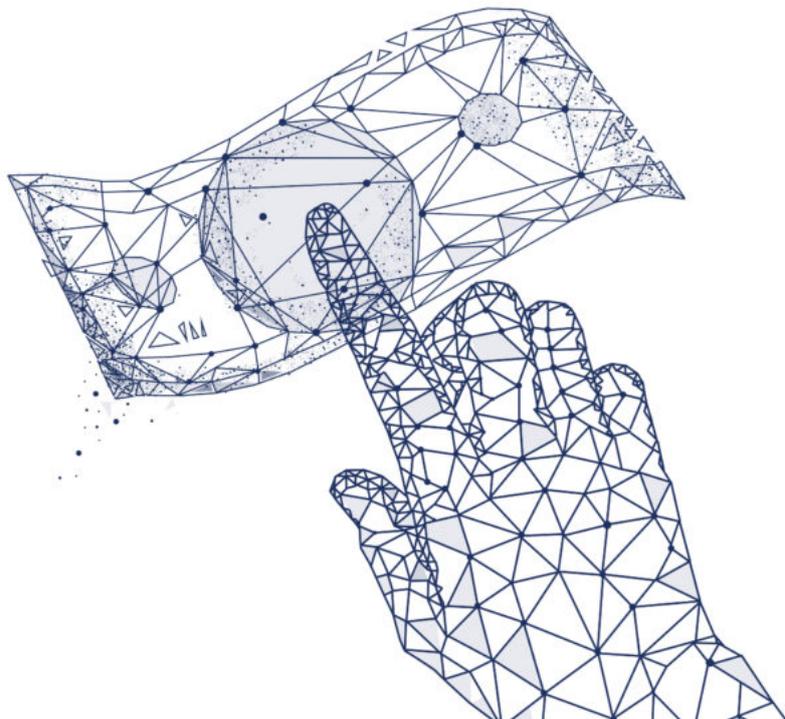


THE NEW UAE LAWS ON THE REGULATION OF VIRTUAL ASSETS

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written by Sadia Rizvi | September 5, 2022



On 28 February 2022, the United Arab Emirates (“**UAE**”) published new regulations governing virtual assets called the Dubai Virtual Assets Regulation (“**DVAR**”). This is an exciting new development in the crypto and blockchain world as the UAE becomes one of the first countries to pass laws that regulates that virtual asset sector. One of the key legislative changes is the establishment of new supervisory authority, the Dubai Virtual Assets Regulatory Authority (“**Regulatory Authority**”). The Regulatory Authority is authorised to regulate, supervise and control all matters relating to virtual assets.

The DVAR establishes a permit system which requires all persons wishing to conduct activities relating to virtual assets to apply to the Regulatory Authority.^[1] Activities that require permits include the provision of a virtual asset platform operation and management services, the provision of services for the exchange between virtual assets and national and foreign currencies, the exchange between one or more forms of virtual assets, virtual asset transfer services, services for virtual asset wallets, and the offering or trading of virtual tokens.^[2]

The Regulatory Authority has the authority to suspend activities or dealing in virtual assets by revoking or suspending permits. It is also tasked with drafting new rules and regulations relating to virtual assets and proposing further and additional legislation. It is expected that additional regulation will be introduced in future.

The scope of the DVAR is quite broad. A Virtual Asset is defined as: “A digital representation of value that may be digitally traded, transferred, or used as an exchange or payment tool, or for investment purposes. This includes Virtual Tokens, and any digital representation of any other value as

determined by the Virtual Assets Regulatory Authority.” This means that most activities related to virtual assets are regulated by DVAR. Article 18 to 22 provides the Regulatory Authority with broad enforcement powers. Penalties include the suspension of permits for a period of 6 months, revocation of a permit, suspension of dealing in virtual assets, and the suspension of the activities of a virtual asset service provider.

The fast changing crypto and blockchain environment has prompted the need for virtual asset regulation elsewhere around the world. On 9 March 2022, President Joe Biden issued an executive order calling on governments around the world to examine the risks and benefits of virtual assets. The executive order addresses a wide range of issues in the crypto sector and mainly focusses on protecting US-based citizens and businesses that interact with virtual assets.^[3] The order is significant because it indicates the US government’s openness towards virtual assets and represents a positive step towards achieving regulatory clarity. Furthermore, the order has ramifications globally as governments around the world are more inclined to protect their own crypto users. The US also has a strong connection with the crypto industry and developing a regulatory framework will impact the entire crypto market and attract more investment in the crypto industry worldwide.

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^[1] Article 15(a) of DVAR.

^[2] Article 16.

^[3]
<https://www.whitehouse.gov/briefing-room/presidential-actions/2022/03/09/executive-order-on-ensuring-responsible-development-of-digital-assets/>.