

**The Chairman of the Authority's Board of Directors' Decision No.
(23/ Chairman) of 2020 Concerning Crypto Assets Activities
Regulation**

The Chairman of Securities and Commodities Authority' Board of Directors, having perused:

The Federal Law No. (4) of 2000 concerning the Emirates Securities and Commodities Authority and Market, as amended;

The Federal Law No. (1) of 2006 concerning Electronic Transactions and Commerce, as amended;

The Federal Law No. (5) of 2012 concerning Combating Cybercrime, as amended;

The Federal Law No. (2) of 2015 concerning Commercial Companies, as amended;

The Federal Law No. (14) of 2018 concerning the Central Bank and Organization of Financial Facilities and Activities;

The Federal Law No. (20) of 2018 on Anti- Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations;

Cabinet Resolution No. (11) of 2000 Concerning the Regulations as to Market Licensing and Supervision;

Cabinet Resolution No. (12) of 2000 concerning the Regulation as to Listing of Securities and Commodities, as amended;

Cabinet Resolution No. (13) of 2000 concerning the Regulation as to the Functioning of the Securities and Commodities Authority, as amended;

Cabinet Resolution No. (14/8W) of 2017 concerning the Restructuring of the Securities and Commodities Authority's Board of Directors;

Cabinet Resolution No. (10) of 2019 concerning the Implementing Regulation of Decree- Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations;

Cabinet Resolution No. (20) of 2019 concerning Terrorism Lists Regulation and Implementation of UN Security Council Resolutions On the Suppression and Combating of Terrorism, Terrorism Financing and Proliferation of Weapons, and Related Resolutions;

Cabinet Resolution No. (53 M/ 11W) of 2020 on Appointment of a Chairman of the Authority's Board of Directors;

The Authority's Board of Directors' decision No. (2/R) of 2000 concerning the Regulation as to Market Membership;

The Authority's Board of Directors' Decision No. (3) of 2000 concerning The Regulations as to Disclosure and Transparency, as amended;

The Authority's Board of Directors' Decision No. (3/R) of 2001 concerning the Regulation as to the Functioning of the Market;

The Authority's Board of Directors' Decision no. (2/R) of 2001 concerning the Regulations as to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities;

The Authority's Board of Directors' Decision No. (48/R) of 2008 Concerning the Financial Consultancy and Financial Analysis;

The Chairman of the Authority's Board of Directors Decision No. (29/R) of 2009 Concerning the Regulation as to Securities Custody Activities;

The Authority's Board of Directors Decision No. (27) of 2014 Concerning Brokerage in Securities;

The Authority's Board of Directors' Decision No. (1) of 2014 Concerning the Regulation as to Investment Management;

The Authority's Board Decision No. (11) of 2015 on Regulations as to Clearing Operations in Commodities Markets;

The Chairman of the Authority's Board of Resolution No. (11/ Chairman) of 2016 concerning the Regulations as to Offering and Issuing Shares of Public Joint Stock Companies, as amended;

The Chairman of the Authority's Board of Directors' Decision No. (22/ Chairman) of 2016 Concerning the Regulation as to the Central Clearing Party (CCP) Business;

The Chairman of the Authority's Board of Directors' Decision No. (26/ Chairman) of 2016 Concerning the Regulation of Some Financial Services Activities and the Trading Process;

The Chairman of the Authority's Board of Directors Decision No. (30/ Chairman) of 2016 concerning the Controls for the Publication of Names Violators of the Authority's Law and Regulations;

The Chairman of Authority's Board of Directors Decision No. (3/ Chairman) of 2017 Concerning the Organization of Promotion and Introduction;

The Chairman of the Authority's Board of Directors' Decision No. (19/ Chairman) of 2018 Concerning the Regulation of the Central Depository Activity;

The Chairman of Authority's Board of Directors' Decision No. (21/ Chairman) of 2019 concerning Procedures of Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations;

Pursuant to the approval of the Authority's Board of Directors at its seventeenth meeting of the sixth round, in its session held on 30/09/2020; and

After coordination with markets and as required by the public interest;

Decided:

Chapter (1): General Provisions

Definitions

Article (1)

First: The following phrases and words shall have the meanings ascribed thereto, unless the context requires otherwise:

State	:	The United Arab Emirates.
Law	:	The Federal Law No. (4) of 2000 concerning the Emirates Securities & Commodities Authority and Market, as amended.
Authority	:	Securities & Commodities Authority (SCA).
Market	:	Securities or commodities market licensed by the Authority.
Central Bank	:	The Central Bank of the United Arab Emirates.
Securities	:	Shares, bonds and financial bills issued by joint stock companies, bonds and bills issued by the federal government, local governments and public authorities and institutions in the State, and any other local or non-local financial instruments accepted by the Authority.
Commodities	:	Agricultural products, metals, natural resources and any other commodities that are dealt in under contracts approved by the Authority.
Crypto Asset	:	A record within an electronic network or distribution database functioning as a medium for exchange, storage of value, unit of account, representation of ownership, economic rights, or right of access or utility of any kind, when capable of being transferred electronically from one holder

		to another through the operation of computer software or an algorithm governing its use.
Security Token	:	A Security to the extent issued, transferred or traded in the form of a Crypto Asset or a Crypto Asset that is deemed to be a Security pursuant to Article (4) of this Regulation, subject to the exclusion stipulated in in Article (3/ Second/ 3) of this Regulation.
Commodity Token	:	Any Crypto Asset that is not a Security Token.
Regulated Commodity Token	:	A Commodity Token designated as a Regulated Commodity Token under Article (11) of this Regulation or any other Commodity Token listed and traded on a Crypto Asset Exchange in any jurisdiction to the extent promoted, offered and/or issued in the State or the subject of any other financial activities conducted in the State.
Loyalty Scheme	:	A program for the issuance of Commodity Tokens as a reward for purchases of consumer products and/or services which may only be exchanged or redeemed in the following cases: A) In return for consumer commodities and/or services (not including other Crypto Assets or money) from the operator of the scheme or its

	<p>Related Parties;</p> <p>B) In return for consumer commodities and/or services (not including other Crypto Assets or money) from a person with whom the operator of the scheme or its Related Parties have entered into arrangements to redeem the commodity tokens;</p> <p>C) To credit the balance of Commodity Tokens of another person participating in the relevant reward scheme (whether or not the transferee has agreed to receive value for such transfer outside of the transfer facility).</p>
<p>Specific Credits</p>	<p>Use : Commodity Tokens issued or offered in the following cases:</p> <p>A) Exclusively to users of an online game, information technology platform or application by the developer or its Related Parties, and which may not be redeemed or transferred, or may be redeemed only by such user to consume or enhance functionality or access additional services or rights in a specific game or application, or group of games or applications (but not redeemed for fiat currency, tangible property, or other Crypto</p>

	<p>Assets); or</p> <p>B) By an employer to an employee, which may be redeemed at, or in relation to, consumer goods or services (not including fiat currency or other Crypto Assets) offered by or on behalf of the employer at the employee's place of work only; or</p> <p>C) By a company to customers which may be redeemed exclusively for consumer goods and services at that company or its related parties (but not redeemed for fiat currency or other Crypto Assets).</p>
<p>Crypto Asset Exchange</p>	<p>: A platform or facility for the trading, conversion and/or exchange of Crypto Assets in return for other Crypto Assets, fiat currency, Securities and/or Commodities, which applies non-discretionary trading and/or order matching rules, or which brings potential buyers and sellers together (regardless of whether any resulting transaction is executed on the platform), or which is deemed to be a Crypto Asset Exchange under Chapter (6) of this Regulation, and is not otherwise excluded from being a Crypto Asset Exchange under Chapter (6) of this Regulation or is approved or licensed as a Crypto Fundraising</p>

		Platform.
Crypto Asset Exchange Operator	:	A legal person licensed by the Authority to establish and operate a Crypto Asset Exchange.
Crypto Asset Custody	:	A legal person licensed by the Authority to practice Crypto Custody Services.
Crypto Asset Custody Services	:	<p>Crypto Asset Custody Services include the following activities:</p> <p>A) In respect of Security Tokens and Regulated Commodity Tokens, any activity that would be considered Custody Services in respect of Crypto Assets if the Crypto Assets were Securities or commodities;</p> <p>B) Services to control, safeguard, or manage private cryptographic keys (or equivalent) associated with Crypto Assets for or on behalf of any person; and</p> <p>C) Other services, where the service provider holds, takes responsibility for or otherwise conducts control, safeguarding, or management of Crypto Assets for or on behalf of any person, including by maintaining portfolios for customers.</p>

Crypto Fundraising Platform	:	An electronic platform accessible online through which a facility is available for persons to commit funds to subscribe for Crypto Assets.
Crypto Fundraising Platform Operator	:	A legal person licensed by the Authority to establish and operate a Crypto Fundraising Platform.
Controls on Combating Crimes of Money Laundering and Financing of Terrorism	:	Controls related to combating crimes of money laundering, the financing of terrorism and illegal organizations as stipulated in Article (21) of this Regulation.
Crimes of Money Laundering and Financing of Terrorism	:	Any violation of laws and regulations of the State and resolutions, regulations and controls of the Authority, which are related to combating crimes of money laundering and financing of terrorism.
Guidance	:	Any decisions, controls or procedures issued by the Authority from time to time, generally or to one or more individual applicants, which are identified as guidance in respect of Crypto Assets, in accordance with Article (2) of this Regulation, and shall be subject to change at the sole discretion of the Authority.

Licensed person	:	A person who holds a license to practice any of the activities related to the crypto assets under the provisions of this Regulation.
Offering	:	Any communication aims at requesting, causing, organizing or sponsoring the subscription for the issuance or offering of Crypto Assets, or subscription for the future issuance or offering of Crypto Assets. The term “offering” may include the promotion. The promotion does not constitute an offering in relation to the crypto assets if it is not related to this subscription.
Offering Documentation	:	The documentation issued to investors by an Offering Person in respect of the offering in accordance with this Regulation.
Offering Person	:	Any person communicating an issuing or Offering.
Promotion	:	Marketing, distribution, advertising, publication or provision of any data, information, or promotional materials relating to a financial product in any way or means in accordance with the provisions of the Promotion and Introduction Regulations. This shall include Promotion of the offering.
Qualified	:	A natural or legal person who is able to manage

Investor	<p>his investments by himself according to the following conditions, unless he desires to be an ordinary investor:</p> <p>First: A legal person that has any of the following conditions:</p> <ol style="list-style-type: none">1. The federal government, local governments, governmental institutions and authorities, or the companies fully owned by any of the aforementioned.2. Foreign governments and its institutions and authorities or the companies fully owned by any of them.3. International bodies and organizations.4. Entities licensed by the Authority or a similar regulatory authority.5. The legal person that meets, at the date of the last financial statements, at least two of the following requirements:<ol style="list-style-type: none">A) Total value of its assets is (75) million UAE dirhams.B) Net annual revenue of (150) million UAE dirhams.C) It has a net equity or paid-up capital with a
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	<p>minimum of (7) million UAE dirhams.</p> <p>Second: The natural person who is accredited by the Authority or a similar regulatory authority to practice any of the tasks related to the financial activities or services.</p> <p>Third: The natural person who meets the following conditions:</p> <ol style="list-style-type: none">1. He owns net equity, excluding his main residence, amounting to (4) million UAE dirhams.2. His annual income is not less than (1) million UAE dirhams per annum.3. He declares that he has the adequate knowledge and experience in the field of investment he will practice and its risks or he is represented by an entity licensed by the Authority, in a manner that does not conflict with the terms of its license.
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Second: Words and expressions not defined in this Regulation shall have the meanings assigned to them in the law, regulations and decisions of the Authority.

General Principles

Article (2)

First: This Regulation aims at regulating the Offering, issuing, listing and trading of Crypto Assets in the State and related Financial Activities.

Second: For the purposes of applying this Regulation, the Authority shall undertake the following:

- 1) To require the compliance of any issued license or approval with additional conditions, requirements and restrictions, or grant any exemptions from any of them, according to what the Authority deems appropriate and as required by the public interest.
- 2) To issue directives that the Authority deems appropriate from time to time in relation to the provisions of this Regulation and its application.
- 3) To allow persons desiring to submit inquiries regarding the application of this Regulation to submit requests to the Authority for this purpose in accordance with the procedures specified by the Authority.

Scope of application

Article (3)

First: The provisions of this Regulation shall apply to:

- 1) Any person offering, issuing or promoting Crypto Assets in the state.
- 2) Any person conducting Crypto Custody Services and/or operating a Crypto Fundraising Platform and/or operating a Crypto Asset Exchange in the State, in each case as specified in this Regulation.
- 3) Any person who conducts other financial activities in the State, in respect of Crypto Assets and as further detailed in Chapter (7) of this Regulation.

Second: The provisions of this Regulation shall not apply to:

- A) Crypto Assets issued by the Federal Government, local Governments, Governmental institutions and authorities or any companies that are wholly owned by any of the aforementioned.
- 2) A currency, virtual currency, digital currency, unit of stored value or any other payment unit issued through a system licensed, approved or required to be approved by the Central Bank pursuant to its regulations that are issued from time to time.
- 3) Securities held in dematerialized form in a clearing or settlement system, by a custodian or depository and Securities not issued as Crypto Assets but managed by using an electronic record keeping method controlled by the offering person or its

approved registrar, unless otherwise qualifying as a Crypto Asset pursuant to the provisions of this Regulation.

Article (4)

- 1) Unless expressly provided for under this Regulation, the offering, issuing and promoting of Security Tokens in the State shall be subject to the Authority's regulations and decisions applicable to the relevant Securities.
- 2) Guidance issued by Authority pursuant to Article (2) of this Regulation shall include any directives issued for determining the cases in which Crypto Assets shall be considered as Security Tokens.
- 3) In case that Security Tokens were qualified as more than one type of Security, the offering person, or person intending to conduct the relevant financial activities in respect of the Security tokens, may seek guidance from the Authority and shall do so prior to such activities in the event of any ambiguity in applicable Authority regulations in respect of the relevant Securities.
- 4) An Offering Person, or other person with authority from the Offering Person, may, in respect of Crypto Assets that are to be offered or otherwise issued to persons in the State or offered from the State to persons outside the State, apply to the Authority for a designation of whether or not the Crypto Asset qualifies to be a Security. Guidance to be issued by the Authority from time to time shall be applied to the procedures for such applications.

- 5) Upon determining cases in which the Crypto Assets are considered as Security Tokens, the Authority shall:
 - A. consider the matters set out in any relevant Guidance;
 - B. identify which type of Security that the Crypto Asset should be treated as and the other regulations and decisions of the Authority, in addition to this Regulation, should be applied, as well as a reasonable time period within which the Crypto Asset should comply with such regulations and decision of the Authority.
 - C. the Authority may publish its decisions issued in this regard.
- 6) The Authority may exempt an Offering Person or an Offer from one or more requirements stipulated in this Regulation and in its regulations and decisions in respect of the relevant Securities.

Article (5)

The Authority may permit applications, documents or information to be submitted under the provisions of this Regulation in English, while preserving the right to request translation into Arabic of any of them.

Chapter (2): General Obligations in respect of Crypto Assets Offering of Crypto Assets in the State

Article (6)

First: All Offer documentation in respect of Crypto Assets offered or promoted in the State in respect of an offer of Crypto Assets shall:

- 1) Be clear, fair, accurate and not misleading.
- 2) Not contain any incorrect statement of an essential truth or omit a statement of an essential truth that is necessary to make the data contained in this documentation not misleading in light of the circumstances in which it is submitted.

Second: In respect of any Crypto Asset approved by the Authority for offering in the State, or for listing on a Crypto Asset Exchange, the Offering Person shall:

- 1) Ensure that all rights and features of the Crypto Assets described in the Offer Documentation are properly recorded in the operations of the computer software, protocol or other technology supporting the Crypto Asset (as applicable).
- 2) Ensure that in case that funds are collected for the development of a project or to be used otherwise before the relevant crypto assets are issued, the necessary measures are adopted to prevent any misuse of the collected funds until the crypto assets are issued, compared to the disclosure provided to investors regarding the use of the funds under Article (9/ Third) of this Regulation, provided that it is disclosed to the Authority.
- 3) Provide investors with reasonably regular information about the progress to achieving any project milestones for development of technology or other matters funded by the offering as set out in its Offer Documentation, and disclose in

the Offer Documentation the periods during which such information will be provided.

- 4) If the obligation stipulated in the Offering Documentation related to the development of technology or other matters funded by the offering is not met, this shall be stated in a notification to persons who have accepted the relevant offer, together with an explanation of the relevant matter. In the event that the failure to meet the obligation would be reasonably likely to affect the rights of investors in respect of the Crypto Assets (other than the delay itself), the Offering Person shall update the relevant Offering Documentation and inform the investors of their right to any redemption.
- 5) Promptly notify persons who have accepted the relevant Offer in the State in advance of material changes in the nature of the relevant software relevant to their rights in respect of the Crypto Assets.
- 6) If the Crypto Asset does not provide for a right for holders to a claim against an Offering Person in respect of a default in the performance of benefits provided to holders of Crypto Assets described in the Offer Documentation, the Offer Documentation shall clearly disclose this to investors.

Third: Any person promoting or offering Crypto Assets in the State shall take reasonable steps to monitor the developments in the nature, transferability and technology underpinning such Crypto Assets and, promptly upon becoming aware, notify

the Authority in the event that a Crypto Asset changes to, or from, being a Regulated Commodity Token or Security Token under this Regulation and the relevant requirements in respect of such Crypto Asset in its updated form shall apply or no longer apply (as the case may be).

Offering Security Tokens in the State

Article (7)

First: Without prejudice to the Promotion and Introduction Regulations and other regulations and decisions of the Authority applicable in relation to the offering of Foreign Securities in the State, Security Tokens may only be offered for subscription and/or issued in the State by an Offering Person incorporated in the State or in a financial free zone within the State, except after doing the following:

- 1) Submitting the Offer Documentation with the Authority pursuant to Article (19) of this Regulation if the Offering is limited to the Qualified Investors.
- 2) Obtaining a prior approval of the Authority in accordance with this Article if the offering includes persons other than the qualified investors.

Second: Subject to the provisions of the Commercial Companies Law, the Authority shall preserve the discretion to approve legal forms of Offering Persons who may offer and issue Security Tokens in the State.

Third: Subject to the provisions of Companies Law, the Authority shall:

- 1) Request the offering person to maintain the final register of ownership in the Securities related to Securities Tokens by way of an electronic or digital network or database without prejudice to the requirements stipulated in Article (18/ Sixth) of this Regulation.
- 2) Request the offering person not to issue physical certificates in respect of the Securities related to Securities Tokens unless otherwise prescribed in the constitutional documents of the offering person or the terms of issuance.
- 3) Request the offering person not to conduct transfers of the Security Tokens by way of a written document.

Fourth: In order to obtain the Authority's approval for the offering and issuance of Security Tokens, Offering Persons shall:

- 1) Identify the Security on the basis of which the Security Token shall be classified according to what is acceptable to the Authority.
- 2) Provide the Authority with copies of the required Offer Documentation in respect of the Security Token, including the information required under Article (9) and (10) of this Regulation and pursuant to other regulations of the Authority applicable in respect of the relevant Security.

- 3) Provide the Authority with details of its technology development in respect of the Security Tokens, external audits and details of its senior employees who are responsible for technology development and supervise it if these details are not available in its application that is previously submitted to the Authority under the relevant regulations and decisions of the Authority relating to the underlying Security.
- 4) Submit the other application documentation in accordance with the provisions of Chapter (3) of this Regulation.

Fifth: The Authority may require that any Security Token issued in the State will be subject to restrictions on trading for such period as the Authority may prescribe.

Sixth: The Promotion of Security Tokens, including those issued outside the State, shall be permitted in accordance with the applicable Promotion and Introduction Regulations and subject to the disclosure requirements for Crypto Assets determined in Article (9) of this Regulation.

Crypto Assets listing on a Crypto Asset Exchange

Article (8)

First: No Crypto Asset may be listed and available for trading on a Crypto Asset Exchange licensed by the Authority in the State, unless:

- 1) The offering person submits the Offer Documentation with the Authority in accordance with Article (9) of this Regulation if the

trading on the Crypto Asset Exchange is limited to the qualified investors.

- 2) The offering person obtains a prior approval of the Authority in accordance with this Article if the Crypto Asset Exchange is available to persons other than Qualified Investors.

Second: Once they are listed and made available for trading, the Commodity Tokens issued under Article (11) of this Chapter shall be treated as Regulated Commodity Tokens under this Regulation.

Third: In order to obtain the Authority's approval for listing a Crypto Asset and making it available for trading on the Crypto Asset Exchange according to the above- mentioned clause (First), the offering person shall meet the following conditions:

- 1) Provide the Authority with Offer Documentation, provided that it meets the requirements of the Commodity Tokens under this Regulation.
- 2) Appoint a Crypto Asset Custodian, unless the Authority decides that custody arrangements in respect of the relevant Crypto Asset are not required based on a justified request by the offering person.
- 3) Disclose to investors all fees and commissions related to listing of the Crypto Assets on the Crypto Asset Exchange.

- 4) Meet the requirements stipulated in Article (17) of this Regulation.

Fourth: The Crypto Asset may be listed and available for trading on more than a Crypto Asset Exchange licensed by the Authority in the State.

Chapter (3): Disclosure Requirements

Disclosure Requirements for Crypto Assets

Article (9)

First: The requirements mentioned in the clauses (third and fourth) shall apply to:

- 1) Crypto Assets that are approved for offering and issuing by the Authority pursuant to Article (7) of this Regulation in respect of Security Tokens; and
- 2) Crypto Assets that are approved for listing and trading on a Crypto Asset Exchange by the Authority pursuant to Article (8) of this Regulation.

Second: The requirements stipulated in Clauses (third and fourth) shall not apply in respect of offering to Qualified Investors, unless otherwise required by the Authority. These requirements shall apply when a pre-sale or other offering of the Crypto Assets takes place that will be issued in the future in the State, to the extent that the subscription relates

to a future Crypto Asset and will result in any right for the investor to acquire a Crypto Asset upon issuing.

Third: Without prejudice to the requirements in Articles (6) and (11) of this Regulation, Documentation used for the Offering or issuance of, or related to listing of Crypto Assets, shall include the following information, where applicable to the relevant Crypto Assets:

- 1) In the event that the funds are kept with the offering person (or the person acting on its behalf, including the Crypto Fundraising Platform) until the Crypto Assets are issued, a statement clarifying whether the Crypto Assets will be immediately issued to the subscribers after reaching the required funding amount, or will be issued after a period, any subsequences, details of the arrangements for keeping the funds with an incorporated institution to keep that funds and the rights that the subscribers have in relation to issuing of future Crypto Assets and the extent at which these rights represent Crypto Assets.
- 2) Details of all material risks relevant to the investment as a result of the technology adopted by the Offering Person or embedded within the Crypto Asset or system in which the Crypto Asset is recorded.
- 3) A statement clarifying the computer software and protocols used or relied upon for the operation of the Crypto Assets, the extent of engagement of third-party software developers

or providers and any rights of the Offering Person against them. It should clarify the extent to which the Offering Person controls such software, along with the implications for investors in respect of possible future changes to the software, protocols, functionality and operations of the Crypto Assets and the rights of investors. Such statement shall include all material features of the computer software related to the exercise by holders of the Crypto Assets of their rights and performance of any obligations. Any instances where such holders may be deprived of their rights (or have their rights diluted) by way of the operation of the software must be clearly demonstrated. If such software is based on an open-source, a link to the source code repository or equivalent should be provided.

- 4) Clarifying the related milestones or dependencies behind the development of the Crypto Assets or the funded project in respect of the Crypto Assets and the implications for investors as a result of the failure to reach such milestones, including any refund arrangements.
- 5) Details of the time schedule for achievement of stated goals of any relevant project and commitments and incentives for those persons managing the relevant project.
- 6) Financial information related to the assets, liabilities, financial position, profits and losses of the offering person or the relevant business or operations to which the Crypto Assets

relate, as the case may be, for the last three fiscal years before offering.

- 7) Details of the applicable custody arrangements (or to be applied) for the Crypto Assets and the ability of, and procedures required for, investors to access, hold, transfer and control the Crypto Assets or their electronic representations (including any requirement to maintain an electronic portfolio, or, if such portfolio is maintained on the investor's behalf by a third party, the terms of such arrangements). Where applicable, this would include details of how cryptographic keys (or equivalent) are generated and stored in respect of the Crypto Assets or investor responsibility for arranging this, procedures with respect to erroneous or fraudulent transfers, lost keys, and other material items.
- 8) Details of technology or software requirements that investors shall manage and/or operate in order to exercise their rights in respect of the Crypto Assets.
- 9) Specific notice clarifying whether investors participating in the relevant Crypto Asset Offering have the right to have their contribution refunded if any funding requirement is not met at the end of the Offering and a description of the refund mechanism, including the expected schedule of when such refund will be completed.

- 10) Details of any disaster recovery, back-up and/or insurance/guarantee arrangements applicable in the event of a failure, or confirmation if no such arrangements are in place.
- 11) Details of the intellectual property in respect of the relevant project, including software, any patent, copyright and/or trademark ownership, and identification of whether the intellectual property is issued on an open source basis.
- 12) Details of existing business operations of the team involved in the project to identify a personal record over the last five years and any competing or related projects.
- 13) The Offering Person's identity, headquarters of business (and its jurisdiction area, if different from its headquarters of business), including place where it can be notified with legal process; and, if the Offering entity is different from the Offering Person, (1) the identities of the principal management or key contributors who participate in the governance and management of the Crypto Asset, and (2) the headquarters of business of the Offering entity and address where the Offering entity can be notified with legal process.
- 14) Details of prior obligations of investor in respect of the relevant project.
- 15) Details of the outstanding token provision, any token burning schemes or other measures that could result in a contraction of token supply, and token release and reserve

requirements, including a breakdown of tokens held by different classes or groups of investors and the basis for any tokens to be retained by management or otherwise in treasury, along with the rationale, basis and process for release of additional tokens. An explanation of third-party audits in relation to the software developed for the relevant project and related security procedures.

- 16) Details of any fees, incentives, or other compensations to be paid management, officials, or developers of the Crypto Asset, or contributors to its development or in respect of any exchange, fundraising platform or trading venue of any nature.
- 17) An explanation of liability and risk allocation between the Offering Person and the service provider for issues relating to the software, as well as disclosure of risks related to any possible disruption or termination of the relationship between the Offering Person and the service provider.

Fourth: Offer Documentation shall include a "key investor information" document or section that shall include appropriate information about the essential characteristics of the Crypto Assets concerned, which is submitted to investors so that they are reasonably able to understand the nature and the risks of the Crypto Asset that is being offered to them. Key investor information shall be written in a concise manner and in non-technical language, and shall be

presented in a way that is likely to be understood by investors other than Qualified Investors.

Disclosure Requirements for Security Tokens

Article (10)

1. In addition to the Offer Documentation required for the offering and issuing of Crypto Assets in Article (9) of the Regulation and the requirements in the regulations of the Authority in respect of the relevant Securities, disclosed information in respect of Security Tokens offered in the States shall:
 - 1) Describe how the relevant Crypto Asset represents a legal right to interests in the relevant Security and any rights or interests of any other party in respect of the Security, or underlying assets, represented by that Crypto Asset.
 - 2) Describe how an investor may exercise its rights in respect of the investment (or underlying Security) in the event of a failure or insolvency of any operator of software or technology connected to the Security Tokens.
 - 3) Include details of the type of Security represented by, or created by, the Security Token and how the Authority regulations related to such Security was applied and any exemptions from such requirement, which the Authority has permitted pursuant to Article (4/6) of this Regulation.

Discloser Requirements for Commodity Tokens

Article (11)

First: Subject to Clause (second) of this Article, in addition to the Offer Documentation required for the relevant Crypto Assets under this Regulation, all Commodity Tokens offered or issued in the State shall include the following information and disclaimer:

- 1) The Crypto Assets are not considered Securities under the laws applicable in the State and are not afforded any protections under such laws.
- 2) The Crypto Assets are not legal tender in any State and are not backed by any government, including the State.
- 3) In the event that the Authority does not approve the listing of the Crypto Assets on a Crypto Asset Exchange in the State, the Crypto Assets are not available on any exchange in the State and, as a result, the Crypto Assets are not tradable and/or subject to restrictions on their resale in the State.
- 4) Prospective purchasers of the offered Crypto Assets should conduct their own due diligence before investing and consult a certified financial adviser if any terms of the offer of promotion documentation are not fully understood.
- 5) The nature of Crypto Assets may lead to an increased risk of fraud or cybercrimes.

- 6) Transactions related to Crypto Assets may be irreversible, and, accordingly, losses resulting from fraudulent or accidental transactions may not be recoverable.
- 7) The volatility and unpredictability of the price of the Crypto Asset may result in significant loss over a short period.
- 8) Investors must be willing to lose the entirety of their invested capital and accept that they may have no recourse in the event that purported rights or benefits of the Crypto Assets are not received, any relevant project does not proceed, or other investors in the market become unwilling to exchange fiat currency for such Crypto Asset.

Second: The above- mentioned Clause (First) should not apply to Loyalty Schemes and Specific Use Credits, unless approved or registered for listing under Article (17) of the Regulation.

Third: The application of Clause (First) of this Article in respect of Commodity Tokens shall be only required in cases of Regulated Commodity Tokens. The Authority may, with regard to the public interests and in consideration of the purposes of this Regulation set out in Article (2) thereof, issue an approval or no objection for the offering or issuing of Commodity Tokens in the State upon application by a prospective Offering Person or its Related Party. In granting such approval or no-objection, the Authority may, at its discretion, require the application of the relevant parts

of this Regulation, including the relevant disclaimer in this Chapter.

Chapter (4): Crypto Asset Custody Services

Licensing Custody of Crypto Assets

Article (12)

First: No person may conduct Crypto Custody Services in the State unless he is licensed to do so by the Authority under this Chapter. The Authority will not consider merely the provision of technology applications and devices for persons to hold Crypto Assets or related cryptographic keys as Crypto Custody Services, unless such service provider bears the responsibility to ensure the provision of services, or otherwise conducts the holding any of these Crypto Assets on behalf of its customer; or the customer otherwise lacks unilateral control over the Crypto Assets, subject of the service.

Second: Subject to the provisions stipulated in this Chapter, the applicable provisions of the Custody Regulations shall apply to the licensing process and ongoing obligations of Crypto Asset Custodian.

Third: The Authority shall grant a license to conduct Crypto Custody Services in the State and renew such license from time to time according to the approved form of this purpose, provided that the following requirements are continually

met in addition to those set out in the applicable Custody Regulations:

- 1) The applicant for a license must be a legal person in one of the forms prescribed in the applicable Custody Regulations or may, in addition, be one of the following persons:
 - A. An Offering Person of Crypto Assets, if its scope of proposed Crypto Custody Services is limited to the Crypto Assets issued by him; or
 - B. A person authorized to operate a Crypto Asset Exchange.
- 2) Policies and procedures are consistent with the technological requirements set out in Article (22) of this Regulation.
- 3) In addition to the requirements set out in Article (22) of this Regulation, procedures describing the creation, management and controls of cryptographic keys and user portfolios (or equivalent electronic data comprising user rights in respect of Crypto Assets), including generation, verification, online and offline management, transaction and instruction signing processes, storage and backup shall be provided. Such procedures shall be demonstrated as comparable to prevailing industry best international standards and practices from time to time, to the reasonable satisfaction of the Authority.
- 4) Any additional conditions, requirements or directions determined by the Authority as required by the public interest

and pursuant to the purposes of this Regulation under Article (2) thereof.

Fourth: The Authority may request Crypto Asset Custodians to provide additional financial resources or guarantees, as it considers necessary to cover any risk exposed to customers, in the event that such requirements under the Custody Regulations cannot adequately be covered due to the lack of the service providers in the market.

Fifth: The Authority shall determine the permitted arrangements for the holding of fiat currency by the Crypto Asset Custodian in its licensing conditions from time to time, taking into account its proposed activities, systems and controls and risks posed to customers.

Sixth: Clause (seventh) of this Article of this Regulation shall apply in the event that the Crypto Asset Custodian maintains the record of all owners and transactions in a particular Crypto Asset.

Seventh: If the Crypto Asset Custodian is not licensed by the Central Bank to accept deposits, all money held on behalf of clients, as permitted by the Authority under this Chapter, shall be held with a bank licensed by the Central Bank or bank or credit institution licensed in a jurisdiction area accepted by the Authority.

Eighth: If a Crypto Asset Custodian seeks to conduct Financial Activities other than Crypto Custody Services, such activities

shall be identified in its licensing application, along with details of the regulations and controls to ensure independence of its custody functions and compliance with the requirements for a Crypto Asset Custodian and the applicable requirements for its other proposed financial activities, without prejudice to its clients.

Duties and Obligations of the Crypto Asset Custodian

Article (13)

First: The Crypto Asset Custodian shall comply with the requirements in the applicable Custody Regulations and licensing conditions from time to time.

Second: Without prejudice to the requirements in the applicable Custody Regulations, the Crypto Asset Custodian shall:

- 1) Create a separate account or portfolio for each client so that it contains the details of its ownership of Crypto Assets and transactions conducted on its account.
- 2) Keep Crypto Assets belonging to client segregated permanently at all times from the Crypto Asset Custodian's own assets and property.
- 3) Hold at all times amounts of Crypto Assets equal to the aggregate amounts to which the Crypto Asset Custodian is obligated to all clients, in each case in the form of the same Crypto Asset to which the Crypto Asset Custodian is obligated to such clients.

- 4) Not transfer, hypothecate, grant a security interest in or a lien over, loan to a third party, or otherwise allow adverse claims to arise in, Crypto Assets belonging to client.
- 5) Only transfer Crypto Assets out of a Client's account upon the Client's express instruction, and not on its own initiative or discretion, unless all circumstances under which the Custodian may exercise its own initiative or discretion are disclosed in advance to, and consented to by the client.
- 6) Store cryptographic keys, equivalent electronic data comprising user rights in respect of Crypto Assets or user access log-ins, outside of a network subject to online attack.
- 7) Ensure that no single individual person within its custody, who has the rights to operate such cryptographic keys, is able to completely authorize actions in respect of the Crypto Assets or transaction of associated fiat currencies held for clients.
- 8) Create and maintain a log of all movements of Crypto Assets and related fiat currencies held in custody by the Crypto Asset Custodian, changes in respect of related cryptographic keys and individual persons authorizing such actions.
- 9) Set policies and procedures that provide actions to be taken by the Crypto Asset Custodian, whether individually or across the firm, to mitigate loss caused to clients in the event any Crypto Assets or associated cryptographic keys become

compromised, along with arrangements for stopping transactions until the relevant problem is resolved.

- 10) Not aggregate ownerships of Crypto Assets between clients in a manner that may compromise the ability of the Crypto Asset Custodian to identify and maintain each client's Crypto Asset.
- 11) Use regulations that identify and prevent the execution of multiple instructions in respect of the same transaction approved by its client.
- 12) Avoid conflicts of interests between its functions as a Crypto Asset Custodian and any other activities it, or its Related Party, conducts. To the extent such conflicts cannot be avoided, the Crypto Asset Custodian shall notify the Authority of the conflict and its relevant systems and controls in place to mitigate the issue, and shall ensure that disclosure of the conflict is provided to all relevant clients.

Third: The Crypto Asset Custodian shall sign a written agreement with all holders of Crypto Assets in its custody so that this agreement specifies its duties under the applicable Custody Regulations and this Regulation.

Chapter (5): Crypto Fundraising Crypto Fundraising Standards

Article (14)

Without prejudice to the provisions of promotion of Crypto Assets in this Regulation and other applicable regulations and decisions

issued by the Authority in respect of securities, in the event that funds, including fiat currency and Crypto Assets, are collected in the State for subscription in respect of an Offer of Crypto Assets, other than offer to Qualified Investors or on the basis of a documented reverse promotion, the following requirements and conditions shall be met:

- 1) The fundraising shall be conducted by a person holding a license issued by the Authority to conduct such activity in respect of Crypto Assets in the State. Such license shall include approval for operating a Crypto Fundraising Platform under Article (15) of the Regulation.
- 2) No client may be permitted to invest more than AED 350,000, or its equivalent, in respect of any issuing of the Crypto Assets. The Authority, under directions issued according to Article (2) of this Regulation, such may amend that amount from time to time.
- 3) The only funds and Crypto Assets that may be accepted in fundraising shall be those that can be subject to applicable controls of combating money laundering and terrorism financing crimes in accordance with Article (21) of this Regulation.
- 4) A person licensed to fundraise shall comply with the disclosure requirements in this Regulation in respect of the relevant Crypto Asset.
- 5) The fundraising person may not conduct any trading or exchange of issued Crypto Assets, unless approved to do so by the Authority.

Licensing Crypto Fundraising Platform

Article (15)

First: In order to obtain a license to operate a Crypto Fundraising Platform, the requirements in this Chapter shall apply:

Second: The Authority shall grant a license to operate a Crypto Fundraising Platform in the State and renew such license from time to time, provided that the following requirements are continually met:

1. The applicant for a license shall be a legal person in one of the following forms:
 - A. Exchange licensed by the Authority in the State.
 - B. A company incorporated according to the Commercial Companies Law.
 - C. A person authorized to operate a Crypto Asset Exchange.
2. Policies and procedures consistence with technological application requirements set out in Article (22) of this Regulation.
3. Any additional conditions, requirements or directions specified by the Authority as required by the public interest and pursuant to the objectives of this Regulation under Article (2) thereof.

Third: The Authority may specify additional financial resources or guarantees to be provided by operators of Crypto Fundraising Platforms as it considers necessary to cover any risk exposed to clients and in the event that such requirements cannot adequately be covered due to the lack of available market providers.

Fourth: The operator of the Crypto Fundraising Platform shall apply the relevant controls against money laundering and terrorism financing crimes to persons desiring to invest through the platform, as its clients.

Fifth: The Crypto Fundraising Platform may not hold Crypto Assets or money, or conduct any activities in respect of which a license as a Custodian or a Crypto Asset Custodian is required, without obtaining the appropriate license from the Authority.

Sixth: If the operator of a Crypto Fundraising Platform seeks to conduct Financial Activities other than fundraising, such activities shall be identified in its licensing application, along with details of the systems and controls to ensure independence of its fundraising functions and the compliance with the requirements related to fundraising, as well as the applicable requirements in relation to other financial activities, without prejudice to its clients.

Chapter (6): Crypto Assets Exchanges

Licensing Crypto Asset Exchange

Article (16)

First: No person may operate a Crypto Asset Exchange in the State, unless licensed to do so by the Authority under this Chapter.

Second: Subject to the provisions provided for in this Chapter, the applicable provisions of the Regulations related to markets shall apply to the licensing process and the continuing obligations of the Crypto Asset Exchange.

Third: Without prejudice to the provisions of law, the Authority may grant exemptions from requirements and conditions specified in the Regulation issued by it in any of the following cases:

- 1) Requirements for exchange membership and allowing the individual investors to access to the Crypto Asset Exchange services.
- 2) Requirements for practicing clearing and settlement activity for transactions made on Crypto Asset Exchange, and practicing the deposit center activity.
- 3) In respect of custody, specifications and conditions of the exchange infrastructure.
- 4) Requirements for ongoing disclosures in respect of Crypto Assets, unless they are not required in respect of Security Tokens

under this Regulation or other applicable regulations and decisions of the Authority.

- 5) In respect of practicing the activity of market maker on the Crypto Asset Exchange, where the relevant market maker is the Crypto Asset Exchange Operator or a Related Party and the relevant controls in place under this Article shall be followed according to what the Authority deems appropriate.

Fourth: In order to obtain a license to operate the Crypto Asset Exchange, the applicant shall fulfill the following requirements on an ongoing basis:

- 1) Provide the necessary technological systems and controls that facilitate the process of recording and reporting trading and transactions taking place on the platform, so that the authority can supervise and control the platform and receive prompt and accurate information regarding the trading and transactions, and effectively comply with the Authority directions in this regard.
- 2) Provide effective market surveillance programs, which are subject to regular review and development, to control and monitor trading and transactions in the market, and to detect and prevent conduct amounting to market abuse pursuant to Chapter (9) of this Regulation.
- 3) Establish appropriate controls to combat money laundering and terrorism financing crimes in accordance with Article (21) of this Regulation to ensure the functioning of the market.

- 4) Not permit to trade on the Crypto Asset Exchange, except for the following persons:
 - A. Persons who are able to demonstrate a record of regularly investing in securities, commodities or/and Crypto Assets or having appropriate and adequate knowledge and expertise required to invest in securities, commodities or/and Crypto Assets.
 - B. Persons who only aim to acquire or sell Crypto Assets solely in relation to exercising the relevant utility provided by the Crypto Assets, without having an investment purpose or achieving future revenues.
- 5) Provide users of the Crypto Asset Exchange with a risk statement prepared in line with the disclosure requirements in this Regulation in relation to the Crypto Assets or in Guidance issued by the Authority from time to time and obtain their consent to use their personal information as processed by the Crypto Asset Exchange in its operations.
- 6) The Crypto Asset Operator shall establish the necessary rules, controls and procedures to operate the Crypto Asset Exchange, which include the following:
 - A) Fair, transparent and objective rules for permitting to use services provide by the Crypto Asset Exchange, which include the use conditions, categories of investors authorized to do so, duties and liabilities of each category, the maximum number of

their operations and cases and procedures of stopping and canceling the use.

- B) Permitted order types on the Crypto Asset Exchange and mechanism of determining and trades on the Exchange, including trading volumes and turnover.
- C) Prohibited acts related to Exchange crimes in accordance with Chapter (9) of this Regulation.
- D) The necessary procedures to ensure the compliance of the Crypto Asset Exchange with Controls of combating money laundering and terrorism financing crimes pursuant to Article (21) of this Regulation.
- E) Obligations of the users of Crypto Asset Exchange services in relation to their accounts and portfolios with the exchange, and procedures for passwords or account recovery in the event of loss or access issues.
- F) Procedures for monitoring of the Crypto Assets listed and traded on the Crypto Asset Exchange.
- G) The necessary procedures in the event of changes in the underlying protocols of Crypto Assets resulting in an impact on holdings, transactions or rights of users of the relevant Crypto Assets or any additional or subsequent Crypto Assets.
- H) Procedures for dealing with additional balances of the Crypto Assets, corporate actions or other comparable events.

- I) Settlement arrangements for trades made on the Crypto Asset Exchange and arrangement for custody in a fair, efficient and effective manner.
- J) Custody arrangements for settlement of Crypto Assets and responsibilities of users.
- K) Procedures for dealing with error trades, cancellations and modifications, including when executed transactions may not be reversed, defaults by users and the charges therefor.
- L) Available dispute settlement means.
- M) Procedures for immediate disclosure of information to the Authority and the possibility of making amendments to the operating procedures to comply with the requirements of the Authority from time to time, including suspending or cancelling the trading of Crypto Assets.
- N) Any directions issued by the Authority in this regard from time to time in accordance with Article (2) of this Regulation.
- 7) Ensure that holding of the Crypto Assets via Exchange shall be made according to the requirements of the Crypto Assets Custody, unless the Authority decides otherwise according to the directions issued by the Authority in this regard pursuant to Article (2) of the Regulation.
- 8) Take appropriate procedures for keeping the user's funds in portfolios or otherwise in the manner acceptable to the Authority in the event that he undertakes to do so. In the event

that the Authority is not convinced of the adequacy and efficiency of the procedures applicable at the Crypto Asset Exchange, the Authority may require the Crypto Asset Exchange operator to obtain a license to act as a custodian, to contract with a third-party licensed by the Authority to provide the custody services or to contract with a custodian licensed by a supervisory authority similar to the authority outside the State in a jurisdiction area acceptable to the Authority according to directions issued by the Authority in this regard from time to time pursuant to Article (2) of this Regulation.

- 9) Provide adequate disclosures to users when they arrange for custody of their Crypto Assets so that investors are aware of the required technology processes and implications including risks of loss in the event of incompatibility between the software of the exchange and the investor portfolio. The Crypto Asset operator shall verify that the investor has demonstrated that it has the necessary technology to do so adequately and understands how to operate such technology in accordance with the Exchange programs.
- 10) Establish procedures to ensure fair and orderly trading across the Exchange, and for having objective criteria for the efficient execution of trades, which leads to avoiding giving priority to or preferring the execution of trades of some users over others.
- 11) Disclose the commissions and fees for trading on the Crypto Asset Exchange clearly to users, in advance of their submission

of orders in line with the Guidance issued by the Authority from time to time.

- 12) Verify that the trading records or orders, which are controlled or maintained by the Crypto Asset Exchange in its books and records, are subject, before their implementation through the market, to the regulations and controls related to market crimes stipulated in the Chapter (9) of this Regulation.
- 13) Without prejudice to the provisions applicable to Crypto Asset Custody, the Crypto Asset Exchange operator shall verify that no Crypto Assets or other assets held on behalf of the Crypto Asset Exchange are co-mingled with other Crypto Assets (or entitlements therefor (as applicable)) and are segregated between users.
- 14) Provide an operational risk management manual that includes operational risks of the key participants, other exchanges, fundraising platforms, trading platforms and service providers.
- 15) Avoid conflicts of interest between its functions as a Crypto Asset Exchange Operator and any other activities it, or its Related Party, conducts. To the extent such conflicts cannot be avoided, the Crypto Asset Exchange Operator shall notify the Authority of the matter and its relevant regulations and controls applicable to mitigate the issue, and shall ensure that disclosure of the conflicts of interest is provided to all relevant clients.

- 16) Disclose to users regarding events that are publicly disclosed in relation to the Crypto Assets that pertain to their functionality, the rights of holders and other material events. The Crypto Asset Exchange Operator shall establish a fair and transparent procedure in the event of changes to the underlying protocols related to the Crypto Assets resulting in "forks" or equivalent events affecting the holdings, transactions or rights of users in the relevant Crypto Assets. In the event that such events materially change the nature of the Crypto Assets, or create new Crypto Assets to be held for users, the Crypto Asset Exchange Operator shall notify the Authority as soon as practicable and comply with its requirements regarding the continued listing of the relevant Crypto Assets.
- 17) Adopt policies and procedures regarding access to information of the users and their activity on the Crypto Asset Exchange and protection of its confidentiality. Crypto Asset Exchange Operators shall not allow the disclosure of the user information or information relating to upcoming listings of Crypto Assets on such Crypto Asset Exchange to third parties other than for the effective operation of the Exchange and required disclosures according to regulations and decisions of the Authority.
- 18) Adopt procedures and controls that ensure fairness, efficiency, transparency and investor protection, as well as the compliance with applicable regulations and decisions of the Authority,

including those in respect of Exchange crime set out in Chapter (9) of the Regulation.

- 19) Conduct an assessment of information that the Crypto Asset Exchange Operator will have access to. Adopt the necessary procedures and rules of professional conduct to ensure that such information shall be only used for the operation of the Crypto Asset Exchange in accordance with this Chapter, and that neither the Crypto Asset Exchange, its agents or employees will use knowledge gained from customer trading to trade for profit, whether on the Crypto Asset Exchange or outside.
- 20) Establish standards that ensure transparency regarding the trading and pricing of the Crypto Assets internationally in line with the relevant Crypto Asset, including reasonable efforts to provide links to other relevant exchanges and, where relevant, to include investors warning regarding the risks of market inefficiencies in respect of the relevant Crypto Assets.
- 21) Adopt mechanisms to ensure the resiliency, integrity and reliability of critical systems in line with industry best internationally accepted practices, including a disaster recovery or back-up arrangements in place, in order to:
 1. Protect the users' Crypto Assets;
 2. Mitigate, to the extent practicable, disruption caused to investors upon a failure or outage of the key systems of the Crypto Asset Exchange; and

3. Notify the Authority of these mechanisms and subject them to stress tests, and work on correct the errors or weaknesses that are identified under these tests as soon as they occur, and inform the Authority about these tests and the corrective actions if they are material.
- 22) Adopt procedures and controls required for the fulfillment of the disclosure requirements set out in this Regulation in respect of the Crypto Assets listed and traded on the Crypto Assets Exchange.
- 23) Have financial resources that adequately cover all exposures of users to principal transactions entered into by the Crypto Asset Exchange Operator from time to time, conduct ongoing monitoring of financial positions along with independent external audit and notify the Authority as prescribed by it.

Fifth: Article (18/ Sixth) of this Regulation shall apply when the Crypto Asset Exchange maintains the record of all owners and transactions in a particular Crypto Asset.

Sixth: The license to operate the Crypto Asset Exchange shall be subject to the requirements and directions prescribed by the Authority from time to time according to Article (2) of this Regulation.

Listing of Crypto Assets on a Crypto Asset Exchange

Article (17)

First: Subject to the provisions stipulated in this Chapter and Article (8) of the Regulation, the Authority regulations and decisions applicable in relation to the listing of securities and commodities on the listing of the Crypto Assets on the Crypto Asset Exchange.

Second: In order to list the Crypto Asset on the Crypto Asset Exchange, the following conditions shall be met:

- 1) Demonstrating the classification of the Crypto Assets and satisfaction of the applicable requirements in this regard under this Regulation.
- 2) Fulfillment of any requirements in respect of trading of the Crypto Asset and provision of the adequate guarantees for materializing that.
- 3) The listing application shall be submitted to the Authority, accompanied by the following information and data:
 - A) Initial and on-going criteria for selection of the Crypto Asset for listing and trading on its platform;
 - B) The type and details of the relevant distributed ledger technology and/or protocol used;
 - C) Any fees or other compensation paid by the issuer, promoter, or sponsor of the Crypto Asset or any third party to the

Crypto Asset Exchange Operator in exchange for such listing;

D) Any hacking vulnerabilities of the technology underlying the Crypto Assets; and

E) The traceability of the crypto assets and ability to apply the Controls of combating money laundering and terrorism financing crimes.

4) Demonstrating the applicant connection with the Crypto Asset, and details of the principals or issuing developers behind the Crypto Asset, and its ability to continue to fulfill the requirements of the listing and trading of the Crypto Asset in accordance with the provisions of this Regulation.

Third: The Authority may impose restrictions on trading of the Crypto Asset for a limited period, as the Authority deems appropriate.

Chapter (7): Other Financial Activities

Financial Activities Related to the Crypto Asset

Article (18)

First: Regulated Security Tokens and Commodity Tokens may only be promoted in the State in accordance with the Promotion and Introduction Regulations and the disclosures required under Article (11) of this Regulation in respect of Commodity Tokens. The Authority shall have the discretion to apply any

of the applicable requirements in this Regulation and determine any additional directions in this regard from time to time according to Article (2) of this Regulation.

Second: Subject to the licensed activities under the provisions of this Regulation, no financial activities may be conducted in the State in respect of Security Tokens and Regulated Commodity Tokens without obtaining a license or approval from the Authority under this Chapter. The Authority may prescribe directions from time to time in accordance with Article (2) of the Regulation in relation to financial activities that may be licensed in respect of Regulated Commodity Tokens.

Third: Subject to the provisions of this Chapter, the provisions of the Authority regulations applicable to financial activities shall be applied when such activities are conducted in the State in respect of Security Tokens and Regulated Commodity Tokens. Unless otherwise provided for under this Regulation, Regulated Commodity Tokens shall be treated as Securities for this purpose.

Fourth: In order to comply with the provisions of Clause (third) of this Article:

- 1) The person applying for the license shall identify the financial activities related to Regulated Commodity Tokens that it intends to conduct in the State in its licensing application. The Authority shall decide the applicability of its regulations and

decision to such financial activities related to the Regulated Commodity Tokens, which it permits licensing under Clause (second) of this Article.

- 2) Any person with a license or approval from the Authority to conduct any financial activity in the State shall obtain an approval from the Authority prior to conducting such activity in respect of Security Tokens and Regulated Commodity Tokens.

Fifth: The brokerage activity in relation to the Crypto Asset shall not be limited to the brokerage activities conducted by the members of Exchange. The provision of exchange services into, or from, fiat currency and other Crypto Assets and receipt for transmission and transmission of Crypto Assets shall be considered as brokerage activity regulated by the Authority, unless the relevant person is registered as a Crypto Asset Exchange Operator or a Crypto Asset Fundraising Platform Operator.

Sixth: If any Licensed Person is responsible for maintaining the record of ownership or transactions in Crypto Assets, including by having unilateral rights to control a distributed electronic network or database acting as such record, the Licensed Person shall consult with the Authority on its systems to ensure that it is accurately maintaining records related to all units of such related Crypto Asset. The Authority may prescribe additional requirements and directions, depending on the nature of the Crypto Assets, for issuers, Crypto Asset Custodians and Crypto Asset Exchanges to comply with in respect of their roles as

depositories or registrars in respect of the relevant Crypto Assets.

Seventh: A person seeking to obtain a license or approval from the Authority to practice financial activities in the State in relation to Security Tokens and Regulated Commodity Tokens according to the provisions of this Chapter shall meet the following conditions and requirements:

- 1) The Licensed Person shall consider the suitability of the Crypto Asset for the investor when such person is not a Qualified Investor. When such investor does not have a record of regular investing in Crypto Assets for the past two years or is not able to demonstrate knowledge and expertise investing in Crypto Assets in a reasonable manner. The Licensed Person shall be satisfied that the investor is ready to lose all of his invested funds and has the financial resources to bear this loss.
- 2) Provide the necessary technical staff to practice these activities in relation to the Crypto Assets according to directions prescribed by the Authority from time to time pursuant to Article (2) of this Regulation.
- 3) Comply with the technical requirements of the application stipulated in Article (22) of this Regulation.
- 4) If a Licensed Person, pursuant to the applicable regulations and decisions of the Authority in respect of its Financial Activities, is required to provide an insurance, a bank guarantee or other such financial guarantees, the Authority may request additional

financial resources according to directions prescribed by the Authority from time to time under Article (2) of this Regulation.

- 5) The Authority may specify such additional financial resources requirements of Licensed Persons conducting financial activities related to Crypto Assets as it considers necessary to cover any risk exposed to investors in the event that the Licensed Persons cannot meet the requirements stipulated in Clause (seventh/ 4) of this Article.

Chapter (8): Submission of documents related to Qualified Investors

Submission of documents related to Qualified Investors

Article (19)

First: The Authority shall provide, on its website, an electronic form for submitting documents related to the qualified investors when any of the provisions of this Regulation requires submitting an application to the Authority in relation to the financial activities related to the Crypto Assets.

Second: The Offer Documentation related to the qualified investors shall include a copy of the prospectus, private placement memorandum or other equivalent offering document containing the required disclosures under this Regulation or the other applicable regulations and decisions of the Authority in respect of Security Tokens.

Chapter (9): Crimes of Exchange, Money Laundering and Terrorism Financing

Exchange Crimes

Article (20)

First: The provisions stipulated in the Law and regulations issued by the Authority in relation to exchange crimes shall apply to all activities related to Crypto Assets made available for trading on a Crypto Asset Exchange licensed in the State.

Second: The Authority may prescribe directions from time to time under Article (2) of this Regulation in relation to procedures and control that Offering Persons and Licensed Persons shall adopt for the prevention of the exchange crimes.

Third: Without prejudice to the requirements for Crypto Asset Exchange Operators mentioned in Chapter (6) of this Regulation, if the operations of an Offering Person or a Licensed Person in respect of Crypto Assets include arranging for issuance and subscription of Crypto Assets following a subscription of funds by investors, in such case, controls shall be adopted to avoid the issuance of Crypto Assets at prices determined by the offering person at his own discretion.

Controls of Combating Money Laundering and Terrorism Financing

Article (21)

First: Without prejudice to the laws and regulations of the State and the Authority in relation to combating Financial Crimes, persons conducting licensed activities in respect of Crypto Assets under this Regulation shall comply with the following additional controls:

- 1) Adopt tracing measures in respect of all Crypto Assets brokered, exchanged and/or transferred into portfolios or otherwise used to fund purchases of other Crypto Assets, which demonstrate a legitimate transaction history in respect of each such Crypto Asset.
- 2) Not allow the use of Crypto Assets that do not permit to adopt such tracing measures in order to fund accounts or make transactions through a person licensed by the Authority.
- 3) Treat clients as a high risk, for the purposes of client due diligence, to the extent that such clients transact in Crypto Assets upon conducting the ongoing monitoring.
- 4) Obtain sufficient contact information regarding their clients, and suspend or terminate the account of any client who provides incomplete or suspicious contact information.
- 5) Conduct all deposits and withdrawals of funds for a client's account only through a designated bank account opened in the name of the client with an authorized financial institution in the

State or in other jurisdictions as agreed by the Authority from time to time.

- 6) Establish and maintain adequate and effective regulations and measures to monitor transactions related to Crypto Assets and to conduct appropriate enquiries and evaluate potentially suspicious transactions in accordance with Guidance issued by the Authority from time to time under Article (2) of this Regulation.
- 7) Update business risk assessments and compliance frameworks in line with risks of money laundering and terrorism financing crimes related to Crypto Assets in general and those in which the Licensed Person participates, taking into account directions and recommendations issued by the Financial Action Task Force (FATF), from time to time.
- 8) Regularly review the effectiveness of regulations and measures of combating money laundering and terrorism financing crimes and their development when necessary, taking into account directions of the Authority and the FATF Recommendations from time to time applicable to Crypto Asset-related activities.
- 9) When a Licensed Person outsources the work of compliance with the controls of combating money laundering and terrorism financing crimes to a third party service provider, the Licensed Person shall conduct adequate due diligence in selecting the service provider and monitoring its ongoing performance, and notify the Authority in respect of material outsourcings of functions in this regard.

Second: The Authority shall conduct an enhanced due diligence procedure in line with the controls of combating money laundering and terrorism financing crimes in respect of all persons that have applied for a license and/or approval under this Regulation, Offering Persons and other persons responsible for the issue of Crypto Assets under this Regulation.

Chapter (10): Applicable Technological Standards

Article (22)

First: The standards stipulated in this Article shall apply to any person conducting financial activities in respect of Crypto Assets, to the extent operating any technology related to the management of Crypto Assets.

Second: Licensed Persons shall ensure the following:

- 1) In respect of Crypto Assets management, whether by outsourcing to a third party or otherwise, in respect of issuance and recording of ownerships, provide the Authority, upon request with the real-time information related to ownership and trading in the Crypto Assets in the event of a failure of the Offering Person or any such third party.
- 2) Adopt the best international standards regarding the technology applied in the Crypto Assets generally, including the cyber security, data protection, software development and oversight and encryption.

- 3) Develop systems and software by carrying out regular internal and external testing and implementing required updates.
- 4) Promptly and upon request, provide the Authority with All audits and reviews conducted by a third party for the Licensed Person.
- 5) Adopt cyber security measures and notify the Authority in respect of any material breaches of the cyber security or data loss or other events when the technology of the Licensed Person is compromised in respect of its holding, storage or management of Crypto Assets.
- 6) Appoint a technology officer with sufficient skills and experience to ensure compliance with the requirements in this Article provide the Authority with the reports according to the applicable controls and procedure.
- 7) Directions issued by the Authority in accordance with Article (2) of this Regulation from time to time regarding the applicable technological standards.

Third: A licensed Person may outsource to a third-party service provider tasks and works in respect of technology systems and oversight, subject to the following requirements:

- 1) Licensed Persons shall bear the full responsibility for any matters that may arise from the outsourcing, including the failure of any third party to meet the obligations under this Regulation.
- 2) Licensed Persons shall control the key systems to the extent necessary to fulfill their obligations and responsibilities to

investors or clients under this Regulation in the event of a failure of the contracting party.

- 3) The outsourcing must not impair the Authority's ability to conduct supervision and audit of the Licensed Person and receive timely information in accordance with this Regulation.
- 4) Ensure that the contracting party maintains effective procedures in relation to the relevant services that have been outsourced.
- 5) The outsourcing shall be made under Service Level Agreement, which include obligations and responsibilities of both parties in relation to confidentiality and cyber security standards in line with this Regulation.
- 6) The Crypto Asset Custodian, in the event it outsourced any of its functions to a third party, shall:
 - A. Bear the fully responsibility for procedures of storage the Cryptographic keys or equivalent. In the event that the tasks related to storage the Cryptographic keys or equivalent is outsourced, outsourcing entity shall fall within a jurisdiction area accepted by the Authority and notifying the Authority of that.
 - B. Provide any data to the Crypto Asset Custodian within 24 hours.

Fourth: The Licensed Person shall ensure that its information technology infrastructure, and other material items identified as required in respect of liquidation of the Crypto Asset Exchange or Crypto Asset Custodian or disaster recovery measures pursuant to its disaster recovery measures under

the Chapter, is located in the State or in a jurisdiction area accepted by the Authority.

Fifth: In cases where the Licensed Person's information technology infrastructure is not located in the State, or is located in a cloud environment, the Licensed Person shall ensure that data is replicated in real time by virtue of a live replication server located in the State.

Chapter (11) Control, Inspection and Penalties

Article (23)

First: The Authority may take all the actions necessary to periodically or suddenly supervise, control and inspect the Offering Persons, responsible parties in respect of an Offering and Licensed Persons in order to ensure their commitment to this Regulation, the Authority's regulations and the decisions issued in implementation thereof and the applicable legislation. The Authority may also investigate any violations discovered through its inspection or included in any complaints received by the Authority.

Second: The Authority may inspect or access computer systems, computer data, computer data traffic or equipment where the data of an Offering Person, responsible party in respect of an Offering and licensed person hereunder are stored.

Request for Data and Information

Article (24)

The Authority may request any additional clarifications, information, documents or data, which it deems necessary for the purposes of control and investigation, from Offering Persons, responsible parties in respect of an Offering and licensed persons hereunder and their employees, members and clients.

Complaints and Grievances

Article (25)

The Authority shall have jurisdiction to consider any complaints or grievances related to the provisions of this Regulation according to controls and decisions issued by it in this regard.

Administrative Measures

(Article (26))

In the event that the provisions of this Regulation are violated, the Authority may take any of the following administrative measures:

- 1) Suspend any offering, issuance or subscription in Crypto Assets.
- 2) Terminate the investors' subscriptions and oblige the concerned authorities to return the amounts paid by the subscribers and their revenues.
- 3) Suspend the operation of any technology in respect of Crypto Assets and require:

- A. Adopting alternative means for managing the relevant Securities.
 - B. Returning the subscription funds to investors in Commodity Tokens.
- 4) Block the operation of any website in the State, by communicating with the relevant Governmental Authorities.

Penalties

Article (27)

Without prejudice to any more severe penalty stipulated by law, Companies Law or Regulations or Decisions issued thereunder, the Authority, in the event of breach of this Regulation or laws, decisions, controls or circulars issued thereunder, may impose any of the following penalties:

- 1) Address a notice.
- 2) Impose a financial penalty not exceeding the maximum stipulated in the law or regulations issued thereunder.
- 3) Suspend the licensed person from practicing the activity for a period not exceeding a year.
- 4) Cancellation the relevant license or approval and the decision issued for revoking the license or approval shall determine all the license person's obligations arising from practicing its activity. The cancellation decision shall be issued by the Authority and shall be published in accordance with the mechanism set by the Authority.

An entity shall be identified to assume the tasks of the licensed person whose license or approval was cancelled, as the case may be, according to the conditions and requirements that the Authority deems appropriate.

Second: Without prejudice to any more severe penalty stipulated by law, Companies Law or Regulations or Decisions issued thereunder, in the event of breach of this Regulation or laws, decisions, controls or circulars issued thereunder by members of the board, CEO or employees approved by the accredited person, the Authority may impose any of the following penalties:

- 1) Notice.
- 2) Suspending from practicing the work for a period not exceeding two months.
- 3) Cancelling the approval issued for the appointment or accreditation, as the case may be.

Publication of the Names of Violators

Article (28)

The Authority may publish the names of violators of the provisions of this Regulation or decisions, controls or circulars issued thereunder, violations, penalties and administrative measures issued against them according to the mechanism set out by it.

Chapter (12): Final Provisions

Article (29)

The Authority's CEO shall issue the decisions, controls, procedures and directions necessary for the implementation the provisions of this Regulation.

Article (30)

This Regulation shall be published in the Official Gazette and shall come into effect after thirty (30) days following the date of publication.

Abdulla Bin Touq Al Marri

Minister of Economy- Chairman of the Board of Directors

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