



Legal Alert

ADGM's Virtual Asset Regulations Published

By Abdus Samad | 14 September 2021

The Financial Services Regulatory Authority (the FSRA) of the Abu Dhabi Global Market (the ADGM) has published its “Guiding Principles for the Financial Services Regulatory Authority’s Approach to Virtual Asset Regulation and Supervision” (the Guidance). This follows the publication of the FSRA’s February 2020 note concerning the regulation of virtual asset activities in the ADGM.

The Guidance is expressed as indicative of the FSRA’s approach to the regulation of virtual assets within the ADGM. The following principles are identified:

- Principle 1: a robust and transparent risk-based regulatory framework
- Principle 2: high standards of authorisation
- Principle 3: preventing money laundering and other financial crime
- Principle 4: risk-sensitive supervision
- Principle 5: commitment to enforce on regulatory breaches
- Principle 6: international cooperation

While all of the six principles are in line with the general direction of regulatory oversight, of note is Principle 3 concerning the approach of the FSRA towards money laundering risks present in virtual asset activities. The Guidance stipulates that the “FSRA requires those firms to avoid VA transactions where a counterparty’s identity is unknown at any stage in the process.”. While this is unsurprising given the UAE’s stated desire to ensure a very high standard of compliance with anti-money laundering legislation, it will be interesting to see how the in-built anonymity of many virtual asset transactions will interact with this requirement.

The FSRA is to be commended on taking a proactive approach to the regulation and licensing of virtual asset businesses and the Guidance will go some way to further clarify the approach of the FSRA towards such businesses. Given the stated policy of the UAE government to encourage the development of the virtual asset economy, further rulemaking and regulatory guidance is expected. It remains to be seen how the other regulators involved in the oversight of virtual asset businesses (for example, the Dubai Virtual Asset Regulatory Authority) will approach these and other issues concerning virtual assets. ■

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