MENA FINTECH ASSOCIATION
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MFTA Policy & Regulations WORKING GROUP

Bi-Annual Regulatory Update Session

▶ Financial Services Regulatory Authority

2026

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Foreword

The Policy and Regulations Working Group of the ***MENA Fintech Association*** was privileged to join the bi-annual Regulatory Update Session hosted by the Financial Services Regulatory Authority **(FSRA)** of the Abu Dhabi Global Market **(ADGM)** on 19 May 2026, led by **Lawrence Paramasivam** and **Margaret Devaney** from the Policy & Legal team. The session was moderated by **Christine Assali, Co-Chair of the MFTA** Policy & Regulations Working Group, and was attended by approximately twenty-member firm representatives from across the fintech and digital assets ecosystem.

This report captures the substance of the presentations delivered by the FSRA team and the discussion that followed. It is intended to serve as an accessible reference for MFTA members and the wider industry on the FSRA's current priorities and upcoming regulatory developments.

> MFTA is grateful to the FSRA for its continued openness and commitment to substantive engagement with the industry. These sessions are an invaluable source of regulatory clarity and insight and reflect the FSRA's dedication to open and forward-looking dialogue with the private sector. MFTA extends its sincere thanks to **Lawrence Paramasivam**, **Margaret Devaney**, **Brian Byagaba, Monique Elgin** and **John Hermann** for their time, generosity and engagement. We look forward to our continued collaboration with the FSRA on future sessions.

Digital Assets in ADGM: A Broader Ecosystem

The session opened with an overview of how ADGM's digital assets landscape has evolved. The centre began as highly institutional, focused on price exposure and custody, but has matured into a more diversified ecosystem serving a broader client base with increasingly sophisticated products and supporting infrastructure.

How the Market Has Moved

Client Base: The most visible shift has been in the client base. ADGM remains predominantly institutional, but a growing retail-facing segment has emerged, with specific venues expanding their ability to serve retail clients and there are more retail-facing broker-dealers entering the centre.

Product Use Cases: On the professional client side, use cases have evolved significantly from spot price exposure and custody toward yield-generating products, structured instruments, and the use of virtual assets as collateral in lending and borrowing and for staking purposes. Interest in tokenised assets has also grown materially - tokenised equities, fixed income including government bonds and commodities such as gold are available on some venues, and covered call structures on Bitcoin are among the structured products now accessible to professional clients.

Asset Universe: Approximately 2,100 to 2,200 different virtual assets are being used across regulated entities in ADGM. On the stablecoin side, the published list of accepted fiat-referenced tokens (FRTs) is publicly available, which currently includes seven FRTs, supported across approximately 35 to 40 different chains. This growth has been in part thanks to the FSRA having moved from a centralised approval regime for virtual assets to a firm-level notification model. Regulated entities now self-assess each asset against the accepted virtual asset criteria and notify the FSRA at least five business days before use. This change has materially expanded the universe of assets available to clients. It should be noted that this notification-based approach applies to virtual assets only - fiat-referenced tokens follow a different process, with the FSRA retaining the role of approving FRTs directly given that they are treated as payment instruments rather than pure virtual assets.

Infrastructure and Service Providers: Two to three years ago, every entity entering ADGM had to build its own technology stack. Today, a growing ecosystem of independent custodians, brokerage venues, staking providers, security assessors, compliance service providers and transaction monitoring solutions operates within ADGM, actively reducing the friction and cost of entry for new participants and for firms running more complex operating models.

The FSRA's Supervisory Focus: Despite the growth in market complexity, the FSRA's core supervisory priorities have remained unchanged: perimeter clarity, and rigorous expectations on custody, conduct, AML/CFT, technology risk and market integrity. The FSRA is spending more time on the guidance dimension of its work, engaging more closely with regulated entities to identify where clearer guidance would help given the nuances of different operating models, and setting out expectations on the use of advancing technologies in meeting regulatory outcomes.

> The fundamental regulatory objectives remain unchanged: suitable investor protection, market abuse prevention, and appropriate financial crime prevention systems and controls across all regulated entities.

Framework for Staking of Virtual Assets

The FSRA's staking framework was consulted upon in 2025 and implemented at the end of April 2026. The framework is found in Chapter 17 of the COBS Rulebook.

Scope and Structure

Activity Scope: The framework regulates intermediated staking - where an Authorised Person holds or controls client virtual assets and stakes them on their behalf. Self-staking by individuals or entities using their own assets without acting as an intermediary falls outside the regulated perimeter, as does the provision of staking technical infrastructure.

No New Regulated Activities: Rather than creating a new standalone regulated activity, the FSRA has addressed staking within two existing regulated activities:

- Providing Custody covers client-directed staking, where the client instructs the Authorised Person to stake their assets and the firm exercises no discretion.
- Managing Assets covers discretionary staking, where the Authorised Person may exercise judgment over when and how client assets are staked.

Asset Scope: Staking is limited to Accepted Virtual Assets.

Reward Scope: Only AVAs or Accepted Fiat-Referenced Tokens may constitute the rewards for staking. This restriction is designed to prevent securities from being issued inadvertently as staking rewards, which would engage a different regulatory regime.

Staking Models: The framework was extended to cover non-proof-of-stake staking models that share the same characteristics as proof-of-stake staking, given market movement in this direction during the consultation period and the equivalent risks posed.

Direct or Third-Party Provision: Clarification was added that staking services may be provided directly or through a staking service provider.

Key Obligations on Authorised Persons

- **Key terms** of the staking service must be **disclosed to the client,** enabling comparison across providers.
- **Staking-specific client disclosures** on the risks of staking must be made.
- **Ongoing client reporting** on staked virtual assets and rewards received is required.
- Where a t**hird-party validator (a staking service provider) is used, mandatory due diligence must be conducted** and the agreement with the provider must meet prescribed content requirements.
- A **notification to the FSRA is required before commencing staking services.** The FSRA may request additional information before authorising commencement.

> Staking is acknowledged as an evolving area and the framework may need to develop further to address emerging products such as liquid staking tokens. Industry engagement on the topic is welcomed.

Fiat-Referenced Tokens: Regulatory Framework

The session covered the evolution of the FRT framework from its introduction in 2024 through the January 2026 changes, followed by a detailed exchange on the practical operation of the framework including the treatment of dirham stablecoins, the forthcoming digital dirham, the wholesale versus retail distinction, and the chain-level supervisory approach to FRT use.

Timeline of Key Developments

2024

- FRT issuance was introduced as a standalone Regulated Activity in ADGM.
- A requirement was introduced that only Accepted FRTs may be used in conducting regulated activities in ADGM, with the FSRA as the assessing body. A key distinction applies: unlike virtual assets - where firms self-assess and notify - FRTs are treated as payment instruments and require direct FSRA approval.

January 2026

- Further changes were implemented: updated acceptance criteria guidance, expanded regulated activity scope beyond issuance, and new conduct requirements applicable to FRT business.

The Accepted FRT Framework

Guidance has been published on how the FSRA approaches the acceptance of FRTs, including foreign FRTs. Four criteria are applied:

- Characterisation — does the token satisfy the definition of a fiat-referenced token?
- AML standards — can flows be adequately traced and monitored, including at the chain level?
- Adequacy of reserves — are the reserves sufficient and verifiable?
- Jurisdiction of the issuer — is the issuer's regulatory environment acceptable?

Two categories are automatically included on the Accepted FRT list without going through this assessment:

- FRTs issued within ADGM.
- Central Bank of the UAE (CBUAE-)approved dirham stablecoins.

The Accepted FRT list is publicly available. Firms should verify that any FRT they use in regulated activities is on the list, and confirm they have adequate KYT monitoring systems for the specific chain on which they intend to use the token.

Expanded Scope of Regulated Activities

Providing Custody

The scope of Providing Custody has been expanded to include FRTs, with appropriate conduct requirements applied.

Payment Services

Appropriate conduct requirements have been imposed on Authorised Persons that employ FRTs to provide Payment Services, where FRTs are now recognised as an alternative to fiat currency.

FRT Intermediation — A New Regulated Limb

A new limb has been introduced under the Regulated Activity of Providing Money Services. It covers firms that buy FRTs from, and sell FRTs to, clients by way of a standalone business on behalf of the FRT issuer. This is a distinct business model from payment services — it reflects an intermediary acting for the issuer rather than providing payment services to customers — and carries its own prudential and conduct requirements.

Holding or controlling FRTs

The safe custody requirements outlined in COBS 15 now apply to Authorised Persons — including brokers and asset managers — that hold or control FRTs on behalf of their clients.

Accepting Payment in FRTs

Authorised persons may accept payment in accepted FRTs for the conduct of their regulated activities. This is permitted provided the FRT in question is on the accepted list and the relevant AML and KYC requirements are met.

Key Q&A Points on Dirham Stablecoins and the Digital Dirham

AED-denominated FRT Issuance Prohibition: The FSRA has introduced a specific prohibition on the issuance of dirham stablecoins from ADGM. While CBUAE-approved dirham stablecoins may be used within ADGM by authorised firms, they cannot be issued out of ADGM. The rationale is to avoid conflict with the CBUAE's own stablecoin regime - ADGM does not wish to have issuers sitting within the centre issuing instruments that, by virtue of their Dirham denomination, appear intended for use in the broader UAE state, which then would fall under the CBUAE jurisdiction.

Foreign Payment Tokens: The automatic inclusion of the CBUAE-approved AED stablecoin in the approved list of FRTs in ADGM does not necessarily extend to the foreign denominated stablecoin approved or to be approved by the CBUAE. Those must still meet the FSRA's own four criteria regardless of CBUAE approval.

Digital Dirham: Whether the Digital Dirham will be treated like CBUAE-approved AED stablecoin remains to be determined. The FSRA's position is that the relevant determination will be made once the Central Bank has finalised the product design.

Wholesale vs Retail: Where a stablecoin approved by the CBUAE is designed for wholesale use only, entities using the stablecoin in ADGM would need to ensure compliance with the CBUAE's expectations. Similarly, certain stablecoins already in use have permissioned retail structures and that also raises further regulatory considerations and imposes additional requirements.

Chain-level Supervision: The FSRA supervises FRT use on a firm-by-firm basis. If an accepted FRT is supported on multiple chains but a firm can only perform adequate KYT monitoring on one of those chains, the FSRA will restrict that firm to using the FRT on the chain where its monitoring systems are sufficient. This is an operational control at the firm level, not an asset-level restriction.

The FRT framework is continuing to evolve as stablecoin regimes develop globally. Further proposals in this area are anticipated in due course.

Enhancements to the FSRA's AML Framework

2026 has been a significant year for AML in the UAE. The FSRA published a consultation paper in April 2026, which closed the week of the session and drew a strong industry response. The amendments made were designed to align the FSRA's AML rulebook with new federal AML laws published in late 2025, updated FATF Recommendations, and the UAE's FATF mutual evaluation due the following month.

None of the proposed changes would have come as a surprise to those who have engaged with the consultation paper. The feedback from the industry reflected that view. The FSRA finalised its AML framework enhancements on 21 May 2026, two days after this session, amending both the FSMR and the AML Rulebook. Firms should now review the final rules against their existing compliance frameworks and ensure internal AML documentation is aligned across both federal and ADGM requirements

General Framework Changes

Rulebook Overview. The overview of the AML rulebook has been revised to sit clearly within the federal regime and to accurately characterise the FSRA's relationship with federal authorities including in a way that is accessible to Designated Non-Financial Businesses and Professions (DNFBPs), who interact with the framework differently from licensed financial institutions.

Updated Definitions. Definitions of Politically Exposed Persons and Senior Management have been updated for clarity and alignment with federal law and FATF requirements.

Senior Management Approvals. Senior Management approval is now required not only for AML systems and controls and the business risk assessment, but also for the continuation not just the initiation of high-risk customer relationships.

Third-party CDD vs Outsourcing. A clearer distinction has been drawn between relying on a third party's customer due diligence (CDD) and outsourcing your own CDD processes, ensuring firms understand their different obligations in each scenario.

The Travel Rule: The Most Material Change

Chapter 10, which covers correspondent banking, wire transfers, nominee accounts and the travel rule, has undergone the most significant restructuring. The core change is the splitting of travel rule provisions into two distinct regimes: one for conventional wire transfers, and a separate, standalone provision for virtual asset and FRT transfers.

The rationale is twofold. First, significant guidance has evolved from the National AML Committee specifically on virtual asset and FRT transfers, and the FSRA is interested in maintaining a level playing field across the country. Second, applying the old general wire transfer rule to virtual assets and FRTs was in practice stricter than warranted under federal law. The new context-specific approach is therefore in some respects less strict than the previous position, which is a result that the industry is expected to welcome, as it avoids the need to cross-reference significantly different regimes for different asset types.

Forthcoming FSRA Initiatives

The session closed the formal presentations with an overview of the FSRA's upcoming work programme across six strategic themes. Certain projects are of legislative nature; others are capability and operational enhancements.

Fostering Technological Innovation

- Enhancements to the digital assets framework covering DeFi, tokenisation, and lending and borrowing are in development. Guidance on authorised persons' interaction with DeFi protocols is planned for H2 2026.
- AI-optimised FSP application forms are being launched.
- AVA and AFRT monitoring capabilities are being enhanced.

Enhancing Operational Resilience

- Outsourcing and third-party risk management requirements are being strengthened, including with regard to concentration risk. Further enhancements are expected in the coming months which are expected to affect all regulated entities.
- Operational risk management and business continuity and disaster recovery requirements are being updated.

Promoting Safety and Soundness

- A prudential framework for insurers is under development.
- A funds framework review is ongoing and may further address and sign post the tokenisation of funds.
- Prudential requirements for Category 2 and 3 firms are being reviewed.

Strengthening Conduct and Market Integrity

- FATF Mutual Evaluation and Financial Sector Assessment Program (FSAP) preparedness is a near-term priority.
- AML, CARF and CRS 2.0 enhancements are in progress.

Aligning with International Standards

- Ongoing policy and regulatory updates, regional policy contributions, and new MoUs with IOSCO, WAIFC and global partners.
- Legislative amendments addressing IAIS gaps

Enhancing RegTech and SupTech

- The RiskAnalyser supervisory tool is being upgraded for more insightful assessments.
- FSRA Connect is receiving system upgrades.
- RegBuddy, a conversational AI chatbot, is being rolled out, starting with IT risk management queries.

Q&A: Tokenisation and TradFi Convergence

A convergence is already visible within the ADGM ecosystem between traditional finance and tokenised products. Some venues now offer tokenised equities and tokenised fixed income products, and there is growing professional client interest in tokenised commodities such as gold. The FSRA views this as a positive development, reflecting the maturation of the market and the increasing capacity of digital asset infrastructure to serve traditional finance use cases.
With respect to funds tokenization in particular, this is already permitted under the existing digital securities regime and funds regime and the ongoing funds framework review may address tokenisation of fund units further and more directly if deemed necessary.

The FSRA reminded participants that its analytical starting point remains the same and is focused on the client, the product and the regulated activity, regardless of the digital format in which a product is presented. A tokenised fund unit is still a fund unit and engages the relevant securities and fund frameworks accordingly. However, firms building products that combine elements from various rulebooks are encouraged to engage with the FSRA through their supervisory relationship at an early stage.

Q&A: Artificial Intelligence in Regulated Entities

The question of AI proliferation across the digital assets ecosystem was raised, with reference to growing use of AI tools in crypto-native exchanges and a recent AI-related security incident involving the theft of cryptocurrency. The question posed was whether the FSRA planned to issue further guidance, particularly on AI governance and the potential replacement of individuals with AI agents in regulated roles.

The FSRA's Current Approach

The FSRA's response identified three distinct levels of AI consideration: the foundational use of AI as a tool for which a human remains responsible; the step-level where AI begins to act with greater autonomy; and the frontier level of fully agentic systems acting independently. The FSRA noted that digital assets are particularly well suited to agentic AI given the programmable nature of blockchain infrastructure - making this a genuinely live regulatory question rather than a distant theoretical one.

The current position is that AI deployment by financial institutions remains primarily in support of internal operational delivery, with limited evidence of broad workforce changes. Controlled function obligations and other requirements placed on firms remain obligations placed on natural persons.

The FSRA has been conducting surveys with regulated institutions over the past two years to understand adoption of both generative and agentic AI, and is exploring AI deployment internally, which is an exercise that is informing its understanding of the standards it needs to set as regulator. The FSRA is also engaged with the UAE Federal Ministry of Artificial Intelligence, reflecting the UAE leadership's push for increased AI adoption across both the public and private sectors. The FSRA's approach is principle-based and is likely to remain so, focused on governance and risk management frameworks that apply across technologies.

On one specific question: whether approved function positions such as Compliance Officer could be held by an AI agent, the position was clear: the obligations around controlled offices and approved functions remain firmly in the natural person context. This may become a topic for discussion over a longer time horizon, but it is not under consideration in the current framework

Current FSRA guidance on AI remains guidance rather than prescriptive regulation. The question of when that might shift was acknowledged as an interesting space to watch. The FSRA will continue publishing thought leadership pieces through the ADGM Academy on the topic.

Quantum Computing

The session also touched on quantum computing as a related and forward-looking concern. Within ADGM's sandbox environment, there are test cases running that allow firms to actually deploy and see how to run quantum-secure transmission. The concern driving this work is that if quantum computing reaches the point where cryptographic keys can be decrypted considerably more easily than currently assumed - as suggested by recent announcements from major technology companies - then the cryptographic foundations protecting digital assets could potentially be exploited. The FSRA is continuing to work on this and will share material through public channels, including the ADGM Academy.

Q&A: Cross-Border Coordination and Harmonisation

A question frequently asked is how much coordination and harmonisation is actually happening across UAE regulators and at a broader GCC level.
The response was constructive and notably optimistic. In the financial crime space, the National AML Committee and its Supervisory Subcommittee have driven meaningful engagement, collaboration and harmonisation on federal AML requirements which is a good example of what is possible.

The FSRA continues to have bilateral discussions with the key UAE regulators across all sectors, from banking and insurance to asset management, securities and virtual assets.

The most promising near-term opportunity for broader regulatory harmonisation was identified in the securities, asset management and brokerage space. Recent developments at the Capital Markets Authority were highlighted as signals of closer alignment with the financial free zones. Greater harmonisation of regulatory frameworks in this area would then create a solid platform for fund passporting, mutual recognition arrangements and a reduction in the regulatory burden on firms operating across multiple UAE locations. Progress in securities and asset management would naturally support similar developments in the virtual asset and crypto space.

On the banking and insurance side, activity is increasing, including more banking business groups establishing themselves in ADGM, and engagement with the Central Bank on cross-border arrangements continues. Engagement is also taking place with the Ministry of Finance and the Ministry of Investments at the federal level, who continue to play an important role in delivering the right UAE-level outcomes.

At the GCC level, harmonisation is a longer-term project given the different regulatory architecture across member states. Progress has nonetheless been made, and the UAE is actively contributing to regional regulatory policy. An upcoming FSAP - expected to commence within the next couple of years - was also noted as a development that will create a new platform for international assessment, and potentially for more open discussion around harmonisation and alignment at the UAE level, depending on the scoping.

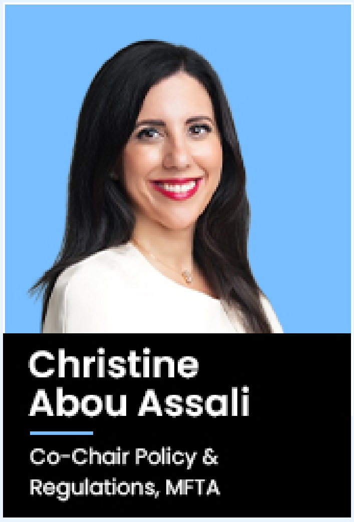
Key Takeaways and Conclusion

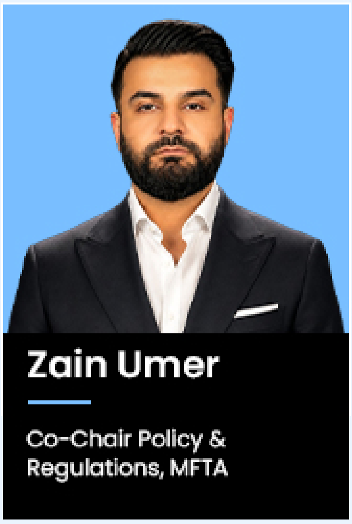
The regulatory agenda for 2026 is full and moving fast spanning staking, FRTs, AML reform, AI governance, DeFi regulatory overlap, tokenisation, operational resilience and quantum security. The pipeline of change is significant, and firms that are not already monitoring their operational and governance frameworks should treat this session as a prompt to act.

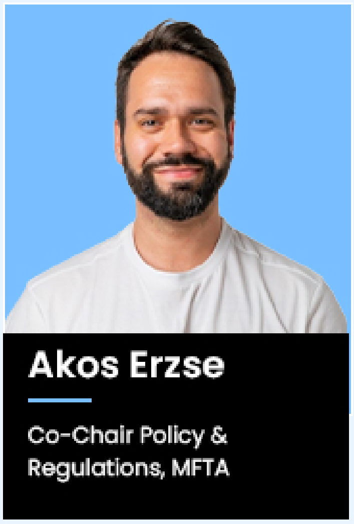
We hope this report has provided a clear and useful account of the key regulatory developments and priorities covered at the session. What the session has demonstrated, once again, is that the FSRA continues to operate as one of the most thoughtful and forward-looking financial regulators in the region - one that engages seriously with emerging technologies, anticipates where markets are heading and builds frameworks that are robust without being unnecessarily prescriptive. The quality of the engagement, the depth of the discussion and the FSRA's willingness to address both practical and future-oriented questions were a reflection of the value these sessions bring to the industry.

The MENA Fintech Association looks forward to continuing this collaboration and to the next session with the FSRA in the coming months.

Authored by **Christine Abou Assali, Partner at Alem & Associates and Co-Chair of the Policy & Regulations Working Group at MFTA**, based on content presented by the **FSRA at the MFTA Bi-Annual Regulatory Update Session.**







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