations and/or guidance, including but not limited to as they pertain to specific Virtual Assets CBDCs and AED referenced fiat- referenced Virtual Assets.

In May 2025, VARA issued a comprehensive update to its regulatory rulebooks, introducing tighter oversight, enhanced risk control obligations, and clearer market conduct expectations for all VASPs. The new rules align Dubai's standards with international regimes such as the FATF and must be fully implemented by all VASPs no later than June 19, 2025.

Also, Dubai's digital asset sector sees significant changes with the introduction of the Sponsored VASP model. This allows smaller firms to operate under a licensed Regulated Sponsor, benefiting from shared compliance infrastructure. Sponsored VASPs are fully regulated, required to disclose their status in marketing, while their Sponsor handles audits, capital adequacy, and regulatory reporting.

Non-compliance could lead to license suspension, delays in onboarding, or enforcement actions, impacting operational continuity and reputation. Additional requirements include mandatory compliance systems overseen by a designated officer, tailored risk management policies, consumer protection, cybersecurity, and AML/CFT controls. Professional exemptions are available for lawyers, accountants, and consultants engaged in incidental VA activities, contingent on registration and professional indemnity insurance.

VASPs will also be subject to regulations, rules and directives for a period of ten (10) years following the date that it is no longer regulated by VARA.

Are VASPs providing virtual asset services from offshore to persons in Dubai (UAE) subject to regulation in Dubai (UAE)?

VASPs operating from offshore are subject to regulation under Dubai's Virtual Assets and Related Activities Regulations 2023 if they provide services to individuals in Dubai. Regardless of their location, all VASPs must obtain a license from the Dubai VARA before offering virtual asset services to customers in the Emirate. This mandatory licensing requirement applies uniformly to both domestic and offshore providers. Offshore VASPs must also adhere to the same regulatory standards as those based within the UAE, including compliance with AML/CFT regulations, as well as other relevant laws designed to protect consumers and uphold market integrity.

The scope of services covered by VARA's regulations is broad and includes advisory services, custody services, trading and exchange services, lending and borrowing, as well as management and investment services. VARA maintains strict oversight of all licensed VASPs, conducting regular inspections and audits to ensure full compliance with applicable regulations. Additionally, the issuance and use of anonymity-enhanced cryptocurrencies

are prohibited in Dubai, further reinforcing VARA's commitment to transparency in financial transactions. Offshore VASPs seeking to operate in Dubai must navigate a structured licensing process, which involves submitting comprehensive documentation about their business operations, financial health, and compliance frameworks.

In May 2025, VARA introduced Version 2.0 of its regulations for VASPs in Dubai, applying to all VASPs, including offshore ones serving Dubai. Key updates include the FATF Travel Rule, mandating the tracking and verification of sender and receiver details for all transactions, and enhanced due diligence with rigorous client checks and ongoing monitoring, particularly for Dubai residents. Non-compliance can lead to severe penalties such as license suspension, fines up to AED 50 million or 15% of annual revenue, and public enforcement actions. Offshore VASPs must align their systems with VARA's standards, with VARA's Supervision Teams offering guidance for a smooth transition. Anonymity-enhanced cryptocurrencies are banned, and VASPs must comply with UAE Central Bank requirements for AED-stablecoins and cross-border payment services.

Generally, failure to comply with VARA's regulations can result in significant penalties, including fines ranging from AED 20,000 to AED 200,000, as well as enforcement actions against non-compliant entities.

What are the main requirements for obtaining licensing / registration as a VASP in Dubai (UAE)?

To secure a license under the Virtual Assets Law, prospective applicants are mandated to establish Dubai as the hub for their operations. Additionally, they are required to obtain a commercial business license from the pertinent licensing authority in Dubai. The detailed procedures for obtaining this license and the accompanying ongoing obligations, such as those pertaining to anti-money laundering, disclosure, transparency, and know-your-client (**KYC**) processes, are explained in the regulations complementing the Virtual Assets Law.

The licensing regulations of Dubai are a consolidation of provisions derived from three essential sources: Cabinet Decision No. 111/2022, Cabinet Decision No. 112/2022, and the Virtual Assets and Related Activities Regulations 2023.

- i. Mandatory licensing requirements: Cabinet Decision No. 111/2022: Mandates that entities engaging in Virtual Asset Activities in Dubai must acquire approval and licenses from the VARA. No transactions are permitted without proper licensing, except for specific assets designated for payment. Businesses must be based in the UAE and legally formed.
- ii. Sponsored VASP Model: VARA permits smaller or emerging firms to operate as "Sponsored VASPs" under the umbrella of a licensed regulated sponsor. Sponsored VASPs must disclose their status in all client communications, while the regulated sponsor is responsible for regulatory reporting, audits, and capital adequacy.
- iii. Compliance and licensing process: Cabinet Decision No. 111/2022 and Virtual Assets and Related Activities Regulations 2023: Entities seeking licenses are obliged to follow the detailed process as prescribed by VARA. Compliance with regulations, adherence to directives, and meeting licensing conditions set by VARA is an integral part of the licensing process.
- iv. Enhanced Application Scrutiny: VARA requires applicants to submit a detailed risk management framework, cybersecurity policies, and evidence of staff training in compliance and AML/CFT. Applicants must demonstrate how their business model aligns with Dubai's sustainability and ESG objectives, including energy usage disclosures for mining or blockchain infrastructure.
- v. Exemptions: Virtual Assets and Related Activities Regulations 2023 allows exemptions from licensing regulations for the following:
 - a) Lawyers, Accountants, and Business Consultants if their Virtual Assets Activities are incidental to their professional practice.
 - b) Government entities in the UAE and their public, non-profit, not-for-profit, and charitable organisations are not required to obtain licenses.

However, these exempt entities must obtain confirmation from VARA before engaging in any VA Activities.

- vi. Mandatory registration for large proprietary traders: Virtual Assets and Related Activities Regulations 2023 requires entities investing over \$250 million in Virtual Assets within a 30-day period to register with VARA before investing or within three working days from the date of the investment volume. This mandatory registration acts as a regulatory measure for substantial proprietary trading in Virtual Assets.
- vii. Voluntary registration for other market participants: Virtual Assets and Related Activities Regulations 2023 offers voluntary registration for entities involved in specific business activities. This voluntary registration ensures transparency and compliance with VARA regulations.
- viii. VARA's licensing powers: Virtual Assets Service Providers must seek approval from VARA to engage in specific VA activities, with the license detailing the allowed actions and any associated limitations or time constraints. VARA has the authority to modify or revoke licenses, adjusting permitted activities or imposing restrictions based on various factors, including legal violations or financial instability. If a license is suspended, VARA communicates the duration to the VASP, during which the VASP cannot resume VA activities. Additionally, VARA can set extra requirements for entities applying for licenses or modifications, especially if they fail to meet conditions or breach laws.
- ix. Licensing categories: When applying for a VASP license, applicants must explicitly identify one or more virtual asset activities they intend to offer. These activities are categorised into seven options:
 - a) VA Advisory Services,
 - b) VA Broker-Dealer Services,
 - c) VA Custody Services,
 - d) VA Exchange Services,
 - e) VA Lending and Borrowing Services,
 - f) VA Management and Investment Services, and
 - g) VA Transfer and Settlement Services.

In May 2025, VARA introduced additional licensing categories for virtual asset service providers. NFT marketplace operators, DeFi protocol operators, and stablecoin issuers are now required to obtain specific licenses tailored to their activities. Furthermore, issuers of ARVAs, such as tokenised real-world assets or stablecoins, must comply with the new ARVA Issuance Rules. These rules include requirements for reserve audits and investor protection measures.

- x. Obtaining VASP license: Firms intending to provide virtual asset services in or from Dubai must obtain a VASP license from Dubai Economy and Tourism (**DET**) or any Dubai Free Zone Authority (**FZA**) in Dubai, excluding the DIFC. This license is mandatory and serves as a prerequisite for conducting virtual asset services in Dubai.
- xi. Validity and Renewal: Once obtained, a VASP license is valid for a period of one year and must be renewed annually. The application and renewal process include the payment of an annual supervision fee to ensure ongoing compliance with regulatory standards.
- xii. License Application Process:
 - a) For Existing VASPs: Existing VASPs in Dubai were initially required to submit their VASP license applications by the initial deadline of August 31, 2023. However, VARA extended this deadline to November 17, 2023. Failure by existing VASPs to submit their applications before this deadline may trigger regulatory enforcement consequences from VARA.
 - b) For New VASPs (Two-Stage Process):

Stage 1: Initial Approval In this stage, VASPs submit an Initial Disclosure Questionnaire (**IDQ**) to DET or a relevant FZA. They also provide additional documentation, including a business plan and details of beneficial owners and senior management. Furthermore, the payment of initial fees is required, leading to the receipt of Initial Approval to finalise legal incorporation and complete operational setup.

Stage 2: VASP License Following the Initial Approval, VASPs proceed to Stage 2 by preparing and submitting documentation as per VARA's guidance. This stage involves receiving feedback directly from VARA, participating in potential meetings and interviews, paying the remaining portion of application fees, and first-year supervision fees. The result is the issuance of a VASP license, possibly subject to operational conditions.

- xiii. **Post-License Obligations:** Upon obtaining a VASP license, firms are obligated to continuously meet general licensing conditions and comply with all relevant Regulations, Rules, and Directives that may evolve over time. The specific corporate governance and legal structure requirements for VASPs are set out in the VARA Company Rulebook and depend on the business operations conducted.

VASP must follow the FATF Travel Rule, which requires collecting and sharing verified details of the sender and receiver for all qualifying virtual asset transfers. Additionally, VASPs must report any cybersecurity incidents or data breaches to VARA within 24 hours.

Licensing Fees

Regulated Activity	License Application Fee (for one regulated activity only)	License Extension Fee (for each additional regulated activity)	Annual Supervision Fee (for each regulated activity)
Advisory Services	AED 40,000	50% of lower license application fee(s)	AED 80,000
Broker-Dealer Services	AED 100,000	50% of lower license application fee(s)	AED 200,000
Custody Services	AED 100,000	50% of lower license application fee(s)	AED 200,000
Exchange Services	AED 100,000	50% of lower license application fee(s)	AED 200,000
Lending and Borrowing Services	AED 100,000	50% of lower license application fee(s)	AED 200,000
Payments and Remittances Services	AED 40,000	50% of lower license application fee(s)	AED 80,000
VA Management and Investment Services	AED 100,000	50% of lower license application fee(s)	AED 200,000

- i. Following the submission of the application, the licensing process typically takes between 4 to 6 months to acquire the license.
- ii. VASPs that wish to change their VARA license details will be charged an AED 500 fee for each modification request.
- iii. VASPs intending to cease operations in Dubai and close down their virtual asset activities will face a withdrawal fee of AED 10,000.

Regulatory Requirements

Aspect	Requirements
Corporate Governance for VASP License Application	- Board of Directors: Minimum of two members, with at least two residing in the UAE. - Responsible Officers: At least two overseeing compliances. - Compliance Officer/MLRO: Can be a foreign national. - Company Secretary: Required for company incorporation.
Capital Requirements and Asset Maintenance	- Specific capital requirements based on activities and overhead costs (AED 100,000 to AED 1,500,000). - Maintain liquid assets surpassing 1.2 times monthly expenses. - Hold reserve assets equal to 100% of client liabilities, in the same virtual asset.
AML/CFT Compliance	- VARA oversees AML/CFT regulations for all VASPs and Virtual Asset Activities in Dubai. - Ensures compliance with federal AML/CFT laws in the Emirate.
Marketing Regulations	All market participants must comply with regulations for marketing, advertising, and promotional activities, irrespective of holding a VARA license.

VASPs involved in energy-intensive operations like mining are mandated to periodically report their energy consumption and carbon footprint to align with the city's Environmental, Social, and Governance objectives. Additionally, new consumer protection regulations have been implemented, which include the necessity for clear risk disclosures, the establishment of cooling-off periods for retail clients, and the enforcement of mandatory procedures for handling consumer complaints.

What are the main ongoing requirements for VASPs regulated in Dubai (UAE)?

The Virtual Assets Issuance Rulebook, which governs virtual asset activities in Dubai, explains several ongoing requirements for VASPs regulated in Dubai, apart from licensing requirements. These include:

- i. Compliance and risk management obligations: VASPs must have effective systems and processes in place for identifying, assessing, managing, and mitigating risks associated with virtual asset activities, including, but not limited to AML/CFT risks. VASPs must also have a compliance program that ensures adherence to all relevant laws and regulations.
- ii. Technology and security obligations: VASPs must have effective technology and security measures in place to safeguard against unauthorised access or use of virtual assets and ensure systems are functional and have appropriate disaster recovery processes.
- iii. AML/CFT obligations: VASPs must have systems and processes in place for identifying, assessing, managing and mitigating AML/CFT risks, including implementing policies and procedures for customer due diligence, screening, and on-going monitoring, reporting suspicious activities to authorities promptly.
- iv. Marketing and consumer protection obligations: VASPs must ensure that their marketing practices are fair, clear, and not misleading to consumers. All marketing materials should allow consumers to make informed decisions about virtual asset investments. Marketing communications must clearly identify promotional content using terms such as "ad," "advertisement," or "sponsored content" prominently to avoid any confusion. Additionally, VASPs are required to provide clear risk statements to customers before engaging in any virtual asset transactions, outlining the potential risks associated with the investment. Any monetary or non-monetary incentives offered must be clearly communicated in a way that does not mislead consumers or create unrealistic expectations about potential returns. For event marketing, entities not licensed by VARA may still engage in marketing activities at physical events held in Dubai, provided they adhere to strict guidelines, including the requirement to include clear disclaimers stating they are not licensed by VARA. Furthermore, all customer complaints should be handled fairly and efficiently to uphold a high standard of consumer protection.

- v. Record-Keeping Obligations: VASPs are required to maintain accurate records of all transactions, company books, and other relevant documents for a minimum of five years. These records must be readily accessible for inspection by regulatory authorities to ensure compliance with the regulations. Proper record-keeping is a fundamental obligation for VASPs, allowing for transparency and accountability in their operations.
- vi. Adherence to Rulebooks: In addition to complying with the main regulatory framework, VASPs are required to adhere to several specific rulebooks issued by VARA. The Company Rulebook governs corporate governance and internal control systems, ensuring that VASPs have sound management structures in place. The Compliance and Risk Management Rulebook outlines the need for effective compliance systems, internal audits, and procedures to manage risk. The Technology and Information Rulebook establishes requirements for technology governance, including cybersecurity measures and data protection compliance, ensuring the secure handling of virtual asset transactions and sensitive information. Additionally, the Market Conduct Rulebook provides guidelines for marketing practices and interactions with consumers, ensuring that VASPs operate ethically and transparently.
- vii. Regular Audits and Inspections: VARA conducts regular audits and inspections to assess VASPs' compliance with the ongoing regulatory requirements. These audits are essential for ensuring that VASPs adhere to the established standards and maintain proper operational practices. Non-compliance with the regulations can result in penalties ranging from AED 20,000 to AED 200,000, depending on the severity of the breach. Regular inspections help maintain the integrity of the virtual asset market and protect consumer interests by ensuring that VASPs operate within the regulatory framework.

In May 2025, VARA issued several updates, as per which one key requirement is the mandatory implementation of the FATF Travel Rule, which means VASPs now have to collect and share verified information about both the sender and receiver for all qualifying virtual asset transfers. Additionally, VASPs must now put in place strong internal risk management systems, ensure that their boards are involved in oversight, keep detailed incident records, and report any cybersecurity breaches to VARA within 24 hours. For VASPs involved in energy-heavy activities like mining, new rules also make sustainability reporting compulsory. These firms must disclose their carbon footprint and roll out a sustainability plan by the end of 2025.

It is important to note that these requirements may be updated from time to time, and VASPs must always be kept up-to-date with any changes in the regulations and guidelines concerning virtual assets in Dubai.

What are the main restrictions on VASPs in Dubai (UAE)?

The Virtual Assets and Related Activities Regulations 2023 in Dubai impose specific restrictions and obligations on VASPs to ensure compliance with the law. Key Provisions are as follows:

- i. General prohibition: VASPs are restricted from engaging in Regulated VA Activities unless officially authorised by VARA.
- ii. Compliance rules: VASPs must adhere to regulations governing virtual asset issuance and related activities, including the proper classification of virtual assets.
- iii. Licensing requirements: VARA mandates VASPs to comply with licensing requirements outlined in the regulations, providing VARA with the authority to issue licenses and authorisations.
- iv. Supervisory authority: VARA is granted supervisory powers over VASPs, particularly focused on preventing money laundering and combating terrorism financing in accordance with AML/CFT obligations.
- v. Power to classify: VARA has the authority to classify virtual assets, including the ability to designate certain assets as prohibited virtual assets. This classification restricts VASPs from engaging in activities involving these specified assets.
- vi. Enforcement of prohibition: Emphasising the general prohibition, VASPs are explicitly barred from participating in regulated VA activities unless duly authorised by VARA.

Dubai's updated rulebooks now align closely with international standards, particularly those of the FATF. One key requirement is the mandatory implementation of the FATF Travel Rule for virtual asset transfers exceeding AED 3,500. This means VASPs must collect and transmit verified information about both the sender and receiver for

all cross-border transactions. VASPs are also strictly prohibited from issuing, listing, or facilitating transactions in privacy coins (anonymity-enhanced cryptocurrencies) or any virtual assets that VARA has classified as prohibited.

The Sponsored VASP model, introduced in 2025, enables smaller or emerging firms to operate under the regulatory umbrella of a licensed regulated sponsor. Sponsored VASPs must be legally registered in Dubai, clearly disclose their "Sponsored" status in all marketing materials, and adhere fully to regulatory and reporting obligations through their sponsor.

All VASPs are required to segregate client virtual assets from their own, maintain accurate reconciliation and proof of reserves, and keep customer records for a minimum of eight years. The penalties for violations are severe, with fines reaching up to AED 50 million or 15% of the firm's annual revenue for serious breaches. Non-compliant firms may also face public disclosure of enforcement actions.

Additionally, VASPs must establish strong compliance systems, including appointing a compliance officer and implementing thorough risk management and cybersecurity frameworks. Each VASP must also have at least two authorised persons approved by VARA who are either UAE residents or passport holders, and the board or senior management must meet specific UAE residency requirements.

What is the main information that regulated virtual asset trading platforms have to make available to its customers?

Under Administrative Order No. (01) of 2022 and Administrative Order No. (02) of 2022, the VARA has established specific provisions that require virtual asset trading platforms to provide essential information to their customers. These requirements have been updated to enhance consumer protection in light of recent regulatory changes effective October 1, 2024. The main information that regulated virtual asset trading platforms must make available includes:

- i. clear disclosure of the risks associated with virtual assets, including market volatility, liquidity risks, and potential loss of capital;
- ii. comprehensive details regarding the terms and conditions of the platform's services, including any fees, charges, and expenses related to transactions;
- iii. detailed procedures for making payments through the platform, including accepted payment methods and any associated costs;
- iv. clear instructions on how customers can buy, sell, or exchange virtual assets on the platform, including any limitations or requirements;
- v. information on how customers can file complaints and the processes for resolving disputes effectively and efficiently;
- vi. as per the updated marketing regulations effective October 1, 2024, platforms must ensure that all marketing communications are accurate and not misleading. This includes providing risk disclosure statements before transactions and ensuring that promotional content is clearly identified as such;
- vii. any monetary or non-monetary incentives offered must be clearly communicated without creating urgency or misleading investors. These incentives should not overshadow risk disclosures and must be presented alongside any ongoing charges;
- viii. required disclaimers in marketing materials must be prominently displayed in a manner that is easily seen and legible across all devices;
- ix. any other information deemed necessary by VARA or the trading platform to help customers make informed decisions about using the platform;
- x. platforms should provide access to VARA's newly issued Marketing Guidance Document, which outlines best practices for compliant marketing activities within the virtual asset sector;
- xi. Platforms are required to send or make available a statement to each client at least monthly, detailing total balances, recent transactions, and any fees or charges applied;

- xii. All clients must receive and accept a formal written agreement outlining the scope of services, responsibilities, fees, risk disclosures, and termination rights. Informal or implied terms are no longer sufficient under the 2025 rulebook;
- xiii. Platforms must collect, store, and transmit verified data on both the originator and beneficiary for every qualifying virtual asset transfer, ensuring compliance with the FATF Travel Rule for both inbound and outbound transactions;
- xiv. Platforms must prominently disclose any actual or potential conflicts of interest, data privacy and complaint-handling policies, and whether they refer clients to other entities or maintain client assets with third parties. These disclosures must be easily accessible on the platform's website;
- xv. Platforms must publish details of any past convictions or prosecutions of senior management or board members, whether in the UAE or other jurisdictions, as required by VARA;
- xvi. Platforms must conduct quarterly internal audits, annual independent external audits, and submit monthly, quarterly, and annual reports to VARA, including financial statements and wallet addresses. Any significant changes must be reported immediately; and
- xvii. Platforms must continuously screen clients, transactions, and wallet addresses for illicit activity and potential sanctions, and appoint a Money Laundering Reporting Officer (MLRO) to oversee compliance.

What market misconduct legislation/regulations apply to virtual assets?

Market misconduct refers to any actions that can influence the market value of virtual assets, such as insider dealing, unlawful disclosure, or market manipulation. The Virtual Assets and Related Activities Regulations 2023, [Regulations on the Marketing of Virtual Assets and Related Activities 2024](#) and Marketing and Promotions Guidelines 2024 set out provisions to prevent and detect market misconduct in virtual asset trading.

VARA has the power to conduct investigations, examinations, and impose fines and penalties related to market misconduct. Any entity found guilty of engaging in or attempting to engage in market misconduct in Dubai, will face severe penalties under the regulations.

Examples of market misconduct offenses and penalties include:

- i. Insider dealing: This occurs when someone having access to sufficient inside information about a security or stock deals in that security illegally to make a profit or avoid losses. The penalty for insider dealing in Dubai is a minimum sentence of two years and a maximum sentence of five years imprisonment, or a fine of at least AED 500,000 and not more than AED 5,000,000 or both.
- ii. Unlawful disclosure: This occurs when someone without lawful authority, discloses non-public information about a listed company or virtual asset. The penalty for unlawful disclosure in Dubai is a minimum sentence of one year and a maximum sentence of three years imprisonment, or a fine of at least AED 200,000 and not more than AED 3,000,000 or both.
- iii. Market manipulation: This occurs when someone controls or affects market behavior of virtual assets, stock, security to derive benefits illegally. The penalty for market manipulation in Dubai is a minimum sentence of two years and a maximum sentence of ten years imprisonment, or a fine of at least AED 1,000,000 and not more than AED 10,000,000 or both.

In addition to the above penalties, VARA may also impose fines, revoke a company's license to trade virtual assets, or publicly name and shame the offending entity. It is worth noting that penalties may change, depending on the severity of the misconduct and its impact on the market. Moreover, the regulations empower VARA to act against market misconduct using its powers to investigate, or direct responsible individuals or licensed VASP to take remedial actions.

Furthermore, as part of its ongoing efforts to enhance regulatory oversight in the virtual asset sector, the Dubai VARA introduced new marketing regulations under the [Regulations on the Marketing of Virtual Assets and Related Activities 2024](#) and [Marketing and Promotions Guidelines 2024](#), effective from October 1, 2024. These regulations aim to ensure ethical marketing practices. One of the key elements of the updated framework is the

broad definition of marketing, which encompasses all forms of advertisement and promotional content related to virtual assets. This applies to both traditional and digital platforms, ensuring that any communication promoting virtual assets falls under regulatory scrutiny.

VARA mandates that all marketing materials must be clear, accurate, and truthful, preventing any misleading information about virtual assets. Companies are required to ensure that the benefits, risks, and legal status of virtual assets are not misrepresented in their promotional efforts. A significant aspect of the regulations is the requirement for prominent disclaimers. Disclaimers regarding the risks associated with virtual assets must be clearly visible and easily understandable across all platforms, highlighting market volatility, regulatory uncertainties, and potential investment losses.

Additionally, the regulations address the disclosure of incentives. If marketers offer monetary or non-monetary incentives for promoting virtual assets, they must disclose these incentives responsibly, alongside risk warnings. This ensures that incentives do not overshadow the inherent risks involved in virtual asset investments. VARA's enforcement measures include strict penalties for non-compliance, ranging from fines to the suspension of marketing activities within Dubai's virtual asset market.

Also, starting from June 19 2025 Dubai's new Market Conduct Rulebook imposes an absolute prohibition against market manipulation and insider trading together with unlawful disclosure practices and abusive trading methods. Each VASP must establish a suitable Compliance Management System (**CMS**) while designating a Compliance Officer and developing effective internal policies to detect and reduce market conduct risks which include client onboarding procedures and trading surveillance and insider list management. The rulebooks follow FATF standards by demanding tracking suspicious transactions while implementing concentration limits and establishing market shock and liquidity management procedures.

VARA has established strict marketing regulations since October 1 2024 which forbid privacy coin promotion while requiring all advertisements to be truthful and have clear disclosures about incentives and risk warnings. Violations of these rules may lead to penalties reaching AED 50 million or 15% of annual revenue together with license suspension and public naming. Platforms need to obtain written agreements from clients while they must disclose their insider lists and publish policies about conflicts of interest and complaint handling and data privacy protection.

4. Regulation of other crypto-related activities in Dubai (UAE)

Are managers of crypto funds regulated in Dubai (UAE)?

According to Part IV of the Virtual Assets and Related Activities Regulations 2023, any virtual asset service provider that intends to carry out VA activities is required to obtain authorisation from the VARA and obtain the appropriate license. This includes managers of crypto funds.

The licensing requirements include necessary documentation such as the application form, protocol on corporate governance, measures for identifying, preventing, and managing conflicts of interest, business plan, financial statements and any other information deemed relevant by VARA. These requirements may be different depending on the type of VA activities the manager intends to engage in such as management of funds.

VARA also has the power to grant licenses on conditions that it deems appropriate. These conditions may be adjusted over time depending on future circumstances. Additionally, VARA may revoke licenses at any time on various grounds such as non-compliance with the Virtual Assets and Related Activities Regulations or rules and directives issued by VARA. Such decisions are subject to an appeals process.

It is important to note that all VASPs, including managers of crypto funds, are subject to the same AML and CFT obligations and regulations as traditional financial businesses.

Are distributors of virtual asset funds regulated in Dubai (UAE)?

Distributors of virtual asset funds are regulated in Dubai. According to the Virtual Assets and Related Activities Regulations 2023, any person or entity who intends to carry out any virtual asset-related activity in or from Dubai, including the distribution of virtual asset funds, must be authorised by the VARA.

Such distributors must obtain the appropriate license from VARA and comply with all the relevant regulations and rules. Furthermore, VARA may revoke or suspend licenses at any time for non-compliance with the regulations, rules, and directives issued by VARA.

AML/CFT Obligations of VASPs, provides general AML/CFT requirements applicable to all Virtual Asset Service Providers, including those who distribute virtual asset funds. The regulations specify the requirements for Customer Due Diligence (**CDD**), Enhanced Due Diligence (**EDD**), record-keeping, and reporting.

Additionally, Marketing, Advertising or Promotion, sets out the regulations for marketing virtual asset funds. It specifies that any marketing material aimed at retail investors should disclose clear and concise information about the risks involved.

Moreover, if a virtual asset fund distributor offers advisory services for virtual assets, they would be required to comply with the Advisory Services Rulebook. Similarly, if they offer custody services for virtual assets, they would need to comply with the Custody Services Rulebook. Each VA Activity Rulebook specifies the requirements that VASPs need to comply with when offering that particular VA Activity.

Therefore, distributors of virtual asset funds are required to comply with all the relevant regulations and rules, including obtaining the appropriate license from the VARA, complying with the AML/CFT obligations, and adhering to the marketing regulations.

Are there requirements for intermediaries seeking to provide trading in virtual assets for clients or advise clients on virtual assets in Dubai (UAE)?

In Dubai, intermediaries engaging in virtual asset-related activities must adhere to the Virtual Assets and Related Activities Regulations 2023 and the Exchange Services Rulebook issued by the Dubai VARA. The regulations mandate licensing, compliance with specific rulebooks, and adherence to anti-money laundering and counter-financing of terrorism requirements. The Exchange Services Rulebook outlines obligations related to board governance, remuneration reporting, internal policies, public disclosures, code of conduct, market surveillance, and prudential requirements for margin trading.

- i. Virtual Assets and Related Activities Regulations 2023:
 - a) Licensing Requirement: Intermediaries intending to engage in virtual asset-related activities, including trading and advisory services, must secure a license from the VARA under the Virtual Assets and Related Activities Regulations 2023.
 - b) Compliance with VA Activity Rulebooks: For trading activities, intermediaries must adhere to the VA Activity Rulebook for Exchange Services, and for advisory services, compliance with the VA Activity Rulebook for Advisory Services is mandatory. These rulebooks detail specific requirements and standards for each type of activity.
 - c) AML/CFT Requirements: Intermediaries are obligated to follow AML and CFT requirements explained in Regulation VI of the Virtual Assets and Related Activities Regulations 2023. This includes conducting thorough customer due diligence, monitoring transactions for suspicious activities, and maintaining proper record-keeping.
- ii. Exchange Services Rulebook: Intermediaries must comply with the Exchange Services Rulebook, which outlines specific guidelines for trading venues, settlement, delivery, clearing, and measures for prohibiting, detecting, preventing, and deterring market offenses and abusive practices.
 - a) Board Governance: The Exchange Services Rulebook emphasises the importance of appropriate board composition and committees for good governance within VASPs. This ensures effective oversight and management of virtual asset exchange activities.
 - b) Board Remuneration Reporting: VASPs must implement board remuneration reporting requirements, aligning with relevant laws and regulations in Dubai. This involves transparent reporting of board members' remuneration, contributing to accountability and disclosure.

- c) Internal Policies and Procedures: Intermediaries providing exchange services must establish, implement, and enforce written internal policies and procedures. These cover various aspects, including the prohibition, detection, prevention, and deterrence of market offenses, settlement, delivery and clearing processes, fees, and margin trading rules.
- d) Public Disclosures: VASPs offering exchange services are required to publish specific information about each virtual asset on their website. This includes details such as the virtual asset's name, symbol, issuance date, market capitalisation, fully diluted value, circulating supply, and whether it has undergone an independent smart contract audit.
- e) Code of Conduct: VASPs must develop and enforce a code of conduct or other rules governing the behavior of all participants on their trading venue. This ensures fair and ethical practices among individuals interacting within the virtual asset exchange ecosystem.
- f) Market Surveillance: Policies and procedures for market surveillance are crucial for VASPs. These include mechanisms to detect and prevent market abuse, with an obligation to notify VARA in cases where potential abuse affecting the market is suspected.
- g) Prudential Requirements for Margin Trading: When providing Margin Trading services, VASPs must adhere to prudential requirements, initial margin, and maintenance margin. These measures contribute to the stability and integrity of margin trading activities.
- h) Margin Trading Agreement: The Margin Trading Agreement between the VASP and the client must encompass essential elements. This includes responsibilities, termination rights, the effect of termination, applicable dispute resolution mechanisms, and the VASP's obligation to provide early warning notifications to the client. This agreement ensures clarity and protection for both parties involved in margin trading.

Furthermore, Virtual asset intermediaries need to obtain the correct VARA license category that corresponds with their business operations including "Broker-Dealer Services" licensing for client trading and "Advisory Services" licensing for investment advice provision. Every license requires particular compliance standards and reporting requirements.

To begin the application process companies need to form a legal entity in Dubai either on the mainland or in any free zone except DIFC and their key management and compliance personnel must fulfill UAE residency and integrity requirements. After obtaining their license firms need to establish a compliance management system and conduct regular staff training while monitoring VARA's changing regulations. The appointed MLRO must oversee transaction monitoring for unusual activity while regularly submitting reports to VARA. A formal agreement must be delivered to each client where all services and fees alongside associated risks and exit terms are described. Platforms must make public key details about every virtual asset they handle including audit status and risk profile information. Operating without the appropriate license or failing to follow regulations may lead to substantial fines along with license suspension and public enforcement actions.

5. Other relevant regulatory information

Are there any upcoming regulatory developments in respect of crypto-related activity in Dubai (UAE)?

Dubai is currently implementing substantial modifications to its cryptocurrency regulations which will take effect in 2025. On May 19, VARA rolled out updated version of its rulebooks, bringing in tighter rules for things like margin trading and token distribution. It also introduced clear compliance standards that apply across the board to all licensed crypto businesses. The full compliance of these new rules becomes mandatory for all VASP operators by June 19, 2025. The updated rules also explain key terms like "client assets," "qualified custodians," and what counts as acceptable collateral, helping to reduce confusion and align Dubai with global standards, especially in areas like risk control, money laundering prevention, and investor safety.

VARA is also focusing on regulating NFTs, especially as they become more integrated into the Metaverse. Upcoming regulations will address security and compliance concerns surrounding NFTs, particularly in relation to cross-border transactions and the growing threat of cybercrime. Stricter KYC protocols are expected to be intro-

duced for NFT platforms to ensure that user identities are properly verified. Additionally, AML/CFT measures will be strengthened to mitigate the risks associated with the blockchain-based transactions, which can be exploited for illicit activities such as money laundering.

In response to the global nature of the digital asset market, VARA is also working to align its regulatory framework with international standards, particularly in managing cross-border NFT transactions. This is essential as NFTs and other digital assets are frequently traded across jurisdictions with varying regulatory frameworks.

Additional regulatory modifications will be implemented in the near future. Dubai aims to enable the tokenisation of real-world assets including real estate while enhancing its regulatory oversight. Dubai's regulators shall actively working on further transparency, audit, and market stability measures.

Has there been any notable events in Dubai (UAE) that has prompted regulatory change recently?

Recent events in Dubai have led to significant regulatory changes in the crypto sector. One of the most notable actions has been the **VARA cracking down on unauthorised firms** operating in the crypto market. This crackdown is aimed at ensuring that all VASPs comply with the required licensing and marketing regulations.

In October 2024, VARA took enforcement actions by issuing cease-and-desist orders and fining seven companies for operating without the necessary licenses. These fines ranged from AED 50,000 to AED 100,000 per company, depending on the severity of the violations. VARA emphasised that only licensed entities are allowed to offer virtual asset services in or from Dubai and warned the public about the risks of dealing with unlicensed firms.

On September 9, 2024, VARA, in collaboration with the SCA, introduced a new supervisory framework for virtual asset firms. This new framework aims to provide greater regulatory consistency across the UAE, allowing virtual asset firms to obtain a VARA license that also automatically grants them registration with the SCA. This change is expected to streamline operations for crypto firms and enhance their ability to serve clients throughout the UAE.

Additionally, VARA introduced updated marketing regulations, effective from October 1, 2024, designed to improve transparency and consumer protection in the marketing of virtual assets. These regulations require that all marketing materials be fair and not misleading, with a strong emphasis on clearly communicating the risks associated with investing in cryptocurrencies.

Furthermore, On October 14, 2024, AED Stablecoin LLC received in-principal approval from the Central Bank of the UAE to launch **AE Coin, the first dirham-backed stablecoin in the UAE**. This approval aligns with the country's Digital Government Strategy 2025 and the Payment Token Services Regulation established earlier in June 2024. AE Coin is designed to combine the stability of the UAE dirham with the efficiency of blockchain technology, enabling secure and low-cost transactions for both individuals and businesses.

In May 2025, VARA introduced several updates in its rulebooks, marking a comprehensive update driven by market expansion and the imperative for enhanced risk management. These revisions include stricter oversight on margin trading, token distribution, and collateral wallet arrangements, alongside unified compliance standards across licensed activities, effective by June 19, 2025.

Simultaneously, VARA intensified actions against unlicensed crypto entities in late 2024, issuing cease-and-desist orders and imposing fines to combat consumer harm and regulatory violations. Additionally, the collaboration between VARA and the UAE SCA in September 2024 streamlined VASP licensing, allowing a single VARA license to encompass operations across Dubai and the UAE, enhancing regulatory clarity and operational efficiency. Embracing digital asset integration, the Central Bank of the UAE also endorsed AE Coin, a dirham-backed stablecoin, in October 2024.

Also, the UAE's Ras Al Khaimah Digital Assets Oasis (**RAK DAO**) have introduced a legal framework for decentralised autonomous organisations (**DAOs**) on October 25, 2024, during the DAO Legal Clinic event. This framework is designed to empower DAOs, including smaller entities, to operate legally within the UAE by clarifying governance and compliance expectations. Key features of the framework include remote registration, allowing DAOs to register without a physical presence in the UAE, which will attract global participation. Additionally, the framework will provide a legal identity for DAOs and protection from individual liabilities for founders and members. It will also permit DAOs to own both on-chain and off-chain assets while clarifying tax obligations and benefits. Furthermore, procedures for handling internal and external conflicts will be established, enabling DAOs to undertake legally enforceable obligations.

6. Pending litigation and judgments related to virtual assets in Dubai (UAE) (if any)

Dubai Appeals Court Case No. 27/2024: In this important ruling, the Dubai Appeals Court supported a previous decision that awarded damages in a cryptocurrency fraud case. The plaintiff claimed that AED 200,000 meant for cryptocurrency transactions was stolen by the defendant, who already faced criminal charges for this act. The court recognised cryptocurrency as property, meaning that digital assets have ownership rights and can be protected by current laws.

Dubai Court of First Instance Case No. 1739 of 2024: This case created a new legal rule about employee pay in digital assets. The court decided that employees can receive their salaries in digital currencies, specifically EcoWatt tokens, as mentioned in their job contracts. This ruling reversed an earlier decision that didn't allow payments in digital currency because of concerns about its value.

VARA's Crackdown on Unlicensed firms: The VARA has been actively pursuing unlicensed firms operating in Dubai's virtual asset ecosystem. Recently, VARA issued cease-and-desist orders and imposed fines ranging from AED 50,000 to AED 100,000 on seven entities for operating without the required licenses and violating marketing regulations. These enforcement actions are part of VARA's broader initiative to ensure compliance and protect consumers from potential risks associated with unregulated activities in the cryptocurrency market.

7. Government outlook on virtual assets and crypto-related activities in Dubai (UAE)

Dubai established the VARA in March 2022, enacting the Virtual Assets Law for regulatory oversight of virtual assets, NFTs, and virtual asset service providers. The DWTC Authority collaborates with VARA to streamline regulatory processes. The UAE Central Bank launched the 'Digital Dirham' strategy in March 2023, focusing on cross-border transactions and exploring Central Bank Digital Currency issuance for wholesale and retail applications.

Dubai Law No. 4 of 2022 provides the foundation for VARA's authority. Regulatory bodies like the SCA advise caution in dealing with crypto-related financial products, aligning with the government's commitment to investor protection. On September 9, 2024, the SCA and VARA formalised a significant **agreement to streamline the licensing process** of VASPs in the UAE. Under this agreement, VASPs operating in or from Dubai will be licensed by VARA and automatically registered with the SCA for operations across the UAE. This regulatory alignment aims to enhance oversight and facilitate a unified approach to managing virtual assets.

The VAL law outlines specific requirements for VASPs, including licensing, compliance with AML regulations, and adherence to KYC protocols. VARA's regulations are designed to protect investors while promoting transparency and accountability in the market. As of 2024, VARA has issued licenses to over 30 VASPs, showcasing its commitment to fostering a regulated environment for cryptocurrency activities.

VARA has implemented strict compliance measures, requiring VASPs to undergo rigorous evaluations before receiving operational licenses. This includes ongoing monitoring to ensure that licensed entities adhere to AML and KYC standards. In recent months, VARA has increased its enforcement actions, imposing fines on unlicensed firms and emphasising that unauthorised promotion of virtual assets will not be tolerated.

The UAE government is also focused on leveraging blockchain technology as part of its broader economic strategy. The **Emirates Blockchain Strategy 2021** aims for 50% of all government transactions to occur via blockchain by 2025. This initiative not only enhances operational efficiency but also positions Dubai as a leader in digital transformation, attracting global talent and investment in blockchain and cryptocurrency sectors.

Furthermore, in May 2025, Dubai's VARA introduced many updations in its regulatory framework which imposes stricter requirements on all VASPs, including exchanges, custodians, DeFi platforms, and NFT marketplaces. These regulations bring greater clarity and consistency by harmonising key definitions and applying unified risk management and conduct standards across all license types. Key enhancements include mandatory written client agreements, formalised insider trading controls, enterprise-wide risk frameworks with board accountability,

and full implementation of the FATF Travel Rule for anti-money laundering compliance. Additionally, retail investors are now barred from leveraged crypto trading, while new disclosure and approval processes apply to token offerings. Overall, VARA's reforms aim to align Dubai's digital asset regime with global standards.

8. Advantages of setting up a VASP in Dubai (UAE)

Establishing a VASP in Dubai presents numerous advantages, particularly following the introduction of the VAL and the establishment of the Dubai VARA. This regulatory body is responsible for overseeing all virtual asset activities within Dubai, except for the DIFC, which has its own regulatory framework. VARA's regulations encompass a comprehensive range of activities, including exchange services, token trading, and platform services, providing a structured environment for VASPs to operate. One key benefit of setting up a VASP in Dubai is the regulatory clarity offered by VARA. The framework includes 13 specific rulebooks, five of which are mandatory for all VASPs. These cover essential areas such as compliance and risk management, technology standards, and market conduct.

Dubai's various free zones, such as the DMCC and the DWTC, offer additional incentives for VASPs. These zones provide tailored regulatory frameworks that facilitate investment in crypto assets and tokens. By operating within these zones, businesses can benefit from streamlined processes and potential tax advantages, making it easier to attract both local and international investments.

Furthermore, VARA's commitment to creating a responsible regulatory environment is evident in its focus on AML measures and investor protection. The authority requires VASPs to comply with strict AML standards and maintain transparency in their operations. Moreover, the 2023 Regulations of Virtual Assets aim to establish Dubai as a hub for digital assets, promoting innovation while ensuring that businesses operate within a secure framework. The recent issuance of multiple licenses by VARA indicates a rapidly expanding market, providing VASPs with opportunities to establish themselves in a thriving digital economy.

In May 2025, VARA updated its rulebooks to Version 2.0, aligning with global standards like those of the FATF. This update improves oversight, risk management, and market conduct for VASPs. Dubai's clear regulations enhance its global standing in digital assets, providing licensed VASPs with better access to international financial opportunities. The new rules introduce a Sponsored VASP Model, allowing smaller firms to operate under a licensed sponsor, reducing entry barriers while ensuring compliance.

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