



CRYPTO
OASIS



LEGAL & COMPLIANCES

EXTRACT FROM
CRYPTO²
OASIS⁰
ECOSYSTEM²
R E P O R T³
UNITED ARAB EMIRATES

DLT
SCIENCE
FOUNDATION

SPRING
SPRING
SPRING
SPRING
EDITION

An aerial photograph of the Burj Khalifa, the world's tallest building, standing prominently in the center of the Dubai skyline. The building's distinctive tiered structure and spire are clearly visible against a clear blue sky. Surrounding the Burj Khalifa are other modern skyscrapers and lower-rise buildings, with a multi-lane highway and some greenery in the foreground.

DLT
SCIENCE
FOUNDATION

The DLT Science Foundation (DSF) is a non-profit organisation committed to promoting the growth and adoption of distributed ledger technology (DLT).

Our mission is to help create a more equitable society with the adoption of DLT and **other exponential** technologies - which starts with fostering a more **open and sustainable innovation ecosystem**. We foster collaboration and investment in this ecosystem to ensure blockchain technology reaches its **full potential**.

We continue expanding our robust and growing ecosystem of developers, academic institutions and industry leaders. Alongside our grant program for academic institutions, the foundation is also developing research initiatives, policymaker engagement, and educational partnerships to further our mission.

Visit us to learn more at DLTscience.org 

DLT
SCIENCE
FOUNDATION

Building Trust,
Discovering Truth

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Address: 48th Floor, Almas Tower, Jumeirah Lakes Tower, United Arab Emirates
Email: pr@Cryptooasis.ae | Website: www.cryptooasis.ae

DEVELOPED & DESIGNED BY

INACTA.
COMMUNICATIONS



Ralf Glabischnig
Founder, Crypto Oasis



Saqr M. Ereiqat
Co-Founder, Crypto Oasis



Faisal Zaidi
Co-Founder, Crypto Oasis

HOW CRYPTO OASIS IS TRANSFORMING THE BLOCKCHAIN LANDSCAPE

Over the last few years, the Blockchain industry has witnessed significant growth and evolution, and the UAE has emerged as one of the leading destinations for Crypto and Blockchain-related businesses. Witnessing this first hand we started referring to the region of Middle East and North Africa to give it an identity of its own as the Crypto Oasis, which has now established itself as a global Blockchain Ecosystem fostering innovation in the UAE.

In its second edition, the Crypto Oasis Ecosystem Report 2023 showcases the significant progress and achievements of the Crypto Oasis in establishing itself as the fastest growing Blockchain Ecosystem globally, with over 1,800 organisations identified as of Q1 2023. In partnership with the DLT Science Foundation and Roland Berger as well as report-in-reports from Venom and Chainalysis, our report highlights the massive surge in institutional and individual adoption in the crypto industry, as well as our contribution and assistance to Blockchain and Web3 organisations in accessing resources and expertise to navigate the complex and rapidly evolving landscape.

One of the factors contributing to the success of the

Crypto Oasis Ecosystem is the regulatory environment in the UAE, which has been stable, predictable, and favourable, enabling local and international players to setup operations. The UAE's focus on disruptive technologies positioned it as a modern-day renaissance hub. With AI, the Metaverse and Web3 at the forefront of cutting-edge disruption, Dubai is at the heart of this Ecosystem, epitomising creativity, and innovation essential for progress in the digital space.

According to the Chainalysis input in our report Crypto currency transactions in the UAE are largely driven by early-adopters looking to make investments, as opposed to everyday citizens who buy Crypto out of necessity in other regions.

To build Ecosystems within Ecosystems, we built several ventures and IPs that target different aspects of the Industry. Our Web3 Meta-Community, arte, has had over 60 meetups in the past year, with over 120 projects presenting at these meetups. We have also hosted thought leaders in the Web3 industry at more than 13 arte Talks, which take place at the Theatre of Digital Art in Madinat Jumeirah every other week. Furthermore,

we continuously host major players in the Blockchain space like Ethereum, Casper Labs, Dfinity, and Solana for fireside chats at Crypto Oasis meetups in DIFC, which focus on Protocol founders and CEOs.

Another recent initiative launched at the Crypto Oasis Ecosystem night in March 2023 is the Crypto Oasis Games Guild. The objective of this initiative is to build an ecosystem for the gaming industry in Web3. With partners like Epic, Unity and QORPO Gaming Studios and support from major players in the Ecosystem like Polygon we have been able to launch with 18 founding members from all over the globe. The initiative currently in its growth phase will be building on the thought leadership of its members and promoting cross-collaboration and partnerships between industry players.

To build on the success of previous ventures and Ecosystems, we are launching a new initiative in commitment to the UAE's COP28 initiative. The new initiative, called The Green Block, is an Ecosystem for the ESG part of Web3 that aims to foster a sustainable future by bringing together innovators and entrepreneurs to develop and implement solutions that promote environmental sustainability and social responsibility.

The Green Block focuses on promoting, leading, and connecting this part of the industry to align with the goals of the UAE.

Additionally, the Crypto Oasis has served as the Ecosystem partner at events in the region, including the Future Blockchain Summit, Superverse, Dubai Metaverse Assembly, and Art Dubai, among others. Crypto Oasis is also a Web3 Ecosystem partner at the Dubai Fintech Summit, where this second iteration of the Crypto Oasis Ecosystem Report is launched.

In conclusion, the Crypto Oasis Ecosystem Report 2023 highlights the incredible progress and achievements of the Crypto Oasis in establishing itself as a leading Blockchain Ecosystem globally. The report showcases the massive growth and adoption of Blockchain and Web3 technologies, as well as Crypto Oasis commitment to supporting the development and success of Blockchain and Web3 entrepreneurs and organisations. With its vibrant community, favorable regulatory environment, and thriving start-up Ecosystem, the UAE is poised to become a global hub for the crypto industry, and we are proud to be at the forefront of this transformation.

SERVICE PROVIDERS

LEGAL & COMPLIANCE

The cutting edge Blockchain technology has the potential to revolutionise different sectors like finance, healthcare, and logistics. However, transitioning to the Blockchain space comes with significant hurdles with increasing concern and uncertainty over legal and regulatory compliance requirements within organisations in different regions.

As the Blockchain industry rapidly grows and evolves, governments and regulatory bodies are working towards understanding and reimagining the existing legal and regulatory framework to account for the decentralised nature of Blockchain. As old laws are being reevaluated, new compliance regulations are being set in place to ensure the secure and transparent adoption of the technology.

The Middle East has been spearheading the adoption of Blockchain with the United Arab Emirates (UAE), Saudi Arabia, and Bahrain investing heavily in its development. For instance, the Dubai Blockchain Strategy was established in the UAE to ensure Government efficiency, inspire industry creation, and attract international recognition by having all Government documents and transactions conducted using Blockchain technology. UAE created the Emirates Blockchain Strategy 2021 to focus on developing a regulatory framework for Blockchain and providing support to Blockchain startups. Saudi Arabia initiated a regulatory sandbox to test Blockchain technology in the financial sector while Bahrain introduced a regulatory framework for Cryptocurrency exchanges.

The region recognises the potential of the technology and is in the early stages of developing legal & regulatory compliance to increase investment opportunities, while mitigating business risks.

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VIRTUAL ASSETS
FORENSICS COMPLIANCE

(WEB3 + AI) + PROGRESSIVE LAWS = A NEW FRONTIER

We live in a time of seemingly exponential advancements in technological capability. Nowhere is this more evident than in the development of Blockchain technology, including the advent of digital assets (such as crypto), with a myriad of potential applications affecting all aspects of society. And since the last Crypto Oasis report, there has been intense debate about AI, particularly with respect to generative AI and the use of ChatGPT – again, with wide ranging applications. When these two domains collide, there's a confluence of legal and regulatory issues which either accelerate or put brakes on the movement towards an exciting new digital frontier. Lawmakers in the UAE have understood this as well as anyone else.

Legal and regulatory issues are no strangers to emergent technologies. The advent of the internet in the 1990s was no different, raising fundamental questions about online identity, privacy, and security. While the vast capabilities of Blockchain and third-generation internet technologies came into the public eye in recent years through the rise in use and recognition of cryptocurrencies such as Bitcoin and Ethereum, and regulatory interest followed due to the intersection with traditional financial services, relatively little attention has been devoted to the potential interaction of AI and other Blockchain-based technologies. The two technologies in tandem will pose unique and challenging questions: if an engineer uses generative AI to develop a codebase for the development of a new and innovative decentralised finance protocol, who in the end is responsible and indeed, liable under the law, for flaws that may lead to hacks and exploits that cause the loss of user funds? The engineer, or the user that creates the prompts to which the generative AI responds? Or the AI itself?

For example, an NFT, a well-recognised manifestation of Blockchain technology, could be turned into a live or intelligent NFT, that is no longer static and unchangeable, but changes in real time, using AI technology to enable interactive abilities. An intelligent or live NFT would be able to use AI to receive and absorb new metadata to update itself and potentially shape its future interactions and personality. A live or intelligent NFT representing the ownership of a car or house would be able to use AI to update itself following the receipt of metadata concerning a transaction such as a sale of the house, or even, if it sustains damage or an accident. Indeed, in the context of a live NFT avatar of a human player in a multiplayer metaverse,

there could be profound implications as in-game characters that are not human controlled non-playable characters (NPCs) become more interactive and lifelike – indistinguishable for all intents and purposes from a human player. What happens if the AI absorbs and interprets metadata incorrectly and lists a building as being owned by a different person or entity to its true owner? What happens if an NPC goes off-script and a human player makes a financial decision based on the NPC's advice within an in-game metaverse? The questions regarding not only liability, but what is considered to be a moral and ethical public policy, pose challenging questions for lawyers and non-lawyers alike.

The countries that embrace these challenges, and are willing to take calculated risks, have thoughtful, engaged discussions with industry stakeholders and market participants to draw upon cutting-edge expertise and knowledge in order to build new legislative and regulatory frameworks to answer these questions will be well placed to attract the best and brightest talents who will build in the AI and Blockchain space. The Middle East, and in particular, countries such as the United Arab Emirates and Saudi Arabia, with their demonstrated interest and commitment to developing extensive technology ecosystems, stand to gain from the coming revolutions in these technologies that will change our daily way of life.

To complement pioneering attractive new regulatory frameworks for Blockchain and crypto, the UAE has doubled down on its digital ambitions by enabling a thriving AI industry. Preparing the country for a future in which digital and technological enablement cuts across all industries and sectors is clearly a priority for the state, as evidenced by the creation of the world's first dedicated government entity: the Ministry of Artificial Intelligence, and the world's first AI-focused higher education institution: the Mohammed Bin Zayed University of Artificial Intelligence. And beyond the centres of AI excellence at an academic and policy level, we have seen capital investment in AI both from government-backed investors and the ever maturing venture capital eco-system.

The UAE has shown that legal risk issues in crypto can be confronted head on. The enablement of VARA and its suite of legal instruments as well as the financial services regulators' refreshingly open and progressive views conceptually difficult

matters such as DLT foundations, copyright ownership in smart applications and code, venture studio regulation, and personal data protection legislation dealing with processing via artificial intelligence and autonomous and automated systems are all things that, in the last year, the UAE has pushed forward.

As with any emerging market, questions still remain on practical enforcement matters and the style of regulatory policing that will be seen in each of these exciting domains but there is no doubt that the region is better placed than any to use laws and regulation to not only passively accept emerging technology but actively embrace and adopt emerging technology.



Raza Rizvi

Partner & Head of Digital Business,
Simmons and Simmons



Robbie Nakarmi

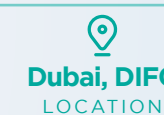
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LEGAL



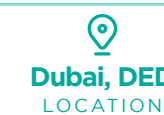
Al Tamimi & Co.

The Middle East technology Ecosystem is growing rapidly with innovative new companies introducing new and disruptive technologies. Existing companies are adopting new technology to differentiate from their competitors and grow. To support this pace of change, Al Tamimi & Company fields a regional team of specialist technology lawyers, with deep industry knowledge and extensive technology regulatory and transactional experience. Al Tamimi also provides legal services for digital assets.



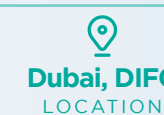
Baker McKenzie

The global business community is more interconnected than ever before. Opportunities and risks spill across different markets, sectors and areas of law. A connected perspective is essential in delivering business objectives while mitigating risk. Their integrated client solutions provide seamless advice, underpinned by deep practice and sector expertise, as well as first-rate local market knowledge. Baker McKenzie also provides legal services for digital assets.



Clifford Chance

They are one of the world's pre-eminent law firms with significant depth and range of resources across five continents. As a single, fully integrated, global partnership, they pride themselves on their approachable, collegiate and team based way of working. Their clients include corporates from all the commercial and industrial sectors, Governments, regulators, trade bodies and not for profit organisations. Clifford Chance also provides legal services for digital assets.



LEGAL

Emirates Legal

Emirates Legal

Emirates Legal is licensed as a Legal Consultancy in FFTZ in the UAE (since 2009), in the AIFC Kazakhstan, (since 2019), and as an Advisory Firm in Kampala, Uganda (since 2020). It is authorised to conduct proceedings before the DIFC Courts (Dubai), ADGM Courts (Abu-Dhabi), AIFC Courts (Astana-Nur-Sultan). Their counsels have the right of audience before all three courts in all 3 jurisdictions. Emirates Legal also provides legal services for digital assets.

Dubai, DED
LOCATION

Karawani & Co.

K

Karawani & Co

Karawani & Co is one of the leading law firms and Intellectual Property consultants in the Middle East region. Karawani & Co provides legal expertise on all national and international business related matters. The firm serves many of the most successful companies from all over the world. Karawani & Co. also provides legal services for digital assets.

Dubai, DED
LOCATION

Karm Legal

KARM

Karm is a legal consultancy firm based in the United Arab Emirates. Karm was officially launched at Global Legal Forum, 2018 on 23rd August at Peace Palace, La Hague, the home to the International Court of Justice. The focus areas of the firm are Corporate/ Commercial, Blockchain, Fintech, Insuretech, Medtech, Real Estate and Data Protection/ Cyber laws.

Abu Dhabi, ADGM
LOCATION

The Counsel Service

TCS

The Counsel Services (TCS) is a customer centric, technology focused, legal and business consultancy incorporated in Abu Dhabi Global Markets (ADGM) in the United Arab Emirates, but servicing clients from all around the world. TCS specialises in provided legal and business related services to clients in all sectors and of all sizes. With its team of senior legal and business consultants, TCS is able to handle any legal or business need. The Counsel Services also provides legal services for digital assets.

Abu Dhabi, ADGM
LOCATION

Norton Rose Fulbright

NORTON ROSE
FULBRIGHT

Norton Rose Fulbright is a global law firm. With more than 4,000 lawyers at over 50 locations worldwide in Europe, the USA, Canada, Latin America, Asia, Australia, Africa and the Middle East, they advise leading national and international companies. Norton Rose Fulbright offers their clients comprehensive advice in all important sectors. They also provide legal services for digital assets.

Dubai, DIFC
LOCATION

Simmons & Simmons

+simmons
simmons

Simmons & Simmons is an international law firm with a market leading global FinTech practice. The firm has been active across the Middle East for over 30 years. Simmons' award-winning regional FinTech practice brings together multiple legal disciplines when acting as trusted counsel to pioneers in the industry. Simmons and Simmons also provides legal services for digital assets.

Dubai, DIFC
LOCATION

White & Case LLP

WHITE & CASE

White & Case facilitate a number of industry "firsts" partnering with emerging companies, unicorns, and financial and technology heavyweights to create original solutions to their most complex multi jurisdictional needs. Their multi disciplinary team is comprised of former senior Government regulators, bankers, and in-house payments and product development executives – providing them with a unique understanding of myriad Fintech matters involving new business models and product development. White & Case also provides legal services for digital assets.

Abu Dhabi, ADGM
LOCATIONPIONEERING REGULATION OF VIRTUAL ASSETS
ACTIVITIES - THE UAE PROMISE

Disruptive. Futuristic. Decentralised. These words were commonly used to describe virtual assets as the products first emerged. Lately, a new wave of adjectives became prevalent-Volatile. Risky. Unsecure. A series of adverse events that occurred during 2021-2023 resulted in the merits of the virtual assets sector being called into question. In response, several jurisdictions globally resorted to taking stringent actions (including law suits) against virtual assets businesses. At the same time, some progressive jurisdictions, with their futuristic vision and belief in the promise offered by the virtual assets sector, successfully created a conducive environment for the sector through their enabling legal frameworks.

Among these progressive jurisdictions, the UAE has emerged as a global pioneer, being one of the first countries globally to introduce suitable business licenses and regulations for virtual assets service providers (VASPs). In 2018, the UAE launched the Emirates Blockchain Strategy 2021 which sought to capitalise on the Blockchain technology to transform 50 per cent of Government transactions onto the Blockchain platform. In the same year, the Abu Dhabi Global Market (a financial free zone in the UAE) implemented a comprehensive and bespoke regulatory framework for VASPs.

Over the years, the UAE has witnessed several crucial regulatory developments in the virtual assets space. In particular, establishment of the Dubai Virtual Assets Regulatory Authority (VARA), recognised as the world's first regulator to exclusively focus on virtual assets, has catapulted the UAE into a global hub for VASPs.

The collaborative approach adopted by regulators and their years of experience in regulating VASPs have enabled the UAE to develop a clear, comprehensive and transparent regulatory environment for VASPs. Owing to such regulatory certainty, numerous leading global players have since established their global/ regional headquarters in the UAE and obtained licenses to offer their products and services in a legally compliant manner.

There are multiple avenues within UAE for VASPs to establish their businesses and obtain suitable licenses. Amongst others, virtual assets focused broker-dealers, fund/asset managers, advisory firms, custodians and Crypto exchanges are regulated and require a license in the UAE. Overall, the regulations stipulate various conduct of business obligations relating to technology governance and controls, investor protection, safe custody of client assets, AML and CFT safeguards and integrity of market for virtual assets.

Recognising that navigating the bespoke regulations can be a daunting exercise, KARM has recently authored a report titled 'Virtual Asset Regulatory Framework | An Evolving Landscape', which analyses the regulatory framework of the UAE, Bahrain, the UK, the US, Liechtenstein and Switzerland, for VASPs.

The report provides an overview of the general regulatory framework while touching upon suitable jurisdictions within the UAE for VASPs, types of businesses regulated and key licensing requirements. A snapshot of the regulatory positions is provided in the table below:

Mainland-Federal Authorities	The Central Bank of UAE ("CBUAE")	Regulates activities relating to Payment Tokens (i.e., stable coins) and Store Value Facilities that accept virtual assets
	The Securities and Commodities Authority of the UAE ("SCA")	<ul style="list-style-type: none">Prohibits conduct of virtual assets activities in the UAE without an appropriate license from SCA or a local authority at the Emirate-level competent to regulate virtual assets (such as the VARA)As regards the mainland UAE, digital securities and digital commodity contracts are subject to the regulations of SCA
Mainland - Emirate of Dubai	The Dubai Virtual Assets Regulatory Authority (VARA)	<ul style="list-style-type: none">Established in early 2022 and focused exclusively on virtual assetsComprehensive regulations governing virtual assets activities since 2023 Framework for issuance of virtual assets
Financial Free Zones	Abu Dhabi Global Market (ADGM)	<ul style="list-style-type: none">Comprehensive regulations governing virtual assets activities since 2018 Framework for issuance of digital securitiesLicensed several VASPs including Crypto exchanges
	Dubai International Financial Center (DIFC) IFZA Dubai Free Zone (IFZA) and upcoming RAK Digital Assets Oasis (RAKDAO)	<ul style="list-style-type: none">Comprehensive regulations governing virtual assets activities since 2022Framework for issuance of digital securities
Other Free Zones In Various Emirates	Dubai Multi Commodities Centre (DMCC) IFZA Dubai Free Zone (IFZA) and upcoming RAK Digital Assets Oasis (RAKDAO)	Business licenses for certain crypto-specific activities. Entities licensed in these Free Zones may require a license from VARA and/or federal regulators such as SCA or CBUAE

The way forward for VASPs:

The UAE regulators continue to actively engage with virtual assets businesses and the regulations continue to undergo advancements to cater to the ever-evolving needs of the sector. For example,

ADGM is currently in the process of evaluating a regulatory framework for Distributed Ledger Technology Foundations. On the other hand, CBUAE has made substantial headway with the CBDC project.

It is increasingly evident that the UAE virtual assets sector is poised for growth and innovation.



Kokila Alagh
Founder & CEO, KARM Legal

COMPLIANCE

Forensic Risk Alliance (FRA)

FRA offers extensive multi-jurisdictional data privacy, transfer, and protection expertise in order to assist their clients achieve their objectives with compliance, litigation and investigations. FRA has extensive cross-sector and cross-border experience and scalability anywhere in the world with globally integrated teams, having worked in more than 100 countries across both developed economies and emerging markets. Digital assets are also within FRA expertise.

Hala Bou Alwan Consultancy

Hala Bou Alwan Consultancy is a specialised firm committed to delivering training and Advisory expertise in the fields of Compliance, Financial crimes, Cyber, AI Compliance and Governance. Hala Bou Alwan Consultancy also helps firms have an efficient policies and procedures. Digital assets are also within Hala Bou Alwan Consultancy area of expertise.

Scale7 Compliance

A customisable environment to provide regulatory compliance, create a solid risk management framework and make customer onboarding as friendly as possible. They offer transaction and wallet screening services for Cryptocurrencies.

V.A.F. Compliance

VAF Compliance is a firm that specializes in providing risk and compliance services to a variety of organizations, including Virtual Asset Service Providers (VASPs), Financial Institutions, and Designated Non-Financial Businesses and Professions (DNFBPs). Their primary focus is on helping their clients comply with regulations and laws related to anti-money laundering (AML), counter-terrorist financing (CTF), and other compliance-related issues.

DIGITAL ASSETS AND PROBATE

Recently, the courts in various jurisdictions have started recognising digital assets as assets, while before, since they could not be held, were not recognised in the same way. But including a digital asset as part of an estate is not that easy. Why? Because there are standard terms and conditions imposed upon digital assets by Internet Service Provider (ISPs) which are offered on a take-it-or-leave-it basis when an account is set up. While most ISPs (and therewith their terms and conditions) recognise and deal with the intellectual property rights of an account holder, most grant the ISP a worldwide, royalty-free license over the contents of the account for the duration of the contract.

Most ISPs lack proper provisions to cover death and/or incapacity in their standard terms and conditions but this is not unreasonable given that the standard terms and conditions of most platforms do not account for death either.

Below are some standard provisions included in ISP terms and conditions which could be applied in the event an account holder dies:

- Following a certain period of inactivity, the account could be terminated and/or deleted permanently,
- A nominee/representative/person handling the deceased's estate could be given limited access to the account and its contents,
- Permission to access the account and its contents could be granted by probate, the presentation of a death certificate or some other reasonable form of evidence that the account holder died

(for example, an obituary in a newspaper), with evidence of the person wishing to access the account's relationship to the deceased, and

- Memorialisation of content for a brief period of time following which, such information will be deleted.

Standard terms and conditions will vary from ISP to ISP. It is important for individuals to familiarise themselves with the terms and conditions of an ISP when setting up an account, especially any terms and conditions that relate to the death of the account holder, and plan ahead for such circumstances accordingly.

It should be noted that most ISP standard terms and conditions contract against the recording of login details and/or passwords (to protect confidentiality, data privacy and the account from being hacked) and accessing an online account without proper authority could be considered a criminal offense in some jurisdictions. Pursuant to the terms and conditions of most ISPs, it would also seem that legally, consent would need to be provided by the ISP and not the actual account holder.

Although it is unlikely that an ISP would take action for a breach of contract under the circumstances being discussed in this article, fiduciaries and advisors should always respect the terms and conditions of the contract entered into with the ISP and do their very best not to breach them.

One of the key issues for a person handling the estate of a deceased person when this relates and/

or includes Cryptocurrencies is with regards to ownership and the ability to transfer tokens relies on access to a digital wallet which usually contains private and public cryptographic keys. Anyone having these, could transfer the Cryptocurrencies and so one can imagine that owners would be reluctant to provide such information prior to their passing.

While this could be provided as part of the instructions for an estate, in the case of Tulip Trading, the claimant in this case lost control of his private keys when his computer was hacked, owning a large amount of Cryptocurrencies on four digital exchanges. The claimant was not successful in arguing that the developers owed a fiduciary and tortious duty to persons participating in a network because they had the ability to intervene and restore control where private keys had been stolen, but the creation of a "patch" became a very real possibility.

Non-Fungible Token (NFT), as a unique asset, are not interchangeable. This makes them easier to identify as an asset than Cryptocurrencies, especially when it comes to applying legislation around estate settlement and planning. NFTs have been subject to freezing injunctions and have even been used as collateral with banks, therefore NFTs are somewhat easier to deal with as part of a deceased's estate than Cryptocurrency, generally dealt with by way of chattel legacy. The NFT owner can leave their NFT to an elected person, company and/or other agency but the inclusion of digital assets under the actual definition of "personal chattels" or even "possession" must be made clear in the deceased's will.

Identifying the need to be able to account for NFTs and other non-interchangeable digital assets, the UK legislature was amended from 1 October 2014 to include these in the definition of "personal chattels"

(but this would not have retroactive effect and so wills signed before 1 October 2014 would not imply the same meaning to this as those after). Having said that, even this modernisation of the definition of "personal chattels" may in some cases, not be wide enough to cover digital assets in general, which by nature, are intangible and so anyone drafting a will should consider specifically defining "personal chattels" in the document and if possible, specifically identifying the NFTs or other digital assets which would be subject to the will and included in the deceased's estate. The difficulty in drafting such provisions may mean that it may be better to have these covered through a separate document and/or put in a trust/foundation. It may also be sensible to include specific powers for the persons handling the deceased's estate to deal in the digital assets of the deceased. While debatable what liabilities this could bring on such persons, its better argued when specific provisions for such actions have been included.



Henzie Healley
Managing Partner,
The Counsel Services

FROM START-UP TO SUCCESS: THE ROLE OF REGULATORY COMPLIANCE AND GOOD GOVERNANCE IN ENHANCING VALUATION

The Virtual Assets and FinTech industry is booming, and it's no secret why. These innovative companies are shaking up the financial world, offering everything from mobile payment solutions for cross-border transactions, to the Tokenization of both liquid and illiquid assets that have traditionally only been available to institutional investors (finally, I might get to own a Picasso - in part). With the rise of DAOs and NFTs, even a developer's time can be tokenized and contracted for through smart contracts... But with great innovation comes great responsibility, and regulatory compliance and good governance are key to ensuring that FinTech firms in this space are maximising their value to customers, and enhancing their valuation.

For start-ups, regulatory compliance can seem like a daunting task. As a financial regulatory and compliance lawyer having spent 10 years here in Dubai, working with a diversity of clients from start-ups, accelerator programs, BigTechs, VCs, PEs, asset managers, banks, and even governments & regulatory authorities around the world - I get it. After all, regulations are constantly changing, and it can be challenging to address. But the truth is, regulatory compliance is critical for start-ups. By complying with regulations, start-ups can build trust with customers, investors and key government stakeholders alike. Plus, it can help avoid costly penalties, complaints and legal battles down the line. These are not just "nice to haves" - compliance is the law with financial implications, and in the case of AML compliance, potential criminal liability.

In the case of the UAE - this is no longer becoming an option. Within the Emirate of Dubai (apart from the DIFC), the Virtual Asset Regulatory Authority (VARA - the world's first dedicated Virtual Asset sector regulator) deadline for businesses operating and providing services within the VA sector to submit their initial disclosure questionnaires passed on 30th April 2023 - with the deadline for those qualifying for a Full Market Product (FMP) license falling on 31 August 2023. The grace period for those falling within the UAE Securities and Commodities Authority (SCA) remit for Virtual Asset Service Providers (VASPs) ended on 14 April 2023. I promised myself that I would not make this a standard legal article filled with legalese, but for those in the UAE or looking to the UAE, I'll take a brief side step just to outline the lay of the land (I sometimes do this with props when asked about this at conferences!):

- VARA's remit covers the Emirate of Dubai (including all Dubai-based Free Zones, such as the Dubai World Trade Centre (DWTC), the Dubai Multi Commodities Centre (DMCC), Dubai Silicon Oasis (DSO), Dubai Internet City, and others)
- With the exception of Dubai's Financial Free Zone, the DIFC (Dubai International Financial Centre), which has its own regime under the Dubai Financial Services Authority (DFSA)
- The SCA (which is the Federal-level securities, commodities and now VASP regulator) has a remit over Virtual Assets covering all Emirates that make up the UAE, including the Emirate of Abu Dhabi (and

again all Free Zones contained across all 7 Emirates), and in relation to the Emirate of Dubai (apart from the DIFC) where (VARA has remit) it's supervisory remit also overlaps jointly with VARA;

- With the exception of Abu Dhabi's Financial Free Zone, the Abu Dhabi Global Market (ADGM), which has its own regime under the ADGM Financial Services Regulatory Authority (FSRA);
- The Central Bank of The UAE (CBUAE), the Federal-level banking, insurance and payment services regulator (which covers all of the UAE - including VARA territory, but again, excluding the DIFC and ADGM) has regulatory remit over Payment Tokens (although watch this space, since VARA's own rules have yet to be issued on this, but are in the pipeline); and
- The SCA still having remit (including over VARA territory in Dubai, but again, excluding the DIFC and ADGM) over "digital securities" and "digital commodities".

I appreciate those are a lot of acronyms to get familiar with. With VARA already issuing a written reprimand for unregulated activity, compliance (which covers amongst other things technology, marketing, conduct, audits, etc.) is evermore important.

Good governance is equally as important. We only need to look to the industry's recent history to see how failing to have proper oversight and audit functions, and controls on issues such as related party transactions, can wipe billions of balance sheets and customer accounts in a matter of days. We have all heard how these issues are not intrinsically tied to Cryptocurrencies or other Blockchain technologies (which can actually help trace steps through immutable ledgers), and that such situations are caused by human failures - I say, such situations often are the result of compliance and governance failures. Start-ups who aim to become the unicorns of tomorrow can help create a 'culture of compliance' in their organisations through establishing clear policies and procedures, and

hold themselves accountable to them. This not only improves decision-making processes, but also promotes transparency and integrity throughout the organisation. Let's face it, who doesn't want to work for a company that's committed to doing the right thing?

VC funds play a crucial role in the success of FinTech start-ups. By investing in these companies, they provide the necessary funding for growth and development. I would argue that, like in other areas of traditional institutional investment, they also have a responsibility to advocate for and support positive change. This means pushing for and supporting regulatory and financial crime compliance, good governance, and responsible business practices. VCs are in a prime place to help foster good culture, and may even be under requirements by their own investors to invest in regulated entities that offer a lower risk profile.

So, why is regulatory compliance and good governance so important for the virtual assets space? For one, in light of recent news, it helps builds trust with its user base. In a world where cybercrime and data breaches are becoming increasingly common, users want to know that their information and assets are secure. By complying with regulations and establishing good governance practices, FinTech firms can give customers an added level of security.



Samir Safar-Aly

MENA FinTech & AI Lead | Regulatory Council,
Baker McKenzie

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