

DIGITAL ASSETS LAWS & REGULATIONS

COMPARATIVE ANALYSIS AND JURISDICTIONAL INSIGHTS

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Introduction

What is the general regulatory environment for digital assets in your jurisdiction?

The United Arab Emirates (“UAE”) is a federation of seven Emirates, including Dubai, Abu Dhabi, Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah and Fujairah. At the heart of the UAE’s legal system is the Constitution. The Constitution divides responsibility of defined areas of law between Federal and Emirate governments. This comprehensive legal system can be divided into two different categories:

1.UAE Federal Laws: which apply in each Emirate and their respective free zones (unless explicitly expressed not to).The federal government enacts broad codes that apply to civil, commercial and penal laws and procedures and these laws are made through a process that is prescribed by the Constitution.

2.Emirate level laws: where each Emirate has the authority to establish its own legal framework. Emirate laws and regulations emanate from the Ruler of the Emirate or statutory bodies of the Emirate empowered by the Ruler. Often Emirate laws implement the laws set at Federal level.

Unlike common law countries such as the United Kingdom (“UK”), mainland UAE is a civil law jurisdiction with statutory federal codes, such as civil, commercial, civil procedures and penal.

The UAE is home to two international financial free zones:the Dubai International Financial Centre (“DIFC”), located in the Emirate of Dubai, and the Abu Dhabi Global Market (“ADGM”), located in the Emirate of Abu Dhabi. Consequently, in practice, the UAE comprises three distinct jurisdictions, each with its own legal framework and financial regulatory authorities:

(i) the DIFC; (ii) the ADGM; and (iii) mainland UAE (excluding the DIFC and the ADGM).

As regards digital assets, all three jurisdictions have comprehensive and bespoke regulatory frameworks to govern such activities, including a defined taxonomy that classifies different types of digital assets. The regulations specify a general prohibition on conduct of regulated activities relating to digital assets without an appropriate license from the relevant regulator.

For entities seeking to establish a digital asset business in the UAE, the starting point is selecting the appropriate jurisdiction for establishment. Each of DIFC, ADGM and mainland UAE offer bespoke licensing options, which must be assessed in light of the proposed business model and target market.

UAE is uniquely equipped with a dual legal system — whereby civil law is applied in Mainland UAE and most commercial free zones, and a common law-based framework is applied in the DIFC and ADGM. With a pro digital assets regulatory framework, state-of-the-art facilities, and access to a highly skilled and diverse workforce, UAE provides a fertile ground for digital assets services to thrive.

The courts in the UAE have also begun to resolve substantive digital asset disputes. In *Gate MENA DMCC (Huobi OTC) and Huobi MENA FZE v Tabarak Investment Capital Limited and Thurner* (DIFC Court of Appeal, Judgment No. 002/2023, 13 June 2024), the court confirmed that Bitcoin is “property” under DIFC law and examined the nature of custody and control in crypto transactions. In parallel, the DIFC’s Digital Economy Court (DEC) has adopted bespoke procedural rules (Part 58 of the RDC) with express powers over digital assets, including orders directing the operation or cancellation of digital assets using keys or access credentials.

Regulatory Framework

1. What are the primary laws or regulations governing digital assets in your jurisdiction?

In mainland UAE, digital asset activities are regulated at the federal level by the Capital Market Authority (“CMA”). Within the Emirate of Dubai, such activities are regulated by the Dubai Virtual Assets Regulatory Authority (“VARA”), except in the “DIFC”. Payment services involving digital assets are regulated by the Central Bank of the UAE (“CBUAE”).

The principal legislative and regulatory instruments administered by each of these authorities in relation to digital assets are set out below.

CMA

CMA’s regulatory framework for digital asset activities is set out under amongst others:

- (a) The Chairman of the Authority’s Board of Directors’ Resolution No. (04/ Chairman) of 2026 Concerning the Regulation of Virtual Assets Service Providers and the Alternative Trading System Operator (“CMA Law”); and
- (b) Chairman of the SCA Board of Directors’ Decision No. 13/RM of 2021 regarding the Regulations Manual of Financial Activities and Status Regularization Mechanisms (the “CMA Rulebook”).

CBUAE

The CBUAE’s regulatory framework for specified digital asset activities is principally set out in:

- (a) Federal Decree-Law No. (6) of 2025 Regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance Business (the “Banking Law”); and
- (b) the Payment Token Services Regulation.

VARA

VARA regulates digital assets activities under, amongst others, the:

- (i) The Government of Dubai issued Law No. 4 of 2022 Regulating Virtual Assets in the Emirate of Dubai (the “Dubai Virtual Asset Law”);
- (ii) The Virtual Assets and Related Activities Regulations 2023 (“VARA Regulations”) and the various rulebooks issued thereunder; and
- (iii) Regulations on Marketing of Virtual Assets and Related Activities 2024 (“Marketing Regulations”).

As regards the financial freezones.

Financial Free Zones

Digital asset activities conducted in or from the UAE’s financial free zones are subject to separate regulatory frameworks.

In the DIFC, the principal legislative and regulatory instruments are the Regulatory Law 2004, DIFC Digital Assets Law and the relevant rulebooks administered by the Dubai Financial Services Authority (“DFSA”).

In the ADGM, the principal legislative and regulatory instruments are the Financial Services and Markets Regulations 2015 (“FSMR”) and the relevant rulebooks administered by the Financial Services Regulatory Authority (“FSRA”).

2. Regulatory Bodies Overseeing the Derivatives Market

As regards mainland UAE, derivatives markets are generally regulated by the CMA. However, in the Emirate of Dubai, VARA may have jurisdiction over virtual asset derivatives markets, depending on the types of virtual asset derivatives involved.

As regards the financial free zones, derivatives

markets are regulated by the FSRA in the ADGM and the DFSA in the DIFC, each pursuant to their respective regulatory frameworks.

3. How does your jurisdiction address Decentralized Finance (“DeFi”) platforms?

Decentralized Finance (“DeFi”) remains an emerging area within the UAE’s regulatory landscape. Although there is no specific DeFi legislation, existing Anti-Money Laundering (“AML”) and financial services regulations apply to platforms offering DeFi-related services such as lending, staking, or trading.

Regulators require DeFi platforms that fall under the scope of regulated financial activities to obtain the appropriate licenses and comply with operational and security standards.

The UAE continues to evaluate the DeFi sector with some DeFi entities being considered for licensing in a controlled environment and guidance is expected to evolve.

4. How does your jurisdiction address smart contracts?

While there is no federal law solely addressing smart contracts, their enforceability is supported under existing civil and commercial law frameworks.

Specifically, Article 12 of Federal Law No.1 of 2006 on Electronic Commerce and Transactions provides that contracts may be formed by the interaction of automated electronic agents. Further, Federal Decree Law No.14/2023 on Trading by Modern Technological Means defines a Digital Contract as “any agreement between the digital merchant and consumer that documents the offer and acceptance and specifies the contract’s location, details, terms, and conditions through modern technological means. It includes e-contracts, smart contracts, and other contracts used by modern technological means.”

The DIFC has taken a proactive stance by enacting Law No. 2 of 2024 (“Digital Assets Law”), which includes a definition of Digital Asset but does not itself address smart contracts. Schedule 2 of the Digital Assets Law, however, includes amendments to a wide breadth of existing DIFC legislation to incorporate reference to Digital Assets and the Digital Assets Law. Of particular relevance to smart contracts are the amendments to Schedule 1, paragraph 3 of the DIFC Contract Law No.6 of 2004 to include the definitions of “Coded Contract” and “Hybrid Contract”, and Schedule 1, paragraph 3 of the DIFC Law of Obligations No.5 of 2005, to include the definition of Electronic Trade Document.

To be legally enforceable, smart contracts still need to meet the essential elements of contract law in the applicable jurisdiction, such as offer, acceptance, capacity, and lawful purpose.

5. Is there a licensing regime for businesses dealing with digital assets (e.g., exchanges, wallet providers, custodians)?

Yes.

Regulated activities that typically require financial licensing include, among others:

- operating a digital asset exchange;
- providing custody or safekeeping of digital assets’;
- brokerage or dealing activities;
- asset management;
- providing investment advisory; and
- and staking services.

Whether a wallet provider is subject to licensing requirements depends on the precise scope and functionality of the wallet services offered.

Where a wallet provider controls clients’ private keys and safeguards or administers digital assets on their behalf, as in a custodial wallet arrangement, it would generally be required to obtain the appropriate license to provide custody services.

By contrast, entities that merely provide non-custodial wallet software or technology infrastructure, without holding, controlling or safeguarding digital assets, are typically not subject to financial licensing requirements.

6. Are there any ongoing regulatory proposals or upcoming changes that businesses should be aware of?

Yes.

The UAE continues to actively refine and expand its regulatory frameworks to keep pace with developments in the digital asset sector. Regulators have adopted an iterative and consultative approach, with several regulatory initiatives and enhancements currently underway or expected.

In the first quarter of 2026 alone, several significant regulatory developments and forward-looking initiatives have emerged:

(1) The CMA issued Decision No. 04/RM/2026 Concerning the Regulation of Virtual Asset Service Providers (“VASPs”) and Alternative Trading System (“ATS”) which replaces CMA’s previous virtual assets regulatory framework introduced in 2023. The new framework has expanded the scope of existing regulated activities from three to eight activities, namely: Dealing in Virtual Assets as Principal, Dealing in Virtual Assets as Agent, Providing Custody, Arranging Custody, Arranging Investment Deals, Providing Investment Advice, Portfolio Management, and Operating a Multilateral Trading Facility.

(2) VARA updated its Exchange Services Rulebook to enable licensed exchanges to provide services in relation to Exchange Traded Virtual Asset Derivatives. VARA also issued a Guidance on Issuance of Virtual Assets, which explains its regulatory approach toward issuance/ marketing and distribution of digital assets in the UAE.

(3) The DFSA's amendments to its Crypto Token regulatory regime came into effect in January 2026. A key change under the updated regime is the shift from a DFSA-led suitability assessment to a firm-led assessment, meaning that firms providing financial services involving Crypto Tokens are now directly responsible for determining whether each Crypto Token they engage with meets DFSA's suitability criteria. DFSA will no longer publish a list of Recognised Crypto Tokens.

The FSRA introduced regulatory framework for staking in virtual assets. FSRA also issued a consultation paper regarding virtual asset mining activities where it proposed that Crypto Mining is not classified as a regulated financial service, but will however, be caught under the ADGM's commercial licensing regime.

The pace of regulatory changes reflects the regulators' ability to adapt quickly to the evolution of the market and the growing range of business models and services associated with virtual assets

At a broader level, there is increasing regulatory focus on stablecoins, tokenisation, and digital asset derivatives. DeFi is also expected to become an area of heightened regulatory interest as regulators continue to assess its associated risks, emerging use cases, and interaction with the traditional financial system.

7. What specific regulations or licensing requirements apply to new fund formations focusing on digital assets?

Funds with exposure to digital assets are regulated under the collective investment fund regime.

Under mainland UAE law and the ADGM framework, there is no separate or bespoke legal classification for "digital asset funds" as a distinct fund category.

By contrast, in the DIFC, the DFSA laws expressly recognize a "Crypto Token Fund" and prescribes specific criteria for such fund. Notably, certain requirements applicable to Crypto Token Funds were relaxed in January 2026, reflecting a more proportionate, risk-based regulatory approach. From a practical perspective, at this stage, most institutional digital asset fund structures in the UAE are typically established in either the DIFC or ADGM.

8. Are there restrictions or guidance on fund structures investing in digital assets, such as hedge funds, venture funds, or tokenised funds?

Yes, fund structures investing in digital assets must comply with applicable laws governing collective investment funds.

The tokenisation of fund units is an emerging but evolving area within the UAE. There have been precedents involving tokenised fund structures, particularly within the ADGM and DIFC frameworks. With respect to tokenization of fund units, the regulators are likely to focus on matters relating to investor disclosures, custody and safekeeping arrangements, valuation methodology, transferability of tokenised units, AML/CFT compliance, sanctions screening, governance controls and the overall legal rights attached to the tokenised units.

Market Access and Licensing

1. What is the process for obtaining a license to operate as a digital asset business in your jurisdiction?

Setting up a regulated digital assets business in the UAE involves a series of steps, beginning with comprehensive planning and early engagement with the regulator. It is important to note that each regulator may have specific requirements that need to be considered by the applicant.

Further, the licensing process may vary depending on the nature of the proposed activities, the type of licenses sought, and the regulatory authority overseeing the application.

Key steps in the licensing process typically include:

1. Clearly defining the proposed business model and the target market;
2. Selecting the appropriate jurisdiction for establishment, which may involve choosing between mainland UAE and one of the financial free zones;
3. Identifying the relevant financial regulator based on the proposed activities and jurisdiction;
4. Initial engagement and discussions with the regulator (including pre-application meetings, where applicable);
5. Submission of the formal licence application, together with supporting documentation;

6. Regulator's review of the application, including assessment of the business model, governance arrangements, and compliance framework;
7. Interviews with key individuals, such as senior management and authorised persons;
8. Issuance of an In-Principle Approval ("IPA") by the regulator, which lists specific conditions to comply with for issuance of final approval.
9. Satisfaction of all IPA conditions by the applicant, including operational readiness and capital requirements; and
10. Issuance of the final license by the regulator, permitting commencement of regulated activities.

2. Are there restrictions on foreign companies or individuals operating digital asset-related businesses?

There are no restrictions on foreign companies or individuals operating digital asset related businesses.

3. What are the compliance obligations for licensed businesses, such as anti-money laundering (AML) and counter-terrorist financing (CTF)?

Regulated digital asset businesses operating in the UAE are subject to comprehensive compliance obligations. In addition to robust AML and Counter-Financing Terrorism (“CTF”) requirements, regulated entities must comply with prudential, conduct of business, and operational requirements, including governance and senior management accountability, systems and controls, technology governance and cybersecurity standards, outsourcing controls, market abuse prevention, and conflicts of interest management. Regulated firms are required to maintain appropriate custody and safeguarding arrangements for client assets, ensure accurate record-keeping, implement clear and fair client disclosures (including risk disclosures specific to digital assets), and comply with restrictions on token eligibility and permitted activities.

Ongoing regulatory reporting, independent audits, incident and breach notification, business continuity and disaster recovery planning, and compliance with the Financial Action Task Force (“FATF”) “travel rule” for digital asset transfers are also key elements of the compliance framework.

4. Is there a regulatory sandbox available for digital asset startups or innovative technologies?

Yes, regulatory sandbox options are available in the UAE. Some examples include:

- (i) DIFC: Innovation Testing License (“ITL”) Programme operated by the DFSA.
- (ii) ADGM: the RegLab operated by the FSRA.
- (iii) Mainland UAE: Fintech regulatory sandbox operated by the CBUAE.

The CBUAE has also signed MOUs with ADGM and DIFC to introduce a co-sandbox programme to enable FinTech companies to test their innovative solutions under the existing sandbox programme. Fintech Regulatory Sandbox operated by CMA. While VARA does not currently operate a formal regulatory sandbox, it actively engages with startups and early-stage projects through structured regulatory dialogue. In practice, VARA has supported innovation through limited pilot arrangements or phased licensing approaches, even where a dedicated sandbox framework has not been publicly established. In addition, regulators may introduce thematic or time-bound sandbox or pilot regimes for specific areas. For example, the DFSA has previously launched specialised initiatives in areas such as tokenisation, allowing limited testing under enhanced supervisory engagement. The sandboxes allow innovation business models to test their products in a controlled regulatory environment.

5. What unique considerations should be taken into account for foreign fund managers seeking to establish digital asset funds in your jurisdiction?

Foreign fund managers must consider multiple factors when establishing digital asset funds in the UAE. These include aligning with local investment fund regulations, complying with licensing and registration requirements (as applicable), and understanding the classification of digital assets under UAE law.

Additionally, fund managers must address corporate tax obligations, ensure proper custody and valuation of digital assets, and maintain compliance with AML/KYC frameworks. Working with local advisors and establishing a presence in one of the financial free zones can facilitate smoother market entry.

Security and Consumer Protection

1. How does your jurisdiction address security concerns?

The UAE regulators have specified bespoke requirements reflecting the intensive technology-related operations of VASPs. The regulators mandate robust systems and controls over wallets, private keys, origin and destination of funds, overall security, and risk management, alongside general systems-and-controls expectations, with specific requirements for VA businesses.

VASPs are expected to implement industry-standard cyber measures—layered defenses, Multi-Factor Authentication, strong credential management, encryption in transit and at rest, timely patching, secure APIs, logging—and undergo periodic independent reviews, with annual third-party cybersecurity assessments for certain VASPs.

Key management is tightly governed with VASPs expected to have specific wallet and key management controls and policies.

Separately, Abu Dhabi Circular No. 1 of 2026 (Regarding Compliance with Information Security Requirements in the Government of Abu Dhabi) mandates that all government entities and companies in the Emirate of Abu Dhabi comply with national and local information security policies. The circular requires hosting data on approved cloud

platforms based on data classification (with confidential data on private national cloud, sensitive data on accredited sovereign cloud, and open data on public cloud), conducting regular security assessments, integrating security from the earliest design stages of systems and applications, and sharing incident data with the Department's Government Cyber Operations Centre.

While directed at government entities, this circular reflects the broader cybersecurity posture of the UAE and the emphasis on securing digital assets and infrastructure.

2. What consumer protection measures are in place?

Consumer protection is central to the UAE's approach to digital assets. The regulators have set high standards for consumer protection –with requirements to ensure product suitability, communication of material risks to clients and resolution of perceived client conflicts. Digital asset firms are required to monitor and update their risk disclosures on a continuous basis.

Also, the regulators have active supervision teams who do market surveillance to monitor market abuse. The regulators also encourage effective RegTech (for example, those that assist in transaction monitoring and adherence to the FATF ‘travel rule for cross-border VA transactions).

Additionally, these regulations enforce measures against misleading advertising and require the segregation of client assets from company funds, ensuring consumer holdings are safeguarded against potential insolvency or fraud.

3. Are there insurance requirements for businesses holding digital assets?

UAE law does not impose a standalone obligation on businesses to maintain insurance solely by virtue of holding digital assets. However, for regulated digital asset businesses, insurance requirements may apply as part of the applicable licensing and prudential framework. In practice, regulators assess the existence, scope, and adequacy of insurance coverage—such as professional indemnity insurance and, where relevant, coverage relating to custody, operational risks, or client assets—during the licensing process and as part of ongoing supervisory oversight.

Blockchain and Smart Contracts in UAE

1. Are blockchain-based records legally recognized in UAE (e.g., for contracts or property ownership)?

Yes, the UAE increasingly recognizes blockchain-based records as legally valid.

Federal Decree Law No. 46 of 2021 on Electronic Transactions and Trust Services grants legal validity to electronic records and contracts, including those based on blockchain or Distributed Ledger Technology (“DLT”), as long as they meet specific integrity, authenticity, and reliability standards. Federal Law No. 1 of 2006 on Electronic Commerce and Transactions provides additional foundation by recognizing electronic records and signatures, provided they meet legal standards like authenticity and consent.

Government adoption reinforces this legal shift. For example, the Dubai Land Department uses blockchain for property records and transactions, effectively granting legal weight to digital documents. Initiatives like Smart Dubai and the Emirates Blockchain Strategy 2021 show that the government supports integrating blockchain into official system.

2. Are there any regulations governing the development and use of blockchain technology in UAE?

There are no specific regulations that govern the development and use of blockchains. The regulations govern provision of regulated services in relation to financial assets.

For companies engaged in blockchain development, there are commercial licensing options available, provided that the entity is not carrying out any regulated financial services.

ADGM’s DLT strategies like the Emirates Blockchain Strategy promote the use of blockchain in government and business, positioning the UAE as a regional leader in blockchain adoption.

3. How are blockchain technologies being leveraged in fund management for record-keeping, compliance, or automation in UAE?

Blockchain adoption in UAE fund management is a developing area. There are examples of tokenized funds. Since asset tokenization is growing, we can anticipate that more tokenization opportunities will be available.

Cross-Border and International Considerations in UAE

1. How does UAE approach cross-border transactions involving digital assets?

Firstly, VASPs operating a cross-border basis must consider the general prohibitions on carrying out regulated virtual asset activities in the UAE without the appropriate license, as well as the strict restrictions applicable to the marketing and promotion of digital assets and digital asset-related activities. As explained above, while certain regulators provide limited exemptions or carve-outs that may be relied upon in specific circumstances, other regulators adopt a more restrictive approach and do not provide equivalent exemptions under their regulatory frameworks.

Accordingly, any cross-border activities involving the offering, promotion, solicitation or provision of digital asset services into the UAE must be carefully assessed against the applicable licensing, marketing and regulatory requirements of the relevant jurisdiction.

From an AML/CFT perspective, VASPs operating in the UAE are required to implement robust compliance frameworks, including customer due diligence, transaction monitoring, sanctions screening and Travel Rule compliance measures. In implementing policies and controls relating to the Travel Rule, VASPs are generally expected to align with the FATF Interpretive Note to Recommendation 15, together with

applicable local regulatory requirements and guidance. VASPs are also expected to monitor transactions or transaction patterns that may seek to circumvent applicable regulatory thresholds or AML/CFT obligations.

The Travel Rule is particularly important in the context of cross-border digital asset transactions, as it requires certain originator and beneficiary information to accompany virtual asset transfers between VASPs.

The objective of the Travel Rule is to enhance transparency and traceability in cross-border transfers, mitigate risks relating to money laundering and terrorist financing, and facilitate information sharing between regulators and financial institutions across jurisdictions. Given the inherently borderless nature of digital asset transactions, compliance with the Travel Rule has become a key regulatory expectation for VASPs engaging in international transactions.

The UAE also collaborates internationally to ensure consistency in AML and CTF compliance. VASPs operating across borders must follow strict KYC, dual oversight, and transaction transparency rules.

2. How does UAE align with international regulatory frameworks, such as FATF guidelines?

The UAE has taken significant steps to align its digital asset regulatory framework with international standards, particularly the recommendations and guidance issued by the FATF. UAE regulators have incorporated key FATF principles into their local regulatory frameworks, including requirements relating to AML, CFT, customer due diligence (“CDD”), KYC obligations, suspicious transaction reporting and compliance with the Travel Rule.

More broadly, the UAE actively engages with international regulatory and standard-setting initiatives and continues to update its regulatory frameworks to strengthen market integrity, investor protection and AML/CFT compliance.

3. Are there treaties or agreements with other jurisdictions that facilitate cooperation on digital asset regulation?

There is no passporting arrangement between any UAE regulator and a foreign regulator in relation to digital assets. However, UAE regulators have entered into memoranda of understanding and bilateral cooperation agreements with a number of overseas regulators (including in Singapore, Switzerland, the EU, and other jurisdictions) to facilitate regulatory cooperation, supervisory coordination, and information sharing, rather than mutual recognition or licensing equivalence. UAE regulators also engage in global forums such as FATF and IOSCO, helping shape policies for digital assets.

4. What considerations apply to cross-border digital asset funds, especially regarding taxation, investor protection, or regulatory compliance in UAE?

In general, the promotion and marketing of foreign funds in the UAE is tightly regulated. Mainland UAE, the ADGM and the DIFC each maintain distinct and nuanced regulatory frameworks governing the promotion, marketing and distribution of foreign funds. Accordingly, the regulatory requirements applicable to a cross-border digital asset fund will depend on the jurisdiction being targeted and the classification of the target

For example, in 2023, the CMA overhauled its investment funds regime through the introduction of a number of significant regulatory changes. Under the revised framework, the promotion and distribution of foreign funds to Professional Investors is no longer exempt and only firms licensed by the CMA to carry out the regulated activity of “Promotion” were permitted to market such funds in mainland UAE. Foreign funds may only be promoted or distributed in mainland UAE to Professional Investors and Market Counterparties on a private placement basis through appropriately licensed entities. All foreign funds to be distributed in the UAE must be registered with the CMA.

Similarly, the marketing and promotion regimes of the DFSA and FSRA must also be considered where foreign funds are intended

to be offered, marketed or distributed within the DIFC and ADGM, respectively.

Investor protection is also a key focus area under UAE regulatory frameworks. Depending on the relevant jurisdiction and investor category, requirements may apply in relation to disclosures, custody arrangements, safekeeping of assets, valuation methodologies, governance, conflicts of interest, suitability assessments and ongoing compliance obligations. Certain regulators may also impose restrictions on the types of digital assets that may be held, marketed or offered through regulated fund structures.

Investment and Fundraising

1. What regulations govern initial coin offerings (ICOs), security token offerings (STOs), or other digital asset fundraising methods?

When it comes to Initial Coin Offerings (“ICOs”), it is first important to determine the classification of the token under the applicable laws.

Each jurisdiction within the UAE maintains its own token taxonomy, and the permissibility of issuance activities depends on the classification of the relevant token. To clarify further, regulatory requirements vary depending on whether the token constitutes a fiat-referenced stablecoin, an asset-referenced token, a virtual asset (such as Bitcoin or Ether), or a utility token. For example, the issuance of fiat-referenced stablecoins would typically require a license from the relevant financial regulator. Utility tokens generally fall outside the regulatory perimeter. In contrast, the issuance of virtual assets could trigger regulatory requirements.

For example, VARA has established a dedicated framework under its Issuance Rulebook governing the issuance of virtual assets, which would need to be considered where ICO activities are proposed to be conducted in or from the Emirate of Dubai. It is also important to note that not all UAE jurisdictions currently permit or have fully developed frameworks for issuance-related activities.

With respect to Security Token Offerings (“STOs”), tokenised securities are generally intended to be treated in a manner broadly equivalent to traditional securities. However, given the technological aspects involved, additional regulatory requirements may apply, particularly in relation to custody arrangements, virtual asset infrastructure, investor protection measures, and the secondary trading of such tokenised securities.

2. Are venture capital and institutional investments in digital assets subject to additional scrutiny or regulations?

Venture capital and institutional investments in digital assets are generally permitted in the UAE and are not, solely by virtue of being institutional or venture capital investments, subject to additional standalone regulatory requirements. In practice, UAE regulators tend to impose stricter requirements where digital asset products or services are offered to retail investors, including enhanced disclosure, suitability, marketing and consumer protection requirements. By contrast, certain regulatory exemptions or reduced restrictions may be available in limited circumstances where activities are directed solely at institutional, professional or qualified investors.

That said, where an entity carries out regulated activities involving digital assets such as custody, brokerage, exchange services, fund management, advisory or marketing activities licensing and ongoing compliance obligations may still apply regardless of the investor category involved.

3. Are there any incentives or specific frameworks encouraging the formation of tokenized investment funds?

While the UAE does not currently provide direct fiscal incentives specifically targeted at tokenized investment funds, it has developed a supportive innovation ecosystem that can benefit fintech, blockchain and tokenisation-related businesses.

Certain innovation platforms and regulatory sandbox initiatives may provide qualifying businesses with operational, commercial and ecosystem-related support. For example, entities participating in programmes such as Hub71 within the ADGM ecosystem may, subject to eligibility criteria, benefit from various startup and ecosystem incentives, including funding support, subsidised office space, mentorship and access to investors and strategic partners. Similarly, within the DIFC ecosystem, the DIFC Innovation Hub provides various benefits for qualifying fintech and innovation-focused initiatives. The DFSA's Tokenisation Regulatory Sandbox is designed to support tokenisation-related businesses.

4. What limitations or opportunities exist for fundraising through decentralized autonomous organizations (DAOs)?

The ADGM offers a one-of-a-kind DLT Foundations regime, which provides a tailored legal and regulatory framework for blockchain foundations and Decentralized Autonomous Organisations ("DAOs"), addressing their unique regulatory and operational requirements.

DLT Foundations can be registered as legal structures, have separate legal personality and may sue and be sued, operating in accordance with the objects defined by their founders. The framework recognizes decentralised governance models, permitting authority and control to vest in community participants, while imposing no physical presence requirements.

A DLT Foundation may also issue utility tokens. Ras Al Khaimah Digital Assets Oasis ("RAK DAO") is a free zone specifically designed for digital and virtual asset businesses. The RAK DAO authority has introduced the Decentralized Association Regime ("DAR"), a significant development in governing decentralized autonomous organizations ("DAOs"). In October 2024, RAK DAO unveiled a new DAO regulation, called the DAO Association Regime ("DAR"). This framework aims to provide a structured approach for the formation and operation of DAOs within the emirate of Ras Al Khaimah.

DAO Services license includes provision of tools that help to build DAO ecosystems, expand DAO communities and support voting systems. There are also specialized licenses available for DAOs such as Decentralized Science (“DeSci”) DAOs, GameFi & Metaverse DAOs, Grant DAOs Protocol DAOs, and Biotech DAO Platform.

Outside the ADGM and RAK DAO, there is currently no specialized framework for licensing DAOs. There are examples of DAOs that have opted to establish traditional legal entities, such as limited liability companies (“LLCs”) or foundations, to anchor their operations within a recognized legal structure.

Taxation

1. How are gains or losses from digital assets treated under your jurisdiction's tax laws?

Gains or losses arising from digital assets are treated in the same way as gains or losses arising from other assets.

As of now, the UAE does not impose income tax or capital gains taxes on individuals.

-Businesses engaged in crypto activities may be subject to corporate tax on their profits. Certain transactions involving tokenized assets may lead to additional tax complexities, and businesses in this sector should seek specialized advice.

2. Are there specific reporting obligations for digital asset transactions or holdings?

Digital asset transactions must comply with AML and CTF regulations. Cryptocurrency service providers ("CSPs") are required to adhere to KYC and AML obligations and report any suspicious activities to the relevant authorities.

The UAE does not yet have specific tax reporting regimes for digital assets. Cross-border digital asset transfers could be subject to reporting under international regulatory frameworks such as the FATF.

3. Are there tax incentives for businesses or investors in the digital assets sector?

The UAE does not offer targeted tax incentives for digital asset participants, but it is a tax-friendly jurisdiction with no personal income tax or capital gains tax for individuals.

Digital asset businesses may benefit from this tax structure, alongside exemptions or reduced rates for other forms of corporate taxation. Some free zones in the UAE provide additional incentives, including tax holidays, making the country an attractive location for digital asset startups and businesses.

Enforcement and Dispute Resolution

1. How are disputes involving digital assets typically resolved (e.g., courts, arbitration)?

Disputes related to digital assets in the UAE are typically resolved through civil courts or arbitration. The UAE's legal system is based on both civil law and Islamic principles, with commercial disputes often handled by specialized courts or arbitration bodies.

Disputes related to crypto assets may also involve regulatory bodies, such as the DFSA or the CBUAE. Cross-border disputes may require international cooperation, particularly when dealing with DeFi platforms and tokenized assets.

2. Are there precedents or notable cases involving digital assets in your jurisdiction?

The UAE has seen a number of notable legal cases involving digital assets in recent years. In *Gate MENA DMCC (Huobi OTC DMCC) v Tabarak Investment Capital Limited & Christian Thurner* (DIFC Court of Appeal, 13 June 2024), the DIFC Court affirmed that Bitcoin and similar crypto-assets are a form of property. The Court adopted the reasoning from the English case *AA v Unknown Persons* [2019] EWHC 3556 (Comm) and noted that the DIFC's Personal Property Law defines

property broadly enough to encompass digital assets. A key legal development in the judgment is the recognition that, for digital assets, the concept of "control" is more appropriate than "possession." The DIFC Court also considered whether a custodian or intermediary could be a bailee of digital assets, suggesting that under DIFC law, the definition of bailment could extend to factual control of digital assets, such as through the delivery of a private key. In *Techteryx Ltd v Aria Commodities DMCC & Ors* (DEC 001-2025), the first Worldwide Freezing Order was issued by the DIFC Digital Economy Court. The decision represents a watershed moment for the preservation and enforcement of cross-border digital asset disputes in the jurisdiction. The Court granted worldwide freezing and proprietary injunctions in the value of USD 456 million to safeguard funds designated as the reserve for a US dollar backed stable coin. The Court set out, for the first time in the Digital Economy Court, how Article 15(4) of the revised DIFC Court Law operates to support foreign proceedings with interim measures in Dubai where a judgment would be enforceable through the DIFC Court's processes.

In *Dubai Court of Appeal Judgment No. 31 of 2024* (dated 6 February 2024), the Court recognized the validity of digital asset transactions and the enforceability of agreements relating to such assets, provided that the transactions are supported by sufficient evidence.

In Ras Al Khaimah Court of Appeal judgment 898, 900 of 2018, the court adjudicated a dispute over a cryptocurrency (bitcoin) investment partnership. The court clarified that contractual terms governing a bitcoin investment partnership were enforceable, and the parties were held to their agreement. The decision provides a clear example of how UAE courts may approach disputes involving cryptocurrency investments, focusing on the specific terms of the contract and the actual conduct of the parties.

In Dubai Court of Cassation Judgment No. 426 of 2025, the court considered the unauthorized access to a victim's digital wallet and the illicit transfer of digital assets. The court held that the loss represented by misappropriated digital assets may be expressed in AED by reference to documented equivalents at relevant times. This judgment gives practical comfort to victims of wallet intrusions and digital asset theft by confirming that criminal convictions can streamline civil recovery and that civil courts will not entertain re-litigation of criminally decided fact issues, thereby accelerating compensation.

In consolidated Dubai criminal judgments Nos. 894, 935, 940, 954, 993 of 2021 (15 December 2021), the court addressed large-scale online investment frauds conducted through information technology systems and the laundering of proceeds through domestic and cross-border transfers, often under the guise of cryptocurrency "investments." The court established that "cryptocurrency" or "digital asset" labels do not immunize conduct.

Where information systems are used to extract funds through deceit, the conduct is classic IT-enabled fraud; and where proceeds are cycled to mask origin, the money-laundering offence is made out, irrespective of the novelty of the asserted "investment."

3. What penalties or enforcement actions can regulatory authorities impose for non-compliance?

The UAE imposes strict penalties for non-compliance with its financial regulations, particularly in relation to AMT/CTF laws. Penalties for violations may include fines, business license suspension, and imprisonment in severe cases. The CMA can issue administrative fines, suspend or cancel licenses, and initiate legal proceedings against entities conducting unauthorized activities—such as issuing tokens that qualify as securities or offering investment services without approval.

VARA may enforce compliance through penalties, operational suspensions, license revocation, and the restriction of services for breaches of its rulebooks. The CBUAE oversees AML/CTF compliance and may impose financial penalties, issue corrective directives, or limit operations for firms that violate obligations under Federal Decree Law No. 20 of 2018.

Regulatory bodies such as the DFSA and FSRA in the financial free zones are similarly empowered to enforce sanctions against entities involved in non-compliant activities.

4. Are there special considerations or precedents regarding disputes involving fund managers or investors in digital asset funds?

Disputes between fund managers and investors in digital asset funds are typically governed by the contractual agreements between parties. Key points of dispute often include the valuation of digital assets, the security and legality of custody arrangements, and the adequacy of risk disclosures, especially when the fund is exposed to staking, DeFi protocols, or illiquid tokens. Disputes may arise over who had “control” over the digital assets, especially in cases of loss, theft, or mismanagement. The legal relationship—whether trust, bailment, or contractual custody—determines the duties and liabilities of fund managers.

Courts are moving toward recognizing “factual control” (e.g., access to private keys) as analogous to possession for digital assets. Arbitration or court litigation is common in the UAE, depending on the fund’s terms. Many digital asset service providers operating in the UAE include arbitration clauses in their terms of service. Disputes may be referred to local arbitration centers such as the Dubai International Arbitration Centre (“DIAC”), the Abu Dhabi Commercial Conciliation and Arbitration Centre (“ADCCAC”), or international bodies such as the ICC or LCIA.

Opportunities and Challenges

1. What are the primary benefits of choosing your jurisdiction for digital asset businesses or activities?

The UAE is a pioneering jurisdiction for digital asset businesses, being one of the countries globally to introduce a comprehensive regulatory framework and be-spoke licensing options for digital assets businesses.

The UAE's regulatory landscape also continues to evolve rapidly in order to accommodate emerging digital asset businesses. Binance has its headquarters in the ADGM, with other leading exchanges also licensed, or provisionally licensed, within the UAE. The UAE has also licensed several of the leading USD-backed stablecoins, and well as AED-backed stablecoins. In addition, the UAE offers a business-friendly and tax-efficient environment, including the absence of personal income tax and generally competitive corporate tax structures.

The UAE also benefits from a well-developed financial services ecosystem, modern legal and regulatory infrastructure, strong connectivity to global markets, and a strategic geographic position connecting Asia, Europe and Africa. These factors, together with the UAE's increasing focus on fintech, blockchain and innovation initiatives, have contributed to positioning the UAE as a major regional and international hub for digital asset businesses.

2. Are there specific challenges or risks associated with operating in your jurisdiction?

The UAE is one of the leading jurisdictions for established digital asset businesses and start-ups thanks to its proactive stance on licensing and digital asset regulation.

Its sophisticated licensing regimes and multiple regulators offer considerable advantages and flexibility. For those unfamiliar with the different regimes and regulators, however, it is advisable to seek professional advice in order to clarify which option will best suit each individual use case before embarking on the licensing application process to avoid delays and incurring unnecessary costs.

3. How does public perception or government policy impact the digital assets market in your jurisdiction?

Public perception of digital assets in the UAE is positive, with increasing interest from both consumers and investors in digital assets, blockchain, and tokenized assets. The Henley Crypto Adoption Index ranked the UAE second globally, with an estimated 3 million people, or 30% of the population owning digital assets.

The UAE government has adopted a progressive stance on digital asset innovation, with a focus on promoting technological advancement while ensuring consumer protection and financial stability.

The UAE's Digital Economy Strategy aims to double the digital economy's contribution to GDP from 9.7% to 19.4% by 2031 while cementing its position as a secure, globally regulated crypto and blockchain capital. Investors and participants in the sector can therefore rely on one of the most dedicated and consistent levels of government support around the world.

4. Are there incentives or grants available to encourage blockchain or digital asset innovation?

The UAE offers several incentives for blockchain and digital asset innovation, particularly in financial free zones. Businesses involved in blockchain development and digital asset investments can also benefit from government-backed initiatives designed to encourage innovation. These incentives, coupled with the UAE's strategic location and global connectivity, make it an ideal destination for startups in the digital asset space.

5. Are there government programs or private initiatives supporting the development of digital asset funds or blockchain-based investment vehicles?

While there are no government programs or private initiatives that are exclusively dedicated to digital asset funds or blockchain-based investment vehicles, the UAE authorities have actively supported their development through the introduction of enabling and forward-looking regulatory frameworks.

The regulators have established regimes permitting the issuance of digital securities, which includes tokenized fund units. By way of example, there are tokenised investment funds domiciled in the ADGM where fund units are issued and represented as tokens on a blockchain.

There are various regulatory sandboxes, and incubator programs that support digital asset businesses.

For example, ADGM is home to Hub71+ Digital Assets, a dedicated program to promote Web3 startup growth, with more than \$2 billion of capital committed to fund Web3 startups and blockchain technologies from the UAE's capital.

In December 2025, Abu Dhabi established a new financial cluster focusing on FinTech, insurance, and digital assets, following approval from the Crown Prince. The newly formed hub integrates regulators, FinTech innovators, and SMEs into a unified structure. The framework encompasses digital payments, tokenisation services, family offices, and wealth management operations. Regulatory oversight is managed by multiple authorities, including the Ministry of Finance, CBUAE, and the CMA.

An innovation network, led by several educational and financial institutions, has been established to strengthen research and development in digital assets, artificial intelligence, and financial infrastructure.

Emerging Trends

1. How is your jurisdiction addressing trends such as central bank digital currencies (CBDCs)?

The UAE is actively addressing developments relating to CBUAE digital currencies through the planned introduction of the Central Bank Digital Currencies (“CBDC”), the “Digital Dirham,” by the Central Bank of UAE”. The Digital Dirham is intended to be issued in both wholesale and retail formats and forms a core component of the CBUAE’s multi-year Financial Infrastructure Transformation (“FIT”) Programme, which is aimed at modernising the UAE’s payment systems and monetary framework and future-proofing CBUAE money for the digital economy.

At launch, the Digital Dirham is expected to be a non-interest-bearing CBDC, reflecting its primary purpose as a means of payment, rather than a savings or investment instrument. It will be fully fungible with other forms of the Dirham, including physical cash and bank deposits.

The CBUAE has provisioned the core infrastructure for the Digital Dirham and is able to issue, redeem, and distribute the CBDC to Licensed Financial Institutions (“LFIs”) through a purpose-built issuance platform that utilises DLT.

In addition, the CBUAE has undertaken several pilots and proofs of concept to test the design, technology, and use cases of CBDCs. These include Project Aber, conducted in collaboration with the Saudi Central Bank, and participation in Project mBridge, a multi-jurisdictional cross-border CBDC pilot. The CBUAE has also completed a real-value retail pilot to assess the operational and functional aspects of the Digital Dirham ahead of broader deployment.

2. Are there specific areas of growth or innovation in the digital assets sector (e.g., tokenized real estate, gaming, metaverse applications)?

2025 was a pivotal year for tokenisation in the UAE. VARA introduced a framework for the issuance of asset-referenced virtual assets and also collaborated with the Dubai Land Department to facilitate the tokenisation of real estate assets. As a result, tokenised real estate offerings are now available in the UAE market.

The DIFC launched a specialised tokenisation regulatory sandbox for tokenization of securities. On the other hand, ADGM has stated that tokenization remains an area of focus. We expect tokenization to remain a key growth area.

Gaming and Web3

The UAE continues to attract gaming companies from across the globe, particularly Web3-native gaming businesses. These entities are drawn by the UAE’s regulatory openness, supportive ecosystem, and increasing clarity around token issuance and distribution models.

Metaverse

The UAE has also seen growing adoption of metaverse-related initiatives, including by government and semi-government entities. Examples include “Dewa Verse” launched by the Dubai Electricity & Water Authority, alongside other immersive digital government service platforms. These initiatives represent early but tangible implementations of the UAE’s broader digital economy vision.

Dubai has formally launched the Dubai Metaverse Strategy, which aims to position Dubai among the world’s top ten metaverse economies and establish it as a global hub for metaverse innovation. The strategy builds Dubai’s success in attracting over 1,000 blockchain and metaverse-focused companies and is underpinned by key pillars, including: Extended Reality (“XR”), Augmented Reality (“AR”), Virtual Reality (“VR”), mixed reality, and digital twins.

In support of this strategy, the DIFC launched the Metaverse Accelerator Programme in January 2023 to attract early-stage and growth-stage startups developing next-generation blockchain and metaverse technologies. In 2022, the ADGM Courts also launched “Mediation in the Metaverse”, a mediation service that leverages Web3 technology to deliver a next-generation digital twin of the ADGM Arbitration Centre.

Participants can host their mediation and interact via video imaging through a desktop device without additional hardware from anywhere.

3. How is artificial intelligence (AI) being integrated into blockchain or digital asset initiatives in your jurisdiction?

Artificial intelligence (“AI”) is becoming a crucial component of the UAE’s blockchain initiatives. AI is being used to enhance trading algorithms, improve fraud detection, and optimize smart contracts for automated, real-time decision-making. Additionally, AI is being integrated with blockchain to strengthen identity verification processes, improve compliance monitoring, and streamline business operations across digital asset platforms.

The Courts have also moved quickly and clearly, with the DIFC Courts publishing Practical Guidance Note No. 2 of 2023 providing Guidelines on the use of large language models and generative AI in proceedings before the DIFC Courts.

In the ADGM, the Court’s landmark costs judgment in *Arabyads Holding Limited v Gulrez Alam Marghoob Alam* ([2025] ADGMCFI 0032) established clear practical guidance on the responsible use of artificial intelligence in litigation.

In July 2026, the UAE launched the world’s first fully integrated AI-powered judicial platform with the aim of streamlining court procedure. The phased roll-out will take place over the next 18 months.

Conclusion

What is the outlook for digital assets in your jurisdiction over the next 5–10 years?

The UAE has established itself as a global leader in the digital assets space. The country now operates one of the most comprehensive multi-regulator frameworks in the world, with five active authorities: VARA, the FSRA, the DFSA, the CBUAE and the CMA, collectively licensing and supervising a growing ecosystem of issuers, exchanges, brokers, custodians, and managers. As of mid-2026, over 100 entities hold active licenses across these regulators. Key factors contributing to this growth and the country's forward trajectory include the following.

Regulatory depth and specialization.

The UAE was among the first jurisdictions globally to issue dedicated regulations governing the digital asset sector, beginning with the ADGM's pioneering virtual asset framework in 2018 and followed by the establishment of VARA in 2022 as the world's first dedicated virtual assets regulator. This early-mover positioning has allowed the UAE to build deep institutional knowledge and practical experience in regulating digital asset services. VARA now operates under its updated Rulebook Version 2.0, in force since 19 June 2025, which materially recalibrated capital, governance, conduct, and AML/CFT expectations. The ADGM FSRA continues to refine its framework with institutional-grade guardrails, including finalised stablecoin amendments effective 1 January 2026. As a result, the UAE is widely regarded as a thought leader in the MENA region and continues to expand this recognition on the global stage through engagement with international regulatory bodies and standard-setters.

Bespoke licensing options.

The UAE offers tailored regulatory regimes and licensing pathways for digital asset services, which encompass crypto exchanges, custodians, brokers, advisors, and asset managers. VARA's licensing framework provides comprehensive mainstream market access within Dubai, while the ADGM offers proximity to sovereign wealth and government-linked institutional investors, and the DIFC carries strong brand equity in global financial services, particularly with private capital and family offices. This tiered regulatory landscape allows firms to align their setup with strategic objectives, product depth, and client focus.

Market concentration and institutional anchoring.

A critical mass of Tier-1 global players exchanges, custodians, market-makers, and infrastructure providers — operate from the UAE, often using it as their EMEA or global base. Binance became the first crypto exchange to secure a global licence under the ADGM framework, a move reinforced when Abu Dhabi's state-backed MGX announced a USD 2 billion investment into the exchange. RAKBANK became the first conventional UAE bank to offer retail crypto trading directly within its mobile banking application in July 2025. By mid-2026,

CoinMarketCap data showed Binance's trading volume at USD 4.74 trillion, equivalent to 39.5% of the tracked exchange market. The UAE now hosts one of the world's largest clusters of regulated virtual asset activity, with meaningful institutional flows rather than retail-only volumes.

Policy signaling and enforcement maturity.

The government has moved beyond experimentation into active market-building, with licensing, supervision, enforcement, and public positioning aligned to long-term adoption. VARA's enforcement of its Marketing and Communications Rulebook in June 2025, which resulted in fines totaling AED 7.5 million against five entities, reflects the natural maturation of the supervisory framework from licensing to active oversight. The CBUAE has similarly demonstrated its commitment to maintaining high standards, with significant enforcement activity in the first half of 2025 reinforcing confidence in the integrity of the market.

Innovation-led regulatory frameworks.

Purpose-built regulatory frameworks continue to address emerging use cases. VARA's May 2025 Asset-Referenced Virtual Assets (ARVAs) rulebook amendment, informed by a property tokenisation pilot that channeled over AED 18.5 million in tokenised property investments between May 2025 and February 2026, provides a concrete example of how the UAE develops regulation informed by real-world market activity. The ADGM's Regulatory Laboratory (RegLab), operational since 2016, continues to offer a tailored environment for innovative fintech businesses. VARA's Exchange Services Rulebook Version 2.1, effective 31 March 2026, introduces a formal regime for exchange-traded virtual asset derivatives, expanding the product suite available to institutional participants.

Cross-border positioning.

The UAE's strategic geographic location and international connectivity support its role as a gateway between Asian, European, and Middle Eastern markets, facilitating cross-border activity and capital flow. International stablecoin issuers have also recognised this positioning: Circle secured financial services permission in the ADGM in December 2025 for its USDC stablecoin, and Ripple gained approval for its RLUSD stablecoin, further embedding the UAE into global digital asset liquidity networks.

Growth areas and strategic developments.

Over the next five to ten years, the UAE is expected to further entrench its position as one of the world's leading jurisdictions for regulated digital-asset activity. This trajectory is reinforced by the UAE's broader financial-sector policy agenda. Digital assets and FinTech are expected to form the backbone of future growth. For example, the Dubai Financial Sector Strategy sets out plans to double the financial sector's contribution to the Emirate's GDP and significantly expand the volume of assets managed by financial services firms in Dubai over the next decade.

Several specific growth areas merit attention.

Real estate tokenisation has already progressed from concept to operational reality, with VARA's pilot programme demonstrating market demand and informing the regulatory framework for asset-referenced tokens. The CBUAE has also tested fractional ownership of tokenised assets as a use case for its Digital Dirham central bank digital currency (CBDC) programme. Tokenised Islamic finance products represent a further growth frontier, with the CMA having consulted on enabling the sale and purchase of fractionalised bonds and sukuk, opening the door to wider investor access to Sharia-compliant digital instruments.

The stablecoin ecosystem is developing rapidly, with multiple AED-backed stablecoins advancing through licensing and development. These include RAKBANK's stablecoin (approved in-principle by the CBUAE), the DDSC (a dirham-pegged stablecoin developed through a collaboration between First Abu Dhabi Bank, International Holding Company, and Sirius International Holding), and e&'s AE Coin for bill payments. The ADGM FSRA's finalised amendments for Fiat-Referenced Token issuance, effective 1 January 2026, provide clear rules for stablecoin business models while maintaining safeguards such as the prohibition of algorithmic stablecoins and privacy tokens. The Digital Dirham CBDC programme continues to progress, with a November 2025 federal law granting it equal legal status to physical cash. As the programme moves through its current preparatory phase toward full integration, one of the defining structural questions for the market will be how the CBUAE shapes the coexistence framework between sovereign-backed digital currency and regulated private stablecoins — a dynamic that presents opportunities for firms positioned at the intersection of both ecosystems.

Advancing the compliance and risk management framework.

Over the last few years, the UAE has demonstrated a clear and sustained commitment to developing a comprehensive regulatory framework for digital assets. Regulatory frameworks are expected to continue evolving in a measured and coordinated manner across federal and emirate-level regulators. The UAE's alignment with global standards from the FATF and other international bodies represents a significant area of continued development. Following the UAE's removal from the FATF grey list in February 2024 and from the European Union's list of high-risk third countries in August 2025, the country has continued to strengthen its anti-money laundering and counter-financing of terrorism (AML/CFT) infrastructure. Federal Decree-Law No. 10 of 2025 introduced enhanced provisions for combating proliferation financing and broadened the regulatory scope to expressly capture VASPs, reflecting the UAE's proactive approach to meeting evolving international expectations. With the next FATF Mutual Evaluation scheduled for 2026, the UAE's continued investment in robust compliance frameworks will further enhance its credibility as a trusted jurisdiction for institutional capital.

Federal Decree-Law No. 6 of 2025 represents another important milestone, expanding the CBUAE's supervisory remit to cover payment activities conducted through decentralised mechanisms and bringing virtual assets, DeFi protocols, stablecoins, tokenised real-world assets, decentralised exchanges, wallets, bridges, and supporting blockchain infrastructure within the central bank's regulatory perimeter, with a compliance deadline of September 2026. For digital asset firms, this expanding framework presents both a compliance implementation challenge and a competitive opportunity: firms that invest in meeting these standards early will be well-positioned to serve institutional clients and access deep capital pools.

The multi-regulator environment offers firms the advantage of tailored licensing pathways, but also requires careful jurisdictional planning. Firms operating across multiple emirates or free zones will benefit from conducting thorough licensing gap analyses to ensure seamless compliance across applicable regimes. Ongoing coordination among regulators, including memoranda of understanding such as the October 2025 agreement between VARA and the DFSA on licensing, supervision, enforcement, and AML/CFT cooperation, is expected to further streamline cross-jurisdictional operations over time.

Dispute resolution infrastructure and legal certainty.

The development of specialised dispute resolution capabilities represents a further area of growth that will support long-term market confidence. UAE courts have developed one of the most substantive bodies of crypto-related case law in the world, with over 100 judgments issued between 2019 and 2025 addressing matters including custody arrangements, exchange operations, fraud claims, and platform liability. The DIFC's Digital Economy Court (DEC), which operates with specialised Part 58 rules and judges with technical expertise, provides a purpose-built forum for blockchain, crypto, AI, and DeFi disputes. In December 2025, the DIFC Courts further expanded their capabilities by partnering with Zodia Custody for secure custody of disputed digital assets during proceedings and with Crystal Intelligence for on-demand blockchain tracing and monitoring.

The evolving legal characterisation of digital assets will be an important area of continued development. While no single unified definition of cryptocurrency as property exists across federal and free-zone systems, digital assets are increasingly treated as transferable intangible property under evolving frameworks, including the DIFC Digital Assets Law No. 2 of 2024. As tokenisation extends into real estate, Islamic finance, and institutional products, the further development of clear legal frameworks for asset characterisation, redemption rights, and cross-jurisdictional enforcement will reinforce the UAE's attractiveness as a domicile for digital asset activity and support the predictability that institutional participants require.

Conclusion.

For digital asset firms, the UAE offers a compelling value proposition. Notably, the designation of VARA as a competent authority for UAE corporate tax purposes under Ministerial Decision No. 336 of 2025 reflects the growing integration of virtual asset regulation within the broader fiscal and legal framework. Government strategies such as the Emirates Blockchain Strategy and the UAE Digital Economy Strategy further support long-term growth in tokenisation, digital finance, and Web3 technologies. Dubai's target of shifting 90% of transactions to cashless platforms by 2026 illustrates the practical policy ambition driving adoption at scale.

Key areas of future development will include the continued regulation and adoption of tokenised financial instruments, stablecoins, and decentralised finance platforms, alongside the phased rollout of the Digital Dirham. These developments will be underpinned by the integration of emerging technologies such as artificial intelligence, smart contracts, and blockchain interoperability, enabling real-time compliance, automated governance, and risk-managed DeFi infrastructure. The UAE's combination of regulatory maturity, institutional depth, enforcement credibility, and forward-looking policy positions it to remain at the forefront of the global digital assets landscape over the next decade.

Author Biography



Praveena Pechetti

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Praveena is part of Al Tamimi's Banking and Finance Team. She works on a diverse range of financial regulatory matters, focusing on fintech and emerging tech. She has assisted a number of financial services businesses, including virtual asset service providers, payment services providers and other fintech companies, in establishing a presence in the UAE and obtaining the necessary regulatory licences and approvals.

Her experience includes advising on blockchain-enabled business models, virtual asset exchanges, broker-dealer and custody services, digital wallets, payment and stored-value products, tokenisation structures and cross-border offerings of digital asset products and services. She also advises on the regulatory perimeter applicable to innovative financial products, including the allocation of regulatory responsibility among the UAE's principal financial services and virtual asset regulators.

Praveena acts for a diverse range of clients, including banks, non-bank financial institutions, exchanges, broker-dealers, asset managers, fund managers, payment services providers, virtual asset service providers and other fintech and emerging technology companies.



Divya Abrol Gambhir

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Divya Abrol Gambhir is a Partner within the Banking and Finance Department at Al Tamimi, and leads the Financial Regulatory Practice, and has established the firm's FinTech practice.

Divya has worked in the region since 2005 and boasts an extensive professional journey encompassing specialized domains including Financial Services Regulation, FinTech, Private Banking, Structured Finance, Capital Markets (including Debt Capital Markets), and overarching corporate banking and advisory services.

Divya's portfolio includes a diverse range of clients, counting regulators, government entities, international financial institutions, local and regional banks, payment schemes, payment service providers, digital trading platforms, and pioneering FinTech enterprises. She navigates the expansive regulatory landscape within the FinTech realm. This includes providing invaluable insights to regulators on pivotal laws and regulations; notably, she currently leads a team supporting the CBUAE FinTech Team on the transformative Financial Infrastructure and Transformation Project. Beyond this, Divya excels in pivotal aspects like establishment and licensing, acquisitions, compliance with conduct of business requirements, and the ongoing adherence to regulatory mandates.



Max Davis

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Max is a Legal Director in the firm's international dispute resolution team with more than 16 years' experience in the fields of complex multi-jurisdictional fraud litigation, asset recovery and arbitration. Max leads the firm's digital assets disputes practice and has spent time on secondment with Binance as Litigation Counsel for MENA.

Max has a deep understanding of the complexities involved in digital asset disputes having played a pivotal role in the landmark cryptocurrency recovery case, which was the first of its

kind before the DIFC Court of Appeal, and which is helping to shape the digital assets legal framework in the region. Max also acts for Techteryx Ltd, who obtained a USD456m worldwide freezing order in the Digital Economy Court in support of claims for misappropriation of funds backing the stablecoin TrueCoin USD.



Hussain Almatrood

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Hussain Almatrood is a US trained lawyer working in the litigation department at Al Tamimi & Company (DIFC office) since 2012. He is involved in Arabic and English matters appearing before UAE Courts, DIFC Courts and arbitration proceedings. He is also a member of the Michigan State Bar.

He is advising on and handling litigation matters relating to real estate, commercial and civil disputes as well as various criminal and estate planning issues.

His experience includes claims before all levels of the Dubai Courts, the DIFC Courts, special committees and courts of other Emirates as well as advising on various international litigation disputes. He also works on cases involving enforcement of arbitration awards in the UAE, setting aside arbitration awards as well as advising on ongoing arbitration proceedings at the ICC, LCIA, and DIAC. His clients include banks, real estate developers, local investors and multi-national companies.

Firm Biography

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With 17 offices across 10 countries, we are a full-service commercial firm combining knowledge, experience and expertise to ensure our clients have access to the best legal solutions that are commercially sound and cost effective.

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