

The Chairman of the Authority’s Board of Directors’ Resolution No. (26/Chairman) of 2023 regarding for the Regulation of Virtual Assets Platform Operator

The Chairman of the 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;

Cabinet Resolution No. (111) of 2022 concerning the Regulation of Virtual Assets and Their Services Providers;

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

Cabinet Resolution No. (34 C/ 1M) of 2022 Restructuring of the Securities and Commodities Authority's Board of Directors;

The Authority’ Board of Directors' Resolution No. (2) of 2001 concerning the Regulations as to Trading, Clearing, Settlement, Transfer of Ownership and Custody Securities,

The Chairman of the Authority’s Board of Directors’ Resolution No. (13/Chairman) of 2021 on the Regulations Manual of the Financial Activities and Status Regularization Mechanisms,

Based on the Authority’s Board of Directors’ approval by circulation,

And as required in the public interest of work.

Decided:

Article (1) Definitions

The following words and expressions shall have the meanings assigned thereto in this Resolution or its annexes, unless the context indicates otherwise:

State	:	The United Arab Emirates.
Authority	:	The Securities and Commodities Authority.
The Regulations Manual of the Financial Activities	:	The Chairman of the Authority’s Board of Directors’ Resolution No. (13/Chairman) of 2021 on the Regulations Manual of the Financial Activities and Status Regularization Mechanisms
Virtual Assets	:	A digital representation of the value that can be digitally traded or transferred and that can be used for investment purposes. It does not include digital representation of fiat currencies, securities or other money.
Virtual assets platform operator	:	The legal person that is licensed by the Authority for regulating transactions of virtual assets through the virtual assets platform.
Virtual assets services providers	:	Any legal person who practices one or more activities that are associated with the virtual assets or the operations associated therewith, in favor of a person or on his behalf such as an operator of virtual assets platform, virtual assets broker, virtual assets custodian.
Virtual assets platform	:	A platform for listing, trading and transferring ownership of virtual assets and conducting clearing and settlement transactions thereof, along with storing and saving information and data by the distributed ledger technology or any other similar technology.
Distributed ledger technology	:	A public or private digital database by which the dispositions on virtual assets are registered, created, saved and shared for proving their validity and ownership in a series of nodes that are automatically performed from several locations and places, including the blockchain technology.

Article (2) Scope of application

The provisions of this resolution shall apply to the virtual assets platform operators in the State.

Article (3) General provisions

First: The virtual assets platform operator shall be subject to the following:

- 1- The provisions of the first and second sections of the Regulations Rulebook of the Financial Activities and third section except chapter 3 and the annexes of the third section (1, 2, 3).
- 2- Articles (15, 16, 17) of the Authority' Board of Directors' Decision No. (2) of 2001 concerning the Regulations on Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities.
- 3- Any other obligations decided by the Authority.

Second: It is not permissible to trade a virtual asset in the State unless it has been accepted in the official list of the virtual assets of the virtual assets platform operator that is licensed by the Authority and / or the competent authority, along with registering the virtual asset with the Authority.

Article (4) Tasks of the virtual assets platform operator

1. The virtual assets platform operator shall assume all the tasks associated with operating the virtual assets platform and the activities of the virtual assets services providers. In this case, it shall meet all of the virtual assets services providers' obligations specified in the Regulations Rulebook of the Financial Activities.
2. The virtual assets platform operator may choose to only operate the platform without practicing any of the other activities of the virtual assets services providers. In such case, it shall meet all of the virtual assets platform operator's obligations stated in this decision.
3. The virtual assets platform operator shall register in the official list of the Authority the virtual asset that he accepts, and shall do so before commencing the trading thereof according to the form prepared for that purpose by the Authority.
4. The virtual assets platform operator may collect the fees that it deems appropriate in relation to the virtual assets and the virtual assets services providers' membership; and the Authority may oversee such fees to ensure the appropriate application thereof and it may obligate the virtual assets platform operator to amend these fees if required.

Article (5) Obligations of the virtual assets platform operator
The virtual assets platform operator shall comply with the following when licensed and continuously after being licensed:
First: Efficiency and operational flexibility, as follows:

- 1- Provision of effective electronic programs and systems that shall be subject to regular review and development for controlling the trading and transactions conducted on the virtual assets platform.
- 2- Maintaining the final record of ownership related to the virtual asset – where applicable – on an electronic or digital network or database (dematerialized), and refraining from issuing paper or written ownership certificates used for trading purposes.
- 3- Providing electronic programs and systems that shall be flexible and strong to ensure continuity of works and recovery from disasters as suitable to the nature, volume and complexity of its operations, and to ensure that it continues to meet its obligations and regulatory and legal requirements.
- 4- Subjecting the electronic systems and programs to stress tests and immediately correcting the errors or the weaknesses that are identified as a result of these tests, along with notifying the Authority of these tests and the remedial actions if these are required.
- 5- Ensuring the existence of sufficient arrangements for conducting regular reviews of the electronic systems and programs to ensure their continued adequacy and intended functionality.
- 6- Providing internationally approved procedures for testing the efficiency and effectiveness of its information technology systems.
- 7- Taking suitable measures to ensure flexibility and non-failure of information technology systems, to show their ability – in the event of failure - to continue functioning, and to protect information from destruction, tampering, misuse or unauthorized access, and to ensure the validity of the data as constituting part of the information technology systems or processed by them.

- 8- Providing a regular review process and continuous updates of the information technology systems and controls as suitable to the work's nature, volume and complexity, by adopting well-defined development and test methodologies that shall be clearly documented and consistent with the internationally accepted testing standards.
- 9- Providing a system for evaluating and managing risks. Such system shall specify the responsibilities for managing risks, risk types, the mechanism for measuring risks, and how to manage risks, including but not limited to:
 - A. Identifying all general, operational and legal risks and risks of the virtual assets platform operator wherever they may appear in its activities.
 - B. Measuring and managing different types of risks.
 - C. Distributing responsibility for risk management to the persons having suitable levels of knowledge and experience.
 - D. Providing sufficient and reliable information to the concerned individuals and the Authority.
 - E. Monitoring and tracking of transactions in its facilities.
- 10- Providing suitable procedures and arrangements for continuous evaluation, testing, and control of the information technology systems as follows:
 - A. Managing problems and changing the system.
 - B. Testing the information technology systems before commencing live operations.
 - C. Supervision and reporting on the system performance and soundness.

Second: Provision of operational rules, provided that they shall at least include the following:

- 1- Setting and maintaining operational rules for work as follows:**
 - A. Rules and standards governing the acceptance of membership of its virtual assets services providers and any other persons who have access to the virtual assets platform.
 - B. Rules and standards governing the acceptance of virtual assets.

- C. Rules governing any failures or default situations in transactions.
- D. Rules defining the mechanism for the use of the virtual assets platform by investors along with any conditions.
- E. Rules to ensure the compliance of the virtual assets platform with the law on combating money laundering crimes, financing of terrorism and the financing of illegitimate organizations, and the associated implementing regulations, along with tracking of the virtual assets in order to apply the same.
- F. Any other matters as required for the sound operation of the virtual assets platform.

2- The operational rules shall meet the below standards:

- A. Objective and non-judgmental or prejudiced.
- B. Clear and fair.
- C. They shall specify the obligations of the virtual assets services providers and the other participants, along with the other administrative arrangements related to conducting transactions on its facilities or those related to professional standards that should be imposed on the virtual assets services providers and / or participants.
- D. They shall be legally binding and enforceable for the virtual assets services providers and the other participants.
- E. They shall include provisions on settlement of the disputes of virtual assets services providers and the other participants and the procedures for filing appeals against the decisions issued thereto.
- F. They shall include disciplinary procedures including penalties.
- G. They shall be available to the public for free.

- 3- Providing sufficient compliance procedures to ensure that the operational rules are subject to control and enforcement along with immediate investigation on any complaints related to its transactions or related to the virtual assets services providers and the other participants on its facilities, and taking disciplinary procedures and referring the cases to the Authority when required.

- 4- Surveying public opinion, over a sufficient period, for feedback on its operational rules as well as to consider, without prejudice, feed-back received from the public pertaining to the applicable legislations.
- 5- Filing the operational rules with the Authority after completion of the public consultation.
- 6- Making the required amendments and updates to the operational rules as per operational rules requirements stated in this article.

Third: Integrity, transparency and professional behavior, as follows:

1. Providing a system which enhances and maintains high levels of integrity and transparency whilst enabling all participants to obtain the information required for understanding the risks, the fees and the costs associated with using its services and facilities.
2. Ensuring that the required measures are taken for achieving the following:
 - A. Registering activities and transactions as well as orders and the audit records for orders that were made in or through its services and facilities.
 - B. Keeping transaction records for at least 10 years.
 - C. Protecting the data and the requirements associated therewith.
 - D. Refraining from using any information or procedures related to the virtual assets platform except for the operation thereof, the operator and any of its employees may not use that platform for their own private interest.
 - E. Refraining from disclosure of user information or information related to the intended listing processes of the virtual assets to third parties except for the purpose of effective operation of the platform and the disclosures required in accordance with the Authority's resolutions and applicable legislations.
 - F. Immediate disclosure of information to the Authority and compliance to its requirements from time to time including suspension of trading of any virtual asset or cancellation thereof.
 - G. Continuous disclosure to investors of the high risks of investment in virtual assets.

H. Disclosure of any fees imposed by the virtual assets platform operator.

Fourth: Protection and preservation of virtual assets, as follows:

- 1- Providing a system and procedures for segregating its money and virtual assets from the customers' money and virtual assets and for the segregation of the virtual assets and money of every customer from those of the other customers.
- 2- Providing procedures for the safe custody and transfer of virtual assets, recording account movements, identifying the registered customer and the beneficiary, and periodically reconciling the accounts.

Fifth: Discipline and compliance, as follows:

- 1- Providing an effective control system, arrangements and compliance programs for monitoring transactions and customers and for preventing misuse and manipulation on the platform and for preventing misuse of the platform in a manner that contradicts with the applicable legislations on combating money laundering crimes, financing of terrorism and financing of illegitimate organizations, and any other financial crimes, to ensure that the platform works properly, fairly and transparently.
- 2- Providing the required measures to supervise the compliance of the platform members with the applicable legislations in the State relating to combating the crimes of money laundering, financing of terrorism and financing of illegitimate organizations and for ensuring that they have suitable arrangements and procedures for compliance with those legislations.
- 3- Immediately notifying the competent authorities and the Authority upon learning of a violation of the applicable legislations relating to the crimes of money laundering, combating financing of terrorism and financing of illegitimate organizations.
- 4- Providing operational policies and rules and fair objective procedures for accepting transactions of virtual assets, including the following:

- A. Procedures for assessing the appropriateness for accepting the virtual asset in its official list – according to the requirements set out in annex (1) of this decision.
- B. Procedures of suspending and delisting the virtual assets from the official list.
- C. Imposing obligations on any person to comply with particular conduct standards or doing or refraining from particular actions.
- D. Specifying the actual or potential conflicts of interest arising or that may arise when a person seeks to list the virtual assets in its official list.
- E. Any other matters necessary for sound operation.

Sixth: Regulation of trading, including the following:

1. Setting rules and procedures for fair, regular, and effective operation of trading provided that they shall meet the following conditions:
 - A. Providing the relevant trading information for the investors to deal on a fair basis, including the disclosure of the orders before and after trading sessions.
 - B. Proving suitable mechanisms for stopping, suspending or cancelling trading– from its facilities – of any virtual assets in circumstances where the requirements related to regulated trading are not met.
 - C. Providing rules to prevent fluctuations that do not result from the mechanics of supply and demand.
 - D. Providing rules and mechanisms for managing the mistakes of trading.
 - E. Providing rules for short selling, lending and borrowing, controlling short selling and managing concentrations in positions.
 - F. Providing a fair and non- discretionary algorithm for matching orders.
2. Providing sufficient arrangements to enhance transparency continuously during and post trading, by providing the public with sufficient information about the virtual assets listed as follows:
 - A. The bid and ask and the quantity.

- B. The price, volume and degree of depth in the quoted prices and volumes and the time of transactions, on a real time basis on a non- discretionary basis in electronic systems.
 - C. Any other information related to the virtual assets transactions that may enhance transparency.
3. Providing effective systems, rules, procedures and arrangements to ensure that the trading systems are able to deal with the trading fluctuations as follows:
 - A. Flexibility and sufficient ability when dealing with orders and volumes and messages at peak trading times.
 - B. The virtual assets platform must work regularly and normally under high stress situations.
 - C. Ability to cancel orders that exceed the limits of the predetermined volumes and prices or that became apparent to be clearly wrong.
 - D. Ability to change or correct any transaction in the event that this is required.
 - E. Prevent the violation of trading limits
 - F. Ability to request virtual assets services providers to apply pre-trading rules to their customers.
 4. Setting a comprehensive policy in the operational rules to rectify the errors that have resulted from entering trading orders by mistake or that have resulted from a malfunction in the operation system or both of them, provided that such policy shall clearly specify the extent to which it is possible to cancel the orders and deals subject to its absolute discretion or based on the request of a member or under mutual agreement by the relevant virtual assets services providers. In all cases, the virtual assets platform operator shall always:
 - A. Prevent or attempt to prevent incorrect transactions.
 - B. Identify and rectify any transactions immediately after they take place
 - C. Determine whether there are transactions associated with unusual or inefficient trading.
 - 5- Providing the arrangements, rules and procedures for clearing and settlement to ensure meeting the rights and obligations arising between the parties to the deal carried out on the platform, provided that the same shall include at a minimum informing the members of the virtual assets services providers and the other participants of those arrangements.

6. The virtual assets platform operator may provide the liquidity enhancement programs for virtual assets on the platform according to the following conditions:
 - A. Limiting participation in the platform to members or any other persons whom the virtual assets platform operator carried out sufficient due diligence on to ensure they have a good reputation, sufficient capabilities, and regulatory arrangements, and that they agreed, in writing, to comply with the rules of the virtual assets platform.
 - B. Notifying the Authority in writing to introduce the program, provided that the notification shall include the following:
 - 1- Details of the program.
 - 2- The benefits that shall be achieved for the virtual assets platform, its members and the other users.
 - 3- The commencement date of executing the program.
 - 4- Any other requirements decided by the Authority.

Seventh: Regulation for logging in to the services are as follows:

- 1- Providing procedures to ensure that access to its services and facilities is only available to the authorized persons as per legislations and operational rules and / or instructions, provided that those persons shall meet the following conditions:
 - A. Have a good reputation.
 - B. Have sufficient level of competence and experience, including the appropriate conduct standards for its employees who will be allowed to use the order entry system.
- 2- Providing organizational arrangements, including financial and technological resources, which shall not be less than similar companies in the same field according as per international best practice.
3. The virtual assets platform operator may allow the virtual assets services providers to provide direct access service for their customers according to the rules set by it provided that they shall meet the following minimum conditions:
 - A. The appropriate standards related to risk management and threshold limits when logging in via direct access service.
 - B. Ability to determine the orders and transactions performed by direct access service.

- C. Ability to stop the orders or transactions performed by the customer using the direct access service without affecting the other orders or transactions ordered by him or by the virtual assets services providers.
- D. Ability to assume responsibility for the orders and transactions performed by the customers who use the direct electronic access.
- E. Have sufficient mechanisms for preventing customers from inputting or executing orders using the direct electronic access in a way that shall result in breach by any of the virtual assets services providers of the margin limits or position.

The above conditions shall not apply to the virtual assets platform operator when permitting the investor to directly deal through its platform.

Article (6) Concluding provisions

1. The Authority may request provision of any documents or data from the virtual assets platform operator,
2. The Authority may monitor, investigate and inspect the platform, the operator and anything related to them, using the same powers as it has in relation to markets.
3. For the purposes of interpreting the provisions of this resolution, reference is made to the terms included in the above mentioned Federal Law No. (4) of 2000 and the glossary of terms of the Regulations Manual of the Financial Activities and the relevant resolutions.
4. The Authority shall issue the annexes referred to in this Resolution and any annexes, resolutions, or other forms required for enforcement of its provisions.

Article (7) Appealing against the Authority's decisions

The relevant persons may appeal against the Authority's decisions issued for enforcement of the provisions of this Resolution in accordance with the rules and resolutions issued by the Authority in this regard.

Article (8) Cancellation of provisions

1. The Chairman of the Authority's Board of Directors' Resolution No. (23/ Chairman) of 2020 Concerning Crypto Assets Activities Regulations shall be cancelled.
2. Every other provision or resolution breaching or contradicting with the provisions of this Resolution shall be cancelled as necessary for enforcement of the same.

Article (9) Publication of the Resolution

This Resolution shall be published in the Official Gazette and shall come into effect from the date of its publication.

Mohamed Ali Al Shorafa Al Hammadi
Chairman of the Authority's Board of Directors

Issued in Abu Dhabi on: 14/04/2023 AD

Annex No. (1)

Measuring the extent of appropriateness of accepting the virtual asset in the official list of the virtual assets platform operator

The virtual assets platform operator shall, upon filing a request for registering the virtual asset with the Authority, exert due diligence when evaluating and accepting the virtual asset in its official list by taking into account the below guidelines:

First: Taking into account the situation and / or the regulations of the virtual asset that are applicable by the other regulatory authorities or the jurisdiction, and their appropriateness to the governance rules or arrangements therewith, whether the virtual asset is central or not, for example but not limited to:

1. If the virtual asset is listed in the virtual assets green list or if it was accepted as appropriate for trading by a regulatory authority or a jurisdiction.
2. The historical record of the inspections carried out by the regulatory authorities concerning cyber security, combating money laundering, and the legal and regulatory rules related to the virtual asset.
3. The existence of requirements by the regulatory authority or jurisdiction where the virtual asset was created.
4. In the event that the virtual asset is not central, the appropriate governance rules or arrangements shall be included in the principal protocol or the systems and rules applied for managing governance risks and conflict of interests.

Second: Taking into account the volume, liquidity and fluctuation of the virtual asset as clarified in the markets that are not regulated or that are internationally regulated, for example but not limited to:

1. Taking into account the market efficiency degree and the term, period and date of the trading and transactions in the secondary market, the virtual assets services providers and the extent of presence of a record on the transactions volumes by their presence in the regulatory authorities or the jurisdiction.

2. The total offered number of the issued virtual assets, the market value of the traded virtual assets, the predetermined time schedules for issuance or cancellation of the virtual assets, and the mechanisms of inflation or deflation.
3. The factors affecting the supply and demand of the virtual asset and transparency concerning significant events affecting the price, the fluctuation levels and revenues.
4. The virtual asset's market liquidity, the daily and weekly trading volumes and the changes of liquidity level in response to the market pressures.

Third: To maintain transparency for technology, protocols, virtual assets holders and the parties associated with the virtual asset; for example:

1. The information available for the public concerning developers, founders, miners, the main holders of virtual assets, and other principal persons who are associated with the virtual assets.
2. The published white papers that clearly specify the purposes, uses and development path of the virtual asset, the history of previous initial offerings to the public and the uses of the money collected through those offerings.
3. The ability of the public to have access the blockchain protocol, the compatibility mechanism, the open access to the records of live updates of the blockchain, and publishing smart contracts and technology audit reports.
4. The ability to keep the identification records concerning the virtual assets holders and the ability to track the virtual assets' balances and transactions and making sure of absence of the privacy preservation devices and the mix mechanism that may enhance concealing identity in the system.

Fourth: Ensure the efficiency and appropriateness of the technology; including:

1. The blockchain type, authorization, the protocol amendment rights, the compatibility mechanisms and the environmental costs associated therewith;
2. Availability of smart contract, the self-calculation ability, the principal token advantages, and the ability to host the distinctive tokens on blockchain;

3. The interoperability of several blockchains and the restrictions associated with the verification of transactions, time and costs.
4. The technological solutions for collecting and protecting user privacy and controlling and maintaining transaction records.

Fifth: The risks associated with using the virtual asset and the extent of the rules appropriateness to mitigate those risks:

1. The risks of combating money laundering and the financing of terrorism, whether there is sufficient transparency concerning the virtual asset, whether there are suitable rules and regulations for dealing with money laundering, the financing of terrorism and the financial crimes risks in general.
2. The cyber security risks and the rules of combating them, the date of hacks and thefts associated with the virtual assets, the imminent events and losses resulted from cyber security failure.
3. The risks of preservation and the rules and regulations concerning the portfolio management, and the historical record of the user's compensations resulted from the operational mistakes in the preservation management.
4. The settlement risks, the mitigation measures, and the efficiencies and restrictions in achieving a final settlement when dealing with the virtual asset and using the external portals to reach the end; and
5. The operational risks, the defense mechanisms, and the rules and regulations to prevent, detect and handle the wrong tokens, the quality assurance process and the risks interaction systems.

Sixth: Any other factors that the platform operator deems appropriate.