



Legal update — May 2019

Commercial Litigation Crypto Activities

Pioneering — Bahrain — Construction — Public sector — Energy — Real estate — London — Tax — IT — Dubai — Manchester — Connecting — Knowledge — Pragmatic — Malaysia — Exeter — Thought leadership — Housing — Agile — Creative — Connecting — Private — Local government — Manchester — Environment — Focused — Islamic finance — Projects — Abu Dhabi — Corporate finance — Passionate — Employment — Regulation — Procurement — Expertise — Specialist — Planning — Investment — Committed — Delivery — IT — Go — IP — Corporate — Infrastructure — Value — Development — Private wealth — Oman — Governance — Birmingham — Corporate finance — Dynamic — Pensions — Dispute resolution — Insight — Banking and finance — Arbitration — Diverse — Regeneration — Care — Communic

Key Theme(s) – ADGM; UAE; Crypto Assets; and Regulatory Framework

The UAE, in particular Abu Dhabi, have begun seriously considering the impact of crypto asset activities within its marketplace. A growing sector, considered to be at the forefront of financial technology, crypto activities are considered to be activities in relation to digitally secured representation of value; e.g. cryptocurrencies such as Bitcoin and Litecoin. The Financial Services Regulation Authority (FSRA) of Abu Dhabi Global Market (ADGM) initially consulted on crypto assets in May 2018. Following a successful consultation, the ADGM launched a crypto asset regulatory framework in June 2018. Such framework was intended to offer guidance with particular focus on money laundering and financial crime arising out of crypto asset activities and the subsequent requirement of customer protection.

On 14 May 2019, the ADGM released further guidance updating its previous position by providing more detail and focus on Stablecoins; Fiat Tokens; custody activities; and anti-money laundering (AML). The FSRA CEO, Richard Teng, stated that such update in guidance was required to ensure global reality was accurately reflected to keep the FSRA in line with "rapidly changing technologies".



Source: Shutterstock

Updates to guidance

Some of the updates to the guidance include:

- **Stablecoins / Fiat Tokens:** the ADGM has set out that the use of stablecoins backed by fiat currencies will be licensed and regulated. Stablecoins / Fiat tokens are cryptocurrencies designed to minimise any volatility in price of such currencies and therefore controlling such activities will provide a more reliable approach encouraging investors;
- **Custody Activities:** further guidance is given by ADGM clarifying how best to tackle problems associated with storing and managing cryptocurrencies; and
- **AML:** whilst already dealt with in the initial June 2018 guidance, the update provided reflects the latest local and global changes to AML, and provides direction on the use of new technologies within this remit.

Commentary

The issuing of such new guidance highlights the ADGM's commitment to new technologies and emerging sectors whilst ensuring comprehensive regulatory safeguards. In the UK, the Financial Conduct Authority (FCA) have recently consulted on the subject and guidance is due to be published later this year. With the recent hack of a large currency exchange, Binance, where hackers stole in excess of \$40m worth of Bitcoin, the timing of this guidance shows how important it is for all regulatory authorities to move with the times and consistently provide up-to-date guidance. As this market emerges and develops, the guidance required will change rapidly and in order for countries to boast being at the forefront of such movements, the underlying regulatory framework will be key to guiding the market on its development. Investors will seek jurisdictions and infrastructures in which to test these activities and the issuing of this guidance by the ADGM illustrates Abu Dhabi's desire to be involved in the development of this sector at an early stage. A key focus of the guidance on the security of such technology sets the tone for other markets, such as the UK, to consider the best approach

Published by
Trowers & Hamblins

Trowers & Hamblins LLP
3 Bunhill Row
London
EC1Y 8YZ

t +44 (0)20 7423 8000
f +44 (0)20 7423 8001

www.trowers.com

Trowers & Hamblins LLP is a limited liability partnership registered in England and Wales with registered number OC337852 whose registered office is at 3 Bunhill Row, London EC1Y 8YZ. Trowers & Hamblins LLP is authorised and regulated by the Solicitors Regulation Authority. The word "partner" is used to refer to a member of Trowers & Hamblins LLP or an employee or consultant with equivalent standing and qualifications or an individual with equivalent status in one of Trowers & Hamblins LLP's affiliated undertakings. A list of the members of Trowers & Hamblins LLP together with those non-members who are designated as partners is open to inspection at the registered office.

Trowers & Hamblins LLP has taken all reasonable precautions to ensure that information contained in this document is accurate but stresses that the content is not intended to be legally comprehensive. Trowers & Hamblins LLP recommends that no action be taken on matters covered in this document without taking full legal advice.

in encouraging investment whilst providing assurances to the validity and preservation of crypto activities. The UK FCA will likely be taking note of this newly published ADGM guidance.

May 2019 © Trowers & Hamlins

For more information please contact

Mark Kenkre
Partner
t +44 (0)121 214 8863
e mkenkre@trowers.com

Christopher Recker
Associate
t +44 (0)121 214 8842
e crecker@trowers.com

Joanna Barnwell
Solicitor
t +44 (0)121 214 8896
e jbarnwell@trowers.com

Matt Whelan
Trainee Solicitor
t +44 (0)121 203 5651
e mwhelan@trowers.com