

## **Guidance – Regulation of Virtual Asset Activities in ADGM**

\*In this attachment underlining indicates new text and striking through indicates deleted text.



## INTRODUCTION

- 1) This Guidance is issued under section 15(2) of the Financial Services and Markets Regulations 2015 (“FSMR”). It should be read in conjunction with FSMR, the relevant Rulebooks of the Financial Services Regulatory Authority (“FSRA”), the FSRA’s Guidance & Policies Manual, its ‘Guidance – Regulation of Digital Security Offerings and Virtual Assets under the FSMR’ (“ICO Guidance”)<sup>1</sup> and its ‘Guidance – Regulation of Digital Securities Activity in ADGM’ (“Digital Securities Guidance”).<sup>2</sup>

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- 5) Unless otherwise defined or the context otherwise requires, the terms contained in this Guidance have the same meaning as defined in the FSMR and the FSRA Glossary Rulebook (“GLO”).

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- 9) This Guidance primarily focuses on the FSRA’s regulatory treatment of Virtual Assets, and the financial services activities that can be conducted in relation to Virtual Assets within ADGM. Consistent with the definition used by the Financial Action Task Force<sup>3</sup>, for the purposes of the Virtual Asset Framework, the FSRA has defined Virtual Assets in the FSMR as follows:

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Category of Digital Assets / Instruments	Regulatory Approach
“Digital Securities”  (e.g., digital/virtual tokens that have the features and characteristics of a Security under the FSMR (such as Shares, Debentures and Units in a Collective Investment Fund)).	Deemed to be Securities pursuant to Paragraph 58(2)(b) of FSMR.  All financial services activities in relation to Digital Securities, such as operating primary / secondary markets, dealing / trading / managing investments in or advising on Digital Securities, are subject to the relevant regulatory requirements under the FSMR.  Market intermediaries and market operators dealing or managing investments in Digital Securities need to be licensed / approved by FSRA as FSP holders (including as Multilateral Trading Facilities), Recognised Investment Exchanges or Recognised Clearing Houses, as applicable.

<sup>1</sup> <https://en.adgm.thomsonreuters.com/rulebook/guidance-regulation-digital-security-offerings-and-virtual-assets-under-financial-services>

<sup>2</sup> <https://en.adgm.thomsonreuters.com/rulebook/guidance-regulation-digital-securities-activities-adgm>

<sup>3</sup> “Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers”, updated October 2021 (www.fatf-gafi.org/publications/fatfrecommendations/documents/guidance-rba-virtual-assets-2021.html)

<p>“Virtual Assets”</p> <p>(e.g., non-fiat virtual currencies, crypto ‘exchange tokens’).</p> <p><i>As stated in paragraph 9, this Guidance is primarily focused on Virtual Assets.</i></p>	<p>Treated as commodities and, therefore, not deemed Specified Investments under <del>the</del> FSMR.</p> <p>Market intermediaries (e.g., broker dealers, custodians, asset managers) dealing in or managing Virtual Assets, and Multilateral Trading Facilities using Virtual Assets, need to be licensed / approved by FSRA. Only activities in Accepted Virtual Assets will be permitted.</p> <p>Capital formation activities are not provided for under the Virtual Asset Framework, and such activities are not envisaged under the Market Rules (MKT).</p>
<p>Derivatives and Collective Investment Funds of Virtual Assets, Digital Securities and Utility Tokens</p>	<p>Regulated as Specified Investments under <del>the</del> FSMR.</p> <p>Market intermediaries and market operators dealing in such Derivatives and Collective Investment Funds will need to be licensed / approved by FSRA as FSP holders, Recognised Investment Exchanges or Recognised Clearing Houses, as applicable.</p>
<p>“Utility Tokens”</p> <p>(e.g., tokens which can be redeemed for access to a specific product or service, typically provided using a DLT platform, do not exhibit the features and characteristics of a regulated investment / instrument under <del>the</del> FSMR).</p>	<p>Treated as commodities and, therefore, not deemed Specified Investments under <del>the</del> FSMR.</p> <p>Unless such Utility Tokens are caught as Accepted Virtual Assets, spot trading and transactions in Utility Tokens do not constitute Regulated Activities, activities envisaged under a Recognition Order (e.g., those of a Recognised Investment Exchange or Recognised Clearing House), or activities envisaged under MKT.</p>
<p>“Fiat Tokens”</p> <p>(e.g., stablecoins whose value are fully backed by underlying fiat currencies)</p>	<p>Treated as a form of digital representation of Fiat Currency.</p> <p>Where used as a payment instrument for the purposes of Money Transmission as defined under <del>the</del> FSMR, the activity will be licensed and regulated as Providing Money Services.</p>

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- 16) To be authorised to conduct a Regulated Activity in relation to Virtual Assets, an Applicant must satisfy FSRA that all applicable requirements of FSMR and the relevant FSRA

Rulebooks have been, and will continue to be, complied with. Upon being granted an FSP, the Applicant will be an Authorised Person for the purposes of the FSMR and the FSRA Rulebook, and will have the same regulatory status within ADGM as any other Authorised Person.

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- 101) In addition, the FSMR provisions on Misleading Statements apply to Accepted Virtual Assets. The FSRA expects that all communications (including advertising or investment materials or other publications) made by an Authorised Person will be made in an appropriate manner and that an Authorised Person conducting a Regulated Activity in relation to Virtual Assets will implement suitable policies and procedures to comply with the requirements of FSMR.

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