

Building a National Digital Asset Regulatory Framework

A Government Blueprint — Derived from VARA (Dubai), FCA (UK), SCB/DARE (Bahamas), MAS (Singapore) and FATF R.15 & R.16.

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Executive Summary

Purpose. This blueprint equips ministries, central banks and supervisory authorities with a step-by-step framework for bringing digital asset activities under lawful supervision — drawn from four jurisdictions that have already done so.

Jurisdictions covered. United Arab Emirates (VARA), United Kingdom (FCA), The Bahamas (SCB), Singapore (MAS), with reference to FATF Recommendations 15 and 16.

Key findings.

- Standalone primary legislation is the prerequisite — Dubai Law No. 4/2022, DARE Act 2024 and the UK FSMA (Cryptoassets) Order 2025 each establish the regulatory perimeter and the competent authority before licensing begins.
- Capital, governance and segregation requirements vary widely; VARA's Exchange Services minimum (the higher of AED 1.5m or 25% of fixed overheads) is the most prescriptive among reviewed regimes.
- Travel Rule thresholds diverge materially: EU TFR 0; UK EUR 1,000 (cross-border); UAE AED 3,500; Singapore SGD 1,500.
- Over 85% of FCA crypto registration applications were rejected or withdrawn (2020-2024), confirming that supervisory rigour determines market quality, not application volume.

How to use this document. Use Sections 1-3 to design legal foundations and risk methodology; Sections 4-6 to draft licensing and conduct rules; Sections 7-10 to operationalise enforcement, tax and cross-border cooperation.

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Introduction — Why Regulation Cannot Wait

The collapse of FTX in November 2022, resulting in an estimated USD 8 billion in client losses, demonstrated that unregulated or poorly supervised digital asset markets create systemic risks extending well beyond the crypto sector. Jurisdictions that had established robust licensing frameworks — including Dubai, The Bahamas and Singapore — were able to respond with supervisory authority. Those without frameworks had no legal basis to act. This blueprint draws on the regulatory architecture of four leading jurisdictions to provide governments and central banks with a proven, step-by-step framework for bringing digital asset activities under lawful supervision.

Section 1 — Legal Foundation and Regulatory Authority

Source: Dubai Law No. 4 of 2022 (Virtual Assets Law); UK Financial Services and Markets Act 2000 (as amended); Bahamas DARE Act 2024; Singapore Payment Services Act 2019.

The first legislative act must establish: (a) a clear definition of "virtual assets" and "virtual asset service providers"; (b) the jurisdiction's regulatory perimeter — which activities require authorisation; (c) a designated competent authority with investigative, supervisory and enforcement powers; and (d) the legal basis for cross-border cooperation.

Dubai established VARA under Law No. 4 of 2022 as the world's first standalone regulator dedicated exclusively to virtual assets, with authority over all VA activities in the Emirate of Dubai (excluding DIFC). The Bahamas enacted DARE 2024 on 29 July 2024, replacing the 2020 Act, and designated the Securities Commission of The Bahamas (SCB) as the sole competent authority.

The UK operates under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs), with the FCA as AML/CTF supervisor — transitioning to full FSMA authorisation from October 2027 under the Financial Services and Markets Act 2000 (Cryptoassets) Order 2025, laid before Parliament in December 2025.

Jurisdiction Comparison

Dimension	Dubai (VARA)	UK (FCA)	Bahamas (SCB)	Singapore (MAS)
Primary law	Law No. 4/2022	FSMA 2000 / MLRs 2017	DARE Act 2024	PS Act 2019
Regulator	VARA (standalone)	FCA	SCB	MAS
Scope	All VA activity in Dubai (excl. DIFC)	Asset businesses	Digital Asset Businesses	Digital Payment Tokens
Status	Operational since 2023	MLRs now; FSMA from Oct 2027	DARE 2024 in force 29 July 2024	Operational since Jan 2020

Section 2 — FATF Requirements: Recommendations 15 and 16

Source: FATF Updated Guidance for a Risk-Based Approach to Virtual Assets and VASPs (October 2021); FATF Interpretive Note to Recommendation 15.

FATF Recommendation 15 requires countries to assess and mitigate risks associated with virtual assets and to ensure VASPs are licensed or registered and subject to AML/CFT supervision.

FATF Recommendation 16 (the Travel Rule) requires VASPs to obtain, hold and transmit originator and beneficiary information for transfers. Implementation thresholds diverge by jurisdiction.

Governments must designate a competent authority to conduct mutual evaluations and demonstrate FATF compliance, and to participate in FATF-Style Regional Bodies (FSRBs).

Jurisdiction Comparison

Threshold	Dubai	UK	Bahamas	Singapore
Travel Rule trigger	AED 3,500 (~USD 953)	EUR 1,000 cross-border (MLP Reg 2022)	AED 1,000 (MLP Reg 2022) by SCB	SGD 1,500
R.15 status	Compliant	Compliant	Compliant (post-DARE 2024)	Compliant
FSRB	MENAFATF	FATF member	CFATF	APG
Mutual eval cycle	5 years	5 years	5 years	5 years

Section 3 — National Risk Assessment

Source: FATF Guidance on National Money Laundering and Terrorist Financing Risk Assessment; UAE National AML/CFT Strategy.

Before designing a licensing regime, governments must conduct a National Risk Assessment (NRA) identifying threat actors exploiting virtual assets, the vulnerability of existing financial infrastructure to VA-related money laundering, and the consequences of identified risks materialising.

The UAE's removal from the FATF grey list in February 2024 followed a comprehensive NRA and demonstrated action plan. Sectoral risk assessments must be updated at minimum every three years or following material market developments.

Section 4 — Licensing Virtual Asset Service Providers

Source: VARA Virtual Assets and Related Activities Regulations 2023; VARA Rulebook Suite (updated May 2025); Bahamas DARE Act 2024, Section 9; FCA MLRs Registration Requirements.

VARA recognises seven licensed VA activities: Advisory Services, Broker-Dealer Services, Custody Services, Exchange Services, Lending and Borrowing Services, VA Management and Investment Services, and VA Transfer and Settlement Services. Each carries distinct minimum paid-up capital requirements.

Advisory Services: AED 100,000 (~USD 27,300). **Broker-Dealer:** AED 400,000–600,000 depending on custody arrangement. **Exchange Services:** higher of AED 800,000 (with VARA-licensed custodian) or AED 1,500,000 — or 25% of fixed annual overheads, whichever is greater. **Custody Services:** must be housed in a separate licensed entity; higher of AED 800,000 or 15% of fixed annual overheads. **Lending & Borrowing:**

higher of AED 500,000 or 25% of fixed annual overheads.

VARA licensing operates in two stages: **Stage 1** — Initial Disclosure Questionnaire (IDQ) submitted to Dubai Economy & Tourism (DET) or a relevant Free Zone Authority, with business plan, UBO details and governance structure; **Stage 2** — Full VASP Licence application with physical office evidence, completed policy library and remaining fees (typically AED 50,000–150,000 total). Timeline: 4–12 months. All paid-up capital must be held in a UAE-based trust account or as a surety bond with CARA as beneficiary. Privacy coins (Anonymity-Enhanced Cryptocurrencies) are prohibited in Dubai.

The Bahamas under DARE 2024 requires SCB registration for all Digital Asset Businesses operating in or from The Bahamas using Form 1 Part B (DAB), Form 1 Part C (Digital Token Exchange), Form 1 Part D (Initial Token Offering), and Form 3 Part A for CEO and Compliance Officer registration. Algorithmic stablecoins are expressly prohibited. Stablecoin issuers must maintain full reserve backing and submit whitepapers detailing reserve assets, stabilisation mechanisms and redemption policies. DARE 2024 is the first legislation globally to define and regulate digital asset staking services as a regulated DAB activity.

The UK under the MLRs requires FCA registration for cryptoasset businesses providing exchange, custody, transfer and related services. Applicants must appoint an MLRO with relevant experience, submit a comprehensive business plan including full flow-of-funds documentation, configure and evidence on-chain and off-chain transaction monitoring tools, and demonstrate a risk-based AML framework. Applications are submitted via the FCA Connect system. The new FSMA-based authorisation regime takes effect on 25 October 2027, at which point firms must obtain FCA authorisation under FSMA rather than MLR registration.

Jurisdiction Comparison

Element	Dubai	UK	Bahamas	Singapore
Activity classes	7 (VARA)	Exchange/custody/transfer	DAB / DTE / ITO	DPT service classes
Min capital (exchange)	Higher of AED 1.5m / 25% ROE	Risk-based; no statutory floor	SOB-assessed	SGD 250k (MPI)
Timeline	4–12 months	3–12 months	Variable	6–12 months
Privacy coins	Prohibited	Risk-flagged	Restricted	Restricted

Section 5 — AML/CFT Supervision Framework

Source: VARA Compliance and Risk Management Rulebook (May 2025); FCA MLRs; Bahamas DARE 2024, Section 33; FATF Recommendations.

All three jurisdictions require: mandatory appointment of a Money Laundering Reporting Officer (MLRO) who is fit and proper, with direct reporting to the Board; risk-based Customer Due Diligence (CDD) on all clients before or during onboarding; enhanced CDD for Politically Exposed Persons (PEPs) and high-risk clients; transaction monitoring calibrated to detect FATF red flag indicators; suspicious transaction reporting to the national FIU (UAE: goAML; UK: UKFIU SARs Online; Bahamas: SCB); and record retention of a minimum 5–8 years (VARA 8 years; UK 5 years under MLRs; Bahamas as prescribed by SCB).

CDD threshold for occasional transactions: VARA AED 3,500; Bahamas as prescribed by SCB.

Jurisdiction Comparison

Requirement	Dubai	UK	Bahamas	Singapore
MLRO mandatory	Yes	Yes	Yes (CO)	Yes
STR channel	goAML	UKFIU SARs Online	SCB	STRO
Record retention	8 years	5 years	SCB-prescribed	5 years
Occasional txn CDD	AED 3,500	EUR 1,000 (TFR)	SCB-prescribed	SGD 1,500

Section 6 — Consumer Protection Standards

Source: VARA Market Conduct Rulebook; UK FCA Financial Promotions Regime (effective October 2023); Bahamas DARE 2024.

Consumer protection measures must address clear and non-misleading financial promotions (UK: crypto ads must be approved by FCA-authorized firms and include prescribed risk warnings since October 2023, with breach constituting a criminal offence); client asset segregation (VARA requires client virtual assets held one-to-one in separate VA Wallets; DARE 2024 requires custody segregation); prohibition on using client assets to meet VASP obligations; complaints handling procedures; and mandatory risk disclosures.

Section 7 — Tax Framework

Source: UAE Ministry of Finance; OECD Crypto-Asset Reporting Framework (CARF); US FATCA.

The UAE imposes no personal income tax or capital gains tax. Corporate Tax at 9% applies to profits above AED 375,000 from June 2023. VAT at 5% may apply to certain digital asset transactions depending on classification. VASPs must comply with FATCA where applicable and prepare for CARF reporting obligations.

Governments designing tax frameworks should classify digital assets as property (capital gains treatment), currency (income treatment) or commodities — and establish clear guidance on mining, staking rewards, airdrops and DeFi yields.

Section 8 — Enforcement Powers

Source: Dubai Law No. 4 of 2022, Articles on enforcement; FCA MLRs enforcement powers; Bahamas DARE 2024, SCB enforcement authority.

VARA can impose fines up to AED 10,000,000 for operating without a licence, and may suspend or revoke licences, issue public censure notices and refer matters for criminal prosecution.

The FCA under the MLRs may cancel registration, impose financial penalties and issue public statements — and has done so extensively, with over 85% of crypto registration applications rejected or withdrawn between 2020 and 2024. The SCB under DARE 2024 may revoke registration, impose fines and halt or delist non-compliant stablecoins.

Enforcement frameworks must include investigation powers (document production, on-site inspection, interview); interim measures (asset freezing, trading suspension); and criminal referral pathways.

Section 9 — Regulatory Sandbox

Source: VARA Innovation Testing Licence; FCA Digital Securities Sandbox (launched January 2024); MAS Project Guardian.

Sandbox programmes allow firms to test novel products under regulatory supervision with modified rules. Key design elements: defined cohort size and eligibility criteria (typically early-stage firms with genuinely novel models); time-limited participation (typically 12–24 months); modified regulatory obligations with equivalent consumer protections; clear exit pathways — full authorisation, wind-down or legislative change; and public reporting on learnings to inform permanent rules.

Section 10 — Cross-Border Cooperation

Source: FATF Recommendation 40; IOSCO Multilateral MoU; VARA cross-border provisions.

Effective supervision requires bilateral and multilateral Memoranda of Understanding (MoUs) with counterpart regulators; participation in FATF and FSRBs (MENAFATF, CFATF, ESAAMLG); shared typology libraries and red flag indicator lists; mutual legal assistance treaties (MLATs) for evidence sharing in criminal matters; and supervisory colleges for systemically significant cross-border VASPs.