MEDIA RELEASE:

DFSA introduces regulatory framework for Investment Tokens

Dubai, UAE, 25 October 2021: The Dubai Financial Services Authority (DFSA) has today launched its regulatory framework for Investment Tokens. The framework reflects the proposals outlined in Consultation Paper 138 issued in March 2021, and forms the first phase of the DFSA’s Digital Assets regime.

The regulatory framework defines an Investment Token as either a Security Token or a Derivative Token. Essentially, these are:

- a Security or Derivative in the form of a cryptographically secured digital representation of rights and obligations that is issued, transferred and stored using Distributed Ledger Technology (DLT) or other similar technology; or

- a cryptographically secured digital representation of rights and obligations that is issued, transferred and stored using DLT or other similar technology and: (i) confers rights and obligations that are substantially similar in nature to those conferred by a Security or Derivative; or (ii) has a substantially similar purpose or effect to a Security or Derivative.

The Investment Tokens regulatory framework applies to persons interested to market, issue, trade or hold Investment Tokens in or from the Dubai International Financial Centre (DIFC) and Authorised Firms wishing to undertake Financial Services relating to Investment Tokens, such as dealing in, advising on, or arranging transactions relating to, Investment Tokens, or managing discretionary portfolios or collective investment funds investing in Investment Tokens.

The DFSA is drawing up proposals for tokens not covered by the Investment Tokens regulatory framework. These are expected to cover exchange tokens (also known as cryptocurrencies), utility tokens and certain asset-backed tokens (stablecoins). The DFSA intends to issue a second consultation paper later in Q4.

Peter Smith, Managing Director, Head of Strategy, Policy and Risk at the DFSA said: “Creating an ecosystem for innovative firms to thrive in the UAE is a key priority for both the UAE and Dubai Governments, and the DFSA. Our consultation on Investment Tokens enabled us to understand what firms were looking for in a regulatory
framework and introduce a regime that is relevant to the market. We look forward to receiving applications from interested firms and contributing to the ongoing growth of future-focused financial services in the DIFC.”

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Editor’s notes:

The Dubai Financial Services Authority (DFSA) is the independent regulator of financial services conducted in and from the Dubai International Financial Centre (DIFC), a purpose built financial free zone in Dubai. The DFSA’s regulatory mandate covers asset management, banking and credit services, securities, collective investment funds, custody and trust services, commodities futures trading, Islamic finance, insurance, crowdfunding platforms, money services, an international equities exchange and an international commodities derivatives exchange. In addition to regulating financial and ancillary services, the DFSA is responsible for administering Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) legislation that applies to regulated firms and Designated Non-Financial Businesses and Professions in the DIFC. Please refer to the DFSA’s website for more information.

Peter Smith, Managing Director, Head of Strategy, Policy and Risk, joined the DFSA in June 2012. He is responsible for the DFSA’s strategic planning, its annual business planning cycle and engagement with external bodies on strategic issues; the further development and maintenance of the DFSA’s policy framework; and the organisation’s risk framework, including the risk-based approach to regulation.

Peter is President of the Chartered Institute for Securities and Investment’s UAE National Advisory Committee, and a member of the Emirates Securities and Commodities Authority’s Capital Markets Advisory Council. Internationally, Peter is a member of the International Association of Insurance Supervisors’ Policy Development Committee. He is a member of the steering body of the Global Financial Innovation Network (GFIN), which brings together like-minded regulators to work on innovation in financial services.