

Dubai Issues Its First Crypto Law Regulating Virtual Assets

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On February 28, 2022, the Emirate of Dubai enacted [Law No. 4 of 2022](#) on the Regulation of Virtual Assets ("VAL") and established the Dubai Virtual Assets Regulatory Authority ("VARA"). By establishing a legal framework for businesses related to virtual assets, including crypto assets and non-fungible tokens (NFTs), this landmark law reflects Dubai's vision to become one of the leading jurisdictions for entrepreneurs and investors of blockchain technology.

VAL excludes activities related to virtual assets in the Dubai International Finance Centre (DIFC) from its scope of application. The DIFC, a prominent free zone within the UAE, has its own regulatory framework for virtual assets under the jurisdiction of the Dubai Financial Services Authority.

VAL defines (1) "virtual asset" as a "digital representation of value which can be digitally traded or transferred or used as an exchange or payment tool or for investment purposes" and (2) "virtual token" as 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)".

Key features of VARA include (without limitation):

- VARA will have legal status and financial and administrative autonomy, with an independent and juridical capacity to protect and regulate the stakeholders in virtual asset services. VARA will be affiliated with the Dubai World Trade Centre Authority.
- VARA is responsible for regulating, supervising and overseeing the issuance, offering and relevant disclosure processes of virtual assets and NFTs.
- VARA will cooperate with other federal agencies, including the UAE Central Bank, issue a code of ethics, general policy, and strategic plans, and be in charge of the enforcement of VAL. VARA will not, however, regulate services related to virtual assets on a federal level. An entity that breaches VAL may be subject to certain penalties and fines, including withdrawal of VARA's authorisation for six months.
- Any natural person or legal entity offering virtual asset services can only do so if it is (1) granted a license from VARA, (2) operating in the Emirate of Dubai, and (3) has a trade license from the relevant commercial authority in Emirate of Dubai. VARA's mandate includes monitoring trading activities in virtual asset services to prevent price manipulation

and establish high standards of protection of personal data.

- VARA is expected to issue implementing decisions on the implementation of VAL, including a description of relevant activities, exempted virtual assets, procedures for licensing and associated fees and charges, virtual asset custodians, digital wallets, and tokenization and trading.

VAL became effective on March 11, 2022, upon its publication in Dubai's Official Legal Gazette.

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