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BITCOIN ON THE RADAR OF UAE GOVERNMENT AND UAE CENTRAL BANK

Certainly, bitcoin and blockchain appear to be on the radar of the UAE Government and the UAE Central Bank. The UAE Central Bank and Dubai Supreme Legislative Committee are considering the legal status of bitcoin and may issue regulations in which bitcoin is clearly treated as a form of currency and permitted to be used as such in the UAE. The Dubai Financial Services Authority (DFSA) is gathering these days to discuss the regulations of the cryptocurrency within the DIFC. However, the authorities in the UAE are not reaching consensus on their views of this subject which is leading to some confusion.

Background of the aspects mentioned is that earlier this year in January 2017 the UAE Central Bank published on one hand the “Regulatory Framework for Stored Values and Electronic Payment Systems” which states that “virtual currencies (and any transactions thereof) are prohibited.” On the other hand, in February 2017 the Governor of the UAE Central Bank states that “these regulations do not apply to bitcoin or other cryptocurrencies, currency exchanges, or underlying technology such as Blockchain.” Furthermore, last week the Central Bank governor warned against bitcoin, terming it as unofficial and lacking sufficient supervision, saying that bitcoin “can be easily used in money laundering and in funding terror activities.”

It is indeed not to be expected that within the next months the authorities in the UAE would make a clear official announcement regarding this matter. Nevertheless, Cryptocurrency remains an area of focus of the authorities. A report from the Dubai Supreme Legislation Committee notes that the UAE, “should be among the first in the region and the world to establish a legislative framework and a financial and organisational structure for this technology”.

The high importance of this matter has just been acknowledged in Bahrain where the Central Bank of Bahrain has just announced the creation of a FinTech Unit. The aim of the Unit is to ensure the services are provided to individual and corporate customers in the FinTech sector. The proposed Fintech Unit will be responsible for the approval process to participate in the Regulatory Sandbox, supervision of licensed companies’ activities and operations, including cloud computing, payment and settlement systems, and monitoring technical and regulatory developments in the FinTech field.

All in all, out of a legal perspective the best way to describe trade of bitcoin in the UAE and the status quo of Cryptocurrency would be as a “tolerated practice.” By “tolerated practice,” they mean one that is legally prohibited according to the UAE Central Bank’s regulations, but one where regulators take no measures against those who practice it (i.e. those who buy or sell bitcoin and other virtual currencies).

The still confused UAE customers received within days after the Islamic Financial Services Board’s Summit and “warning” statements of various officials through the Dubai government backed and approved Gulf News Business section a kind of useful guidance on how to enter into the world of Bitcoins. ([Everything you need to know about Bitcoins](#))

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Our FINTECH PRACTICE GROUP is advising and supporting governments and start-ups in the Fintech sector for implementation of their blockchain based projects. Next to regulatory, legal and tax aspects we can provide through our strategic partnership with the London based Fintech boutique consulting company [BANQUE DUVAL & CIE Ltd.](#) a comprehensive one stop shop service.

Currently MENA LEGAL™ is supporting the worldwide lounge of one of the highest sophisticated new cryptocurrencies, [QUANTOCOIN](#) with its Initial Coin Offering (ICO) in Q4 of 2017.

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