

VAF COMPLIANCE

Dubai Virtual Asset Ecosystem

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Regulatory Landscape

The regulation of Virtual Assets (VAs) is complex, as a new sector emerges and both public and private sector seek to understand, agree and align to new regulatory requirements.

The Dubai Virtual Asset Regulatory Authority (VARA) is, in many ways, leading the way; however, the Dubai ecosystem face distinct challenges, as the regulator and the Virtual Asset Service Providers (VASPs) define and engage the regulatory process. Three common issues facing our clients include:

The ecosystem struggles to resource and respond to applications given the elevated number of market participants.

The VARA Rulebooks are extremely detailed; however, the dynamic nature of the ecosystem requires frequent changes to terminology, requirements and the licensing process itself.

*Complexity over UAE Central Bank alignment, in particular Bank Account access, creates further road-blocks for VASPs.
How will things look in 2024?*





VARA Licensing

VAF Compliance provides clients with comprehensive support across all Regulated Activities. By utilizing in-depth knowledge, a systematic approach, and an end-to-end process, obstacles in VARA submission and licensing process are seamlessly dealt with.

VARA Mandatory Rulebooks	
COMPANY RULEBOOK	COMPLIANCE AND RISK MANAGEMENT
MARKET CONDUCT	TECHNOLOGY AND INFORMATION

Activity Specific Rulebooks				
Exchange	Managements & Investments	Broker-Dealer	Advisory	Lending & Borrowing
	Custody	Issuance	Transfers & Settlements	





Token Issuance

01 Pre-Submission

Conduct a review aligned with VARA's requirements

◦ HIGH LEVEL DOCUMENTATION ASSESSMENT

- Compare the existing document with VARA's Rulebook

◦ REQUIRED DOCUMENT STRUCTURE

- Business plan
- Tokenomics
- Technology
- Team
- ESG
- Tax
- Risk
- AML & Compliance

◦ SECOND DOCUMENT ASSESSMENT

- Conduct a detailed submissions checklist.
- Prepare the VASP's submission for quality and completeness.

02 Submission

VASP should ensure consistency, clarity, and efficiency.

◦ SUBMIT WHITEPAPER

- Submit document to regulatory approval.

◦ MANDATORY RULEBOOK ASSESSMENT

- VARA will execute a comprehensive assessment against the Issuance Rulebooks.
[Issuance Rulebook = 80+ item assessment]

03 Whitepaper approval

Address any final identified gaps in accordance with VARA's requirements.

◦ COMMUNICATE WITH VARA

- Ongoing communications with VARA to improve gaps identified by the regulator.
- Manage 'Gaps List' directly with VARA, ensuring consistency and efficient engagement.

◦ APPROVAL

- Achieve VARA's approval.



Licensing

01 Pre-Submission

Conduct a thorough review aligned with VARA's requirements

◦ BUSINESS PLAN REVIEW

- Review of Business Plan, strategy and aligned with VASPs activities.

◦ DOCUMENTATION ASSESSMENT

- Assessment of VASP documentation.
- High-level alignment with VARA's Requirements and Rulebooks.
- Immediate identification of documentation gaps.

◦ ACTIVITY CLASSIFICATION ASSESSMENT

- Create an Application Roadmap ahead of submission.
- Establish a plan of activities to be executed (policies, establish a board, software, etc)

◦ SUBMISSION ASSESSMENT

- Conduct a preliminary submissions checklist.
- Prepare for the application.

02 Initial Submission

VASP should ensure consistency, clarity, and efficiency.

◦ VARA ENGAGEMENT

- VASP to engage with VARA
- Deliver and maintain Compliance Roadmap.
- Prepare a Gap List Remediation.
- Develop VASP Compliance Policies & Procedures.

◦ MANDATORY RULEBOOKS ASSESSMENT

- VARA will execute a comprehensive assessment against all 4 Compulsory Rulebooks. [e.g., Company Rulebook = 400+ item assessment]

◦ ACTIVITIES RULEBOOKS ASSESSMENT

- Comprehensive assessment against specific VARA Regulated Activities Rulebooks.
- Tailored review, remediation, roadmap and guidance provided to build and execute long-term compliance. [e.g., Broker-Dealer Rulebook = 100+ item assessment]

03 Full License Submission

Manage license submission and address any identified gaps in accordance with VARA and ad-hoc requirements.

◦ PRE-OPERATIONAL REQUIREMENTS

- Establish a regulation roadmap to ensure tasks are prioritized to achieve initial license issuance.
- Manage 'Gaps List' directly with VARA, ensuring consistency and efficient engagement.

◦ POST-OPERATIONAL REQUIREMENTS

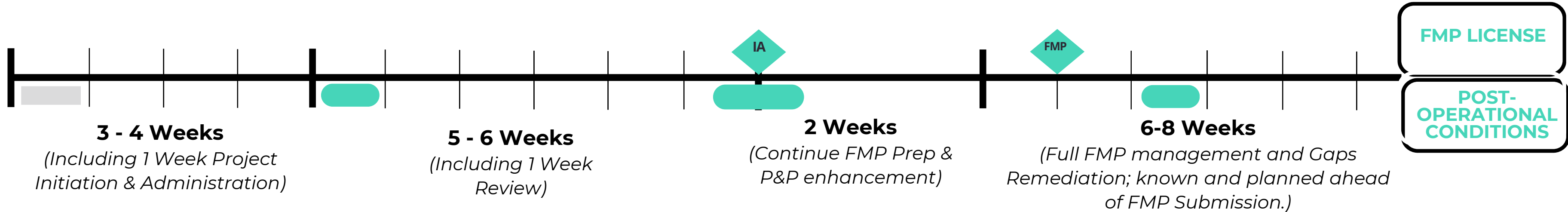
- Achieve VARA Operational License
- Manage and navigate changes in requirements and the regulatory landscape [fees, timelines, secondary requests].

◦ SUPERVISION PLANNING AND ALIGNMENT

- Develop a supervision plan, in accordance with VARA's supervision methodology and tailored to the VASP's business plan and objectives.



Expected Timeline



INITIATION

- Strategy Design & Build.
- Roadmap Development.
- Documents Assessment.
- Initial Checklist Assessment.

DEVELOP & BUILD

- Activities assessment & Submission Preparation.
- Development of core Policies & procedures.

IA SUBMISSION

- Initial Approval submission.
- FMP Preparation.
- Manage additional VARA Requirements.

FMP SUBMISSION

- FMP Submission, with full VARA engagement.
- Leverage strength of submission to coordinate technology demonstration to VARA.
- Remaining actions addressed with VARA.



Live Activity

Supervision Compliance

Execute and maintain continuous compliance through comprehensive management of VARA Supervision requirements.

- **FULL SUPERVISION DELIVERY**

- Prepare for a full supervision on compliance;
 - Execution of 25+ supervision criteria.
 - Manage monthly, quarterly and yearly returns.
 - Channel management of VARA requests.

- **SUPERVISION STRATEGY**

- Shape and support long-term Regulatory Compliance as part of a sustained and comprehensive Regulation Supervision Strategy.
- Anticipate and align to regulatory requirements as they emerge, staying ahead of the regulatory process.





Additional Services

◦ KNOW YOUR WALLET

- Know Your Wallet (KYW) offers a simplified wallet screening and risk overview for users.
- Reduce cost and effort onboarding clients.
- Leverage more than six data providers to enhance decision making and reduce wallet risk.
- Solution available via API, with 'quick-check' function through VAF Compliance Telegram automated bot.

◦ AML REPORTING AND SERVICES

- Full Anti-Money Laundering (AML) Framework, Compliance Program.
- Provide enhanced AML virtual assets Source of Funds / Wealth assessments, with comprehensive studies and histories of private and institutional clients.
- AML Policy, Data Privacy, Code of Conduct and all relevant policies and procedures development.
- Outsourced Compliance as a Service to have a dedicated operational Compliance and AML capability.

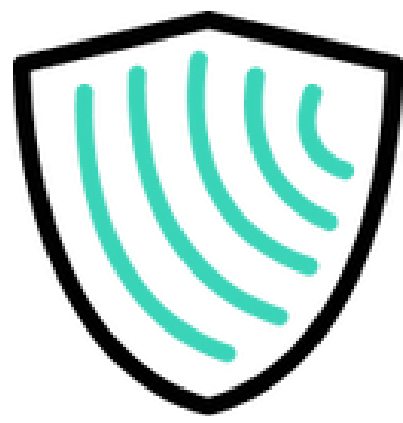
◦ OUTSOURCED COMPLIANCE OFFICER

- Know Your Client (KYC) due diligence on sanctions, PEP, name, address, identification, Virtual Assets, darkweb research and reporting.
- Dedicated forensic reports as part of enhanced AML wallet studies.
- Preparation of SARs and/or STRs to the regulator.
- AML Training to staff and management.

◦ ADDITIONAL SUPPORT

- Business Plan review and creation, to ensure clarity, consistence and completeness.
- White paper review and creation, in line with activities and regulatory requirements.
- Blockchain tax consultancy and guidance.
- Smart Contract Audit





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