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Regulating FinTech in the Middle East

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The world is continuously developing, and the financial services industry is following suit.

The rapid development of innovative technology in growing economies like the Middle East, coupled with regulators' proactive engagement in establishing regulatory sandboxes, are laying the framework for a new set of futuristic laws necessary to support the FinTech revolution.

Therefore, we will extensively explore how Middle Eastern countries and their regulatory authorities are responding to FinTech innovation product by product, whilst also revealing the regulatory challenges they confront and also proposing some solutions.

The Middle Eastern FinTech Revolution



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The Middle East region accounts for less than 1% of overall FinTech venture capital investments. [\[1\]](#)

Nevertheless, venture capital figures don't provide an overall picture of the situation. Other factors, such as demographic and business developments, which are extremely supportive of FinTech growth in the region, are being hidden by the amount of funding that this area receives.

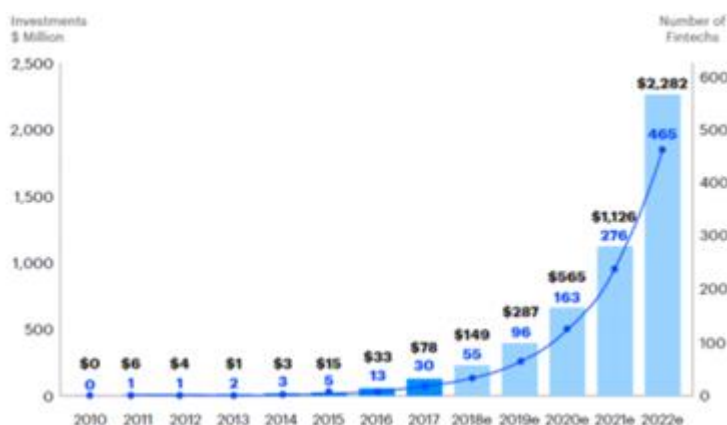
We have 450 million people who live in the MENA region. About half of the population is under the age of 25 years old. And with a large and young population, the demand for early technology adopters is attractive and increasing. [2] Also, owing to its geographical position, the area offers various opportunities.

The authorities in Bahrain and the United Arab Emirates have said that their countries serve as a portal to the rest of the region. By establishing a foothold in powerhouse countries, the FinTech industry is reaching out to emerging markets all over the world.

With an increasing population and 70% of them having little or no access to financial services, the growing region is an \$8 trillion industry. [3]

The Middle East's FinTech industry is growing at a "30 percent compound annual growth rate while accounting for just 1% of worldwide FinTech investment (CAGR)". "By 2022, 465 Middle Eastern FinTech businesses are expected to receive more than \$2 billion in venture capital investment, compared to 30 FinTech businesses that received almost \$80 million in 2017." [4]

- Investments in venture capital in the Middle East between 2017 and 2021



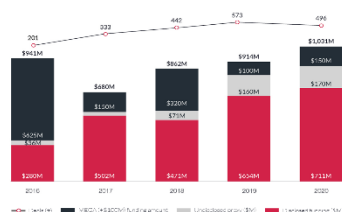
MAGNITT

MENA

\$1BN+ INVESTED IN MENA-BASED STARTUPS

This figure was mostly driven by a record H1 '20, with \$725M raised in H1 '20 versus \$563M in H1 '19

2021 EVM Report



[5]

However, the payments industry is receiving the vast majority of funding: nearly 85 % of FinTech companies in the Middle East and North Africa region work in the sector of payment services, money transfers[6] such as Payments and remittances startups, as well as Insurance Technology, online financing, RegTech, online banking, crowdfunding, blockchain, and Cryptocurrency companies. These companies are all gaining traction throughout the area.

The bulk of investment in the area has migrated to the payments sector, which is understandable given the region's status as a hotbed for payments-related activity. Because of its expatriate workforce, which accounts for nearly 90% of the country's overall population, the UAE is a driving force in remittances.[7]

In 2017, the UAE's expat remittances reached \$44.5 billion, with 75% flowing to money exchange businesses and one-quarter to banks. The top three receiving countries were India, Pakistan, and the Philippines. [\[8\]](#)

Regulations covering FinTech products



1. United Arab Emirates
2. Bahrain
3. Egypt
4. Lebanon
5. Jordan
6. Saudi Arabia
7. Kuwait
8. Qatar
9. Oman

1. United Arab Emirates



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FinTech is regarded as a prominent subject in the United Arab Emirates.

The Dubai International Finance Centre (DIFC) is the domicile to an internationally renowned, independent regulation authority and a well-established judicial system based on English common law, and also the area's biggest financial ecosystem, with over 24,000 individuals actively working across 2,200 corporate entities. It has one of the most sophisticated FinTech and venture capital ecosystems in the area, with low-cost licenses, appropriate legislation, unique accelerator programs, and investment schemes attributing to the growth of start-ups. [9]

The Dubai International Finance Centre (DIFC) established FinTech Hive that offers an opportunity to FinTech, InsurTech, RegTech, Islamic FinTech startups to capitalize on unlimited opportunities and get their product or solution before some of the region's most well-known financial services firms.

They offer accelerator programs, licenses, group work spaces, a network of professionals with the same mentality, and a supportive regulatory environment.

The Abu Dhabi Global Market (known as ADGM) has established the FinTech Regulatory Lab (RegLab), which is a custom made legal framework that allows FinTech players to mature and experiment novel FinTech products in a regulated setting. [10]

The RegLab is the first in the area and the second most successful FinTech sandbox in the world. Its goal is to promote competition through the Emirates financial services industry for financial institutions that are new to the market and those that have been there for a long time. FinTech participants will be able to discover and build FinTech technologies in a risk-free and cost-efficient atmosphere due to the given setup.

The UAE is likely to foster the upcoming wave of FinTech technologies established in the area, with innovation and entrepreneurship taking center stage and major investments already taking place. In this respect, the Emirates will be regarded as a center for the Middle East as well as an active FinTech jurisdiction.

FinTech companies in the UAE started in the payments and crowdfunding markets, but have since expanded to serve the Middle East's diverse entrepreneurial and SME community, which is seeking to connect with a population that is becoming more mobile.

Government-led projects such as the Dubai Blockchain Strategy, are aiming to leverage technology to lay the foundation for contemporary E-networks to improve efficiency throughout the city.

Numerous banks also launched online platforms and novel digital services, like the UAE Banks Federation's Emirates Digital Wallet, which is intended to transform payments throughout the Emirates.

The RegLab, which was established in 2016, provides each candidate with a customized legal framework that has been accepted by the ADGM's Financial Services Regulatory Authority (FSRA). The latter evaluates proposals and decides, after consulting with the candidate, what laws are applicable and also which rules are disregarded or amended.

The Financial Services Regulatory Authority (FSRA) also implements a series of restrictions or requirements that are unique for the intended activity of the applicant.

FinTech companies can get a 'Developing Financial Technology Services' (DFTS) license from the RegLab for a limited period of time, and then upgrade to a complete license or halt their operations. The licensing period can go up to two extendable years.

In January 2017, the Dubai International Financial Centre (DIFC) revealed their FinTech Hive project. The DFSA will provide an "Innovation testing license" (ITL), which is comparable to the Abu Dhabi Global Market's RegLab because it enables license holders to evaluate their FinTech services for six to twelve months in a sandbox environment under a bespoke regulatory regime.

Following an incubator model embraced by the FinTech Hive and the Abu Dhabi Global Market RegLab, FinTech companies are capable of developing and validating products while also minimizing the danger they cause to the financing system.

In addition, the applicants will be provided more support in the form of training and discussion panels, mentorship and a possibility to meet new investors.

The FinTech Hive and The ADGM RegLab are both incubator-style institutions that provide FinTech innovators considerable latitude in developing and testing FinTech concepts while minimizing the risk to the financial sector. Moreover, FinTech entrepreneurs would benefit from a network of professionals, special mentoring and support, expert opinions, training and workshops.

Licensing period is from six to 12 months and can be extended.

Deloitte produced research on global FinTech hubs, and the ADGM RegLab was named as the world's finest FinTech hub, as well as the top hub in MENA.^[11]

The ADGM has a significant number of linkages to other ecosystems such as a bridge with the Monetary Authority of Singapore. It also provides additional advantages for those participating in the sandbox due to a flexible free zone regulating authority. However, the DIFC is home to several global and regional financial firms in the free zone as well as through the DFSA, and also is the first to develop a regulatory framework for crowdfunding past the testing licenses of a sandbox.

Institutions founded in free zones, like the ADGM and the DIFC, should also be regulated in the countries where their products and services will be provided. At this time, the free zones do not grant passports to nationals of other countries.

This means that FinTech business owners would have to follow by a variety of rules imposed by; the Central Bank of the United Arab Emirates for conventional finance and banking operations, the United Arab Emirates Insurance Authority for insurance activities and the country's Securities and Commodities Authority (SCA) for securities and investing activities. Moreover, the Central Bank of the UAE has enacted legislation governing a particular area of the FinTech sector, particularly services related to payments. This new licensing framework was implemented in 2018.

It was uncertain if these laws extend to all suppliers of payment services, like payment gateways on websites (which just act as a conduit connecting retailers with credit or debit cardholders,) and providers of stored value services, like e-credit issuers. Nevertheless, the Central Bank is actively working with a range of payment market participants in order to provide an understanding of its regulations and take into consideration any new initiatives.

In January 2017, the Securities and Commodities Authority of the UAE announced that it will introduce a regulatory sandbox that will compete with the already established Free Zone Initiative. This initiative intends to support the FinTech Industry and to “bring together FinTech companies, companies that offer innovative financial services, financial institutions, and telecommunications and internet companies to test and launch modern technological initiatives in the securities sector.”

1.1 Crowdfunding

The DFSA recently published innovative guidelines governing Crowdfunding platforms based in or operating out of the DIFC. The regulations seem to be extremely thorough because they impose a lot of requirements on DIFC-based Crowdfunding companies.

According to the new Conduct of Business Module Rules, the operators should offer thorough information about risks on the platform, including possible failures, investment performance, and proprietary evaluations, in addition to providing analysis about their business plans for investment opportunities.^[12]

Also, Operators should monitor the different stages of the fundraising and halt any company trying to acquire funding from its counterparts.^[13]

In addition, each Crowdfunding service must be operated by different entities. Therefore, operators must guarantee, on the debit side, that loan commitments are enforceable by law. A separate authorization is also required to accept non-institutional participants and comprehensive regulations on corporate funding transparency are to be implemented.

So, it stays unclear whether smaller enterprises with less resources but a rising target market can meet these terms in an economical method.

Abu Dhabi's first FinTech pioneer, Beehive, is the first in the Middle East to get DFSA authorization to provide crowd-funding while maintaining its P2P lending activities. ^[14]

The regulation of operators such as “Beehive” will enable these firms to enhance their profiles, attracting fundraisers and investors.

A lot of firms operating onshore are still unregulated, therefore a special licensing scheme should be established.

Crowdfunding issuers are highly regulated by the Central Bank and/or the Securities and Exchange Commission.

For instance, UAE LLCs are prohibited from offering securities to the public. Regulations put in place by the SCA in 2017 would significantly limit promotions and activities related to securities. Yet, we still haven't seen notable crowdfunding initiatives licensed by the Central Bank or SCA.

Experts believe that certain legislation and policies are missing, which gives rise to loopholes in the regulatory system, like the Central Bank's reluctance to regulate certain lending operations. Moreover, some consider that stricter rules might be taken in the future.

1.2 Payments

FinTech companies in the Gulf Region, particularly in the United Arab Emirates are establishing partnerships with local banks regarding payment gateway because of the local banks desires to digitize and reach their customers more easily.

Regulating online payment relies on the bank's license for the payment transaction chain and gives the responsibility to FinTech firms regarding other aspects.

For example, a company called Emirates Digital Wallet LLC (EDW) owns and operates "klip", which is the United Arab Emirates' Digital Cash Platform. Nonetheless the UAE government is raising efforts to drive digital transformation and create a cashless environment in the country. Also introducing Apple Pay shows the drive for a cashless offline society.

1.3 Stored value facilities

In order to add credibility to their operations and ensure the application of international standards, certain companies are required to obtain licensing in a foreign country that is not in the Middle East.

CASHU, for example, is a company that offers stored value cards to people without credit cards in the Middle East, allowing them to conduct online transactions. The company managed to relocate to Singapore in 2016 and is now licensed by the Singaporean Monetary Authority (MAS). "CASHU has introduced a variety of operational improvements to its payment platform in accordance with MAS's requirements for Stored Value Facility (SVF). These changes fall in line with global demands to enhance due diligence on wallet account holders and business partners to ensure compliance with new regulations and combat cybercrime."^[15]

Due to the introduction of improved rules, CASHU has committed to building a safer and more stable prepaid services industry. The MAS regulatory system also allows CASHU to collaborate with local regulators in various jurisdictions.^[16]

Some stored-value companies, on the other hand, have tried to work around the regulations. For instance, "Beam Wallet", a digital wallet application available in the United Arab Emirates, allows users to pay in "Beam Credits" that are created specifically for that purchase at the point of sale reacting as a gift card. Beam might be able to circumvent any tougher credit-related legislation by using this form of framework.^[17]

1.4 Anti-Money Laundering considerations:

Although payment services are financial in nature and don't need a license, they require consumer due diligence or a KYC and special monitoring in several Middle Eastern jurisdictions for counter-terrorism funding and anti-money laundering.

1.5 Initial Coin Offerings (ICOs)

The UAE has established the emirates Blockchain technology initiative 2021, as well as the Dubai Blockchain initiative. Accordingly the government wishes to maximize the returns of Blockchain technology in order to convert by 2021, fifty percent of its transactional activities towards Blockchain platforms. However, licenses are not granted to any firm to issue crypto-currencies.[18]

ADGM has introduced a regulatory framework for the regulation of spot virtual assets, including those done by multilateral trading platforms, brokers and asset managers. This framework **does not apply** to Digital Securities, Offerings or for other capital raising purposes.[19]

In the UAE Crypto-currencies are not specifically regulated, however, they require certain regulatory authorizations. The Central Bank may face the same challenges as the rest of the world in attempting to control crypto-currencies because of their complex and ambiguous legal nature. It may also focus on components of an Initial Coin Offering that are compatible with preexisting regulatory mechanisms, like operating exchanges.

Consequently, the DFSA has alerted investors in the financial free zones about ICOs, expressing the riskiness of cryptocurrency investment. According to UAE legislation, the DFSA does not control ICOs and will not license firms that engage in such activities.

The FRSA has issued regulatory guidelines for investors stating that ICOs are not restricted and certain of their aspects such as the selling of securities and units in funds, or trading in derivatives comply with the country's regulations. However investors should be aware of the lack of regulation regarding special transactions in virtual currencies such as Bitcoin or its counterparts.

Accordingly, Dubai has adopted a Blockchain strategy as a key component of the Smart City Initiative. Therefore using Blockchain in Financial Technology will take place in a supervised setting at first, and so is the case with other approaches around the world. Furthermore, the Blockchain initiative would indeed digitize all of Dubai's governmental operations, and also create tons of potential technological and business prospects. An interesting example would be of the Dubai government that is working on developing and implementing EmCash which is a digital currency that is encrypted and powered by Blockchain.

Thus, "EmCash reduces fraud, as well as inflation since the currency is issued in real-time, based on actual demand".[20]

a. Digital Signatures

The UAE Federal Law No. 1 of 2006 Concerning E-Transactions and E-Commerce (Electronic Signature Law) recognizes electronically created signatures and states that "it applies to civil and commercial transactions except for certain excluded transactions such as negotiable instruments, documents of title to immovable property, transactions relating to the sale and purchase of immovable property and others."[21]

1.6 Implementation of the Smart Contract Code

Contract automation will present obstacles for Emirati legislation and regulatory framework, notably in terms of notarization and Arabic translation requirements. To ensure contractual commitment certainty, substantial tests must be incorporated into such activities.

Moreover, International innovations, like the R3 initiative in the domain of derivatives, will lead to the rise of smart contract potential in the coming years. Major Banks operating throughout the UAE may use automated contract drafting by incorporating electronic standards and mechanisms, therefore enabling them to conduct basic operations on the Blockchain platform.

Under the UAE Civil Code, smart contracts are legally enforceable. The method of execution and the smart contracts irrevocability pose a challenge. Following an expert opinion, smart contracts are irreversible, which

means once prerequisites are completed and execution has begun, further performances cannot be amended or terminated.

Finally the Electronic Signature Law doesn't contain new technologies such as Blockchain.

1.7 Investment Tokens

Token Investments are now regulated by the Dubai Financial Services Authority (DFSA). Proposed in March 2021 Consultation Paper 138, the framework is the first phase of the DFSA's Digital Assets regulation.

Investment Tokens are classified under the regulatory framework as either Security Tokens or Derivative Tokens. Basically, they are:

“a security or derivative that is issued, transferred, and stored using Distributed Ledger Technology (DLT) or other similar technology;”

“a cryptographically protected digital representation of rights and duties that is issued, transferred, and stored using DLT or other similar technology and it confers rights and obligations substantially similar to those conferred by a Security or Derivative; or (ii) has a substantially similar purpose or effect as a Security or Derivative.”

It also covers authorized firms who wish to provide Investment Token-related Financial Services to clients, such as trading, advising, or arranging transactions relating to Investment Tokens, or managing discretionary portfolios, or collective investment funds investing in Investment Tokens.

The DFSA is currently developing recommendations for tokens that do not fall under the Investment Tokens legal framework. These should include cryptocurrency trading tokens, utility tokens, and asset-backed tokens (stablecoins). Also, the DFSA is planning to release a second consultation paper in Q4.

2. **BAHRAIN**



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FinTech in Bahrain is actively being developed. In June 2017, Bahrain's financial regulator, the Central Bank of Bahrain (CBB), worked on creating a regulatory sandbox, and modified it in August 2017 to accommodate FinTech testing. The kingdom's Economic Development board wants to attract foreign investments.

2.1 Regulatory Sandbox

Bahrain's Central Bank launched a FinTech regulatory sandbox that will enable financial institutions and other enterprises to try their services and products. This procedure is available to current Central Bank license holders such as financial firms with advanced technological innovations as well as other enterprises, whether from Bahrain or abroad.

Further, the sandbox can comprise corporations from the financial industry and technology and telecommunication businesses who aim to try out a new service or product, as well as specialized service industries that collaborate with or serve, financial institutions.

2.2 E-wallet

“Benefit pay” is the country's mobile e-wallet that was launched in a collaboration between the Central Bank and a local payment settlement service provider named “BENEFIT Company”.

Customers will no longer use debit or credit cards or even cash to make or receive payments. The technology is currently in the early phases of implementation, and will ultimately be integrated with several other retail payment platforms in the Kingdom of Bahrain.

2.3 Crowdfunding

The Central Bank of Bahrain (“CBB”) issued regulations regarding Crowdfunding. The regulatory framework for loan crowdfunding (including Sharia) offers regulation for financial technology or FinTech enterprises as well as client protection.

The laws are designed to assist start-ups, small and medium-sized businesses, and to provide accessibility to alternate sources of capital when more conventional finance options are unavailable. Consequently, all lending businesses that use an electronic platform must be licensed in Bahrain as ‘operators of P2B Conventional Financing-based Crowd financing Platforms.’

According to the Central Bank of Bahrain Rulebook, “The minimum capital requirement for the CFC Platform Operators is Bahraini Dinars (“BD”) 50,000 to be maintained on an on-going basis. This is new type of license. A CFC Platform Operator is not permitted to engage in Business to Business (B2B), Business to Person (B2P) or Person to Person (P2P) lending.”^[22] Also, only enterprises with paid-up capital that does not exceed BD250, 000 may use the Crowdfunding site.

In order to limit the amount each borrower may borrow and the total exposure each lender can have to a single borrower, quantitative limits are imposed.

Furthermore, only highly experienced and authorized investors may use this service. And due to the adverse outcomes, individual investors are not eligible to get on it. Recently, the Central Bank of Bahrain has released draft rules related to equities that are based on Crowdfunding for public review. It is proposing a special licensing framework as an alternative for offered equities that are defined by the securities law.

3. EGYPT



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FinTech start-ups in Egypt are on the rise due to the Central Bank and government officials' ambition to implement new payment methods by shifting to a digital economy with no cash involved. Payment systems, mobile currency, and smart wallets are the most developed industries.

3.1 E-wallets or Mobile wallets

The Central Bank of Egypt established new laws for smartphone-based cashless payments in 2016. FinTech businesses may cooperate with banks to provide the infrastructure and technology required to offer mobile wallets as issuing banks, by collecting deposits paid in cash and producing electronic currency in return.

Mobile wallets are thought to be user-friendly and convenient. Customers may use these systems to send or receive money, pay the bills and make contributions. Further, these solutions are open to both banked and unbanked customers.

3.2 Payment services

Egyptian FinTech firms that serve as payment processing providers for retailers have been growing in the online payment services sector via the use of gateways [23] mainly on e-commerce sites. They allow merchants to email, receive, handle, and send financial data to banks, as well as promote electronic payment by the customer to the merchant with no cash involved.

Most online payment portal services have bank-provided card payment credit facilities for cardholders which enables retailers to identify and pay all purchases.

3.3 Egypt's ambitions

The Egyptian central bank is cooperating with ministries and government organizations to promote Egypt's booming FinTech sector.

Moreover, the Egyptian President established the “National Council for Payment” in February of 2017, in order to encourage electronic transactions. The council consists of the President, the governor of Egypt's Central Bank, and the Chairman of the FSA (Financial Supervisory Authority).

Further, the country is witnessing a surge of reforms and new financial legislation in order to address the rise of online lending and crowdfunding.

Along with big institutions choosing to focus on FinTech investment opportunities, the Central Bank of Egypt decided to commit up to 1 billion EGP to a special Fund-of-Funds.[24]

Recently, an independent investment catalyst vehicle which promotes VC funds that focus on Technology/FinTech sectors is established in partnership with several large institutions for the express purpose of obtaining CBE's expertise and strengths and partnering with them in order to create a sustainable and independent investment platform to boost the development of FinTech.

On March 2019, the Central Bank of Egypt launched a strategy for supporting the FinTech ecosystem and positioning the country as a regional FinTech hot spot. Accordingly, clearer regulations on enabling infrastructure such as open APIs, cloud and data sharing are to be developed in order to encourage the emergence of FinTech and investments in the sector.

Furthermore, the Central Bank established a FinTech and Innovation Unit within the bank to address regulatory and governance matters, facilitate regulatory updates, publish thought leadership and represent CBE at local and international FinTech events.

Also, new mobile wallet laws, such as the implementation of e-KYC, growing restrictions, digital lending and spending, and new payment regulations, such as digital authentication, show that enforcement is being improved. However, FinTech continue to face significant regulatory obstacles that must be tackled. One of the most important roadblocks is the absence of a consistent FinTech licensing scheme.

The lack of consistent FinTech licensing schemes and the general vague guidance on an applicable and standardized regulatory regime across the major regulators are the most important roadblocks.

Many foreign regulators and FinTech hubs have also signed Memorandums of Understanding (hereinafter referred to as "MoUs") with the CBE. Finally, in order to encourage collaborative work and information sharing, the Centre Bank of Egypt will continue to extend its international collaboration agreements with regulators and related stakeholders.

3.4 Regulatory Sandbox

The Egyptian Central Bank strives to be on top of financial technology and push for an ideal balance between stability and consumer protection while also enhancing the banking and financial institution's ability to foster beneficial innovation.

The regulatory sandbox will serve as a test platform for FinTechs developing novel business models which are now constrained by stringent authorization procedures and regulatory uncertainties.

The objective of the Regulatory Sandbox is to facilitate compliance embedment and financial solution adoption, early on in the FinTech ecosystem. Allowing FinTech entrepreneurs to focus on their primary offering means there will be no interruption in the market.[\[25\]](#)

4. LEBANON



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The Lebanese financial market has seen a lot of growth in terms of FinTech. As a result, national banking institutions have developed "online and mobile banking, payment and deposit services, and money transfer platforms".

The Central Bank of Lebanon is the regulatory body in charge of online banking, whereas the Capital Markets Authority (CMA) is in charge of Crowdfunding.

Ensuring financial security and stability are the Lebanese authority's main concern. Therefore developing FinTech in the country was approached attentively with a lot of interest since this kind of achievement will reinstate the Lebanese banking system on the International Map.

4.1 Regulations

The BDL has taken a cautious but supportive approach to the FinTech sector. Several updates were made to the Central Bank's basic Circular 69/2000 on Electronic Banking and Financial Transactions to reflect technological advancements and developments.

Accordingly, circular 69/2000 covers "all the operations and activities concluded, performed or promoted through electronic means by banks and other financial institutions, thus they will require a specific license." However, the circular defines "Electronic financial and banking operations", as "all operations or activities concluded, executed

or promoted through electronic or photo-electronic means (telephone, computer, internet, ATM, etc.) by banks or financial institutions or any other institution.”

Before its amendment, Circular 69 of BDL “**prohibited** the issuance or use of electronic money by any party and also the performance of banking operations via mobile and fixed electronic devices amongst customers of different banks, unless these operations are limited to the receipt of transfer requests from the customer, and provided that the operations are not instantly performed through the application or software used by the customer’s devices but in the usual and conventional way (i.e. through the SWIFT system adopted amongst banks).”[26]

In fact, after its amendment in 2019, circular 69 has authorized “the performance of financial and banking operations through mobile or computer applications using bank cards and/or accounts, subject to certain conditions, including the BDL's approval.”[27]

Moreover, “all non-banking institutions that are performing electronic transfer of cash domestically in the country are required to obtain a special license. The institution must be established as a joint-stock company with nominal shares and a minimum capital of five billion Lebanese pounds”. [28]

A prior approval by the central bank should be incorporated on the institution’s bylaws for special operations. Also, the Central Bank demands that “the institution be in possession of an efficient internal control system to face current and prospective risks, as well as an accounting system linked to the approved electronic transfer system in a way that permits the electronic retrieval of all incoming and outgoing transfers.”

These are some of the requirements that allows the Central Bank to monitor and control the licensing of financial institutions. [29] However, electronic signature is not admitted unless certain conditions are concurrently met.

The central Bank demands a clear agreement between the concerned institution and the customer outlining the dangers connected with e-signatures and the appropriate processes to be taken to guarantee the highest level of safety to the concerned parties full responsibility ,also a PIN code of the signatory and a confirmation by the executing institution sent by e-mail within 24 hours at most from the execution of the operation, followed by regular mail within one week, unless the concerned customer requests that the mail be kept at the institution.

Also, FinTech companies that need a license or supervision from the Central Bank must abide by the Anti-Money laundering and Financing of Terrorism Law, as well as other laws and regulations that require the creation of a both a Board Committee and a compliance Unit for anti-money laundering and counter-terrorist financing (AML/CFT) .

4.2 Electronic Transactions and Personal Data Law

An important bill that governs electronic payments, digital payments, card payments, and e-checks was recently enacted. Also, BDL has a significant responsibility in regulating and issuing electronic and digital money.

The “E-Transactions and Personal Data Law” 81/2018 protects and regulates private data handling. However, processing personal data requires authorization from the Ministry of Economy and Trade, though there are exceptions under the legislation. Further, FinTech must follow the E-Transactions and Private Data Law while collecting and processing personal data.

4.3 Crowdfunding

Crowdfunding is regulated by the Capital Markets Authority and is defined as “any activity directed towards the general public aimed at funding [SME] or startup companies through public investments in various equities or shares in these companies.”

The Lebanese Capital Markets Authority will issue a crowdfunding license after completing a specific investigation called “Know Your Customer” and check for possible ties between the crowdfunding operation "the institution" and any suspicious businesses .

In addition, the CMA prohibits the “Institution”^[30] from:

- “Providing any advice of any kind to the Investor or the Company, as its role is limited to facilitating the process of securing the necessary crowdfunding for investment.”
- “Receiving any deposits of any kind whatsoever or even use the electronic platform to offer any financial products or derivatives to the public other than equities and shares.”^[31]
- “Trading directly or indirectly in equities and shares on the electronic platform designed to provide Crowdfunding service.”^[32]
- “Providing advice of any kind to the investors or the company which will limit the institution’s role in facilitating the process of securing the necessary Crowdfunding.”

Accordingly, the CMA decision on Crowdfunding states that “the Institution shall ensure that all the Companies”^[33] must follow specific regulations before providing them access to the electronic platform. Further, “The fundraising company must submit corporate identification documents, audited financial statements, a feasibility study covering the period of the next three years, a term sheet to be presented to the investor identifying the basic terms of the investment, and an investment agreement to be signed with the investor. Placements shall be deposited in an escrow account to be released upon reaching the targeted capital, or otherwise returned to the investors with the accrued interest.” ^[34]

4.4 Lending

Online lending in Lebanon is not regulated explicitly. Lenders must obey all applicable lending rules and regulations stated by the central bank, including the Code of Money and Credit requirements.

The BDL does authorize only financial firms and banks as well as specialized lending firms, to engage in lending activities.

Furthermore, the Banque du Liban “Basic Circular 124/2010 on Transparency, Conditions, and Means of Credit” imposes some restrictions on regulated lending institutions such as:

- “ Any direct or indirect advertising for loan activities must be clear, thorough, and accurate, and must not mention any benefits or services that are not accessible (example: 0% interest, overdraft, weekly instalments).
- The institution's contract and application forms must be clear, comprehensive, and accurate.
- The institution must guarantee that specific criteria and requirements, such as the credit's currency and duration, are stated in the application forms.”^[35]

Also, licensed financial institutions that wish to conduct e - banking or business activities using applications or software on fixed electronic machines must register with the BDL and get its authorization to do so. In addition, the law of “Electronic Transactions and Personal Data” is applicable to online lending. But, the regulations aren’t established yet.

4.5 Payment services

To transfer money electronically, Lebanon's Central Bank is in charge. Thus, BDL-licensed institutions exclusively execute electronic payments and money transfers.

In addition, inter-bank transactions via smart phones are restricted. Unless the transfer request is accepted by the bank as a transfer from a client, in which case the relevant bank must confirm that the transfer request conforms

with applicable rules and regulations and that the transaction is completed entirely using conventional means (via SWIFT).

4.6 Cryptocurrencies

The Central Bank of Lebanon took a negative position against cryptocurrencies and has urged Lebanese banks and financial institutions against using them unless proper rules and regulations are implemented.

4.7 FinTech's structure in Lebanon

Local banks, as well as registered financial and insurance companies, provide FinTech services and products that are licensed and recognized as a joint-stock company (s.a.l).

Many unlicensed FinTech services and products are provided by emerging entrants to the market and mainly "start-ups" that are also structured as a S.A.L or a limited liability company.

Furthermore, Lebanese FinTech won't pose any risk to existing banks and financial institutions encouraging FinTech start-ups and banks to collaborate with the release of "Intermediate Circular 331".

Finally FinTech innovations are embraced by Lebanese banks, and FinTech startups are being invested in.

Financial service providers. The Central Bank of Lebanon, on the other hand, appears to be encouraging FinTech start-ups and banks to collaborate with the release of "Intermediate Circular 331".

Finally FinTech innovations are embraced by Lebanese banks, and FinTech startups are being invested in.

5. JORDAN



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Jordanian FinTech is still in its adolescence, but it is increasingly rising. Local companies are putting in place programs to pay bills online or even accept payments from smartphones. Meanwhile, the government is working on a plan to digitize Jordanian currency in order to reduce the volume of cash in circulation.

FinTech is actively sought after in Jordan's governmental and private sectors, and the country encourages the use of FinTech in daily activities. Moreover, FinTech products are being integrated into governmental facilities and the financial system by Jordan's Central Bank (CBJ). This creates several prospects enabling FinTech companies to establish themselves throughout the region.

5.1 Regulations

E-payments and other categories of online payment systems are governed by the Central Bank of Jordan. In accordance with E-Transactions Law number 4, which was approved in 2015, Electronic payments are permissible, and e-signatures are allowed for the completion of business operations.

The Central bank has steadily provided legislation and guidelines governing FinTech services and their use, especially by local banks and financial services providers, in anticipation of the growth of FinTech in Jordan. This year, a new law aimed at regulating third-party payment processors will be issued.

5.2 eFAWATEER.com

In 2015, a collaboration between the CBJ and Madfoo'atcom FinTech firm led to the launching of eFAWATEER.com that enables Jordanians to continue using electronic payments. The CBJ owns it, and

Madfoo'atcom manages and operates it. This method helps customers in managing and settling all kinds of invoices, using online and mobile banking, including ATMs.

As part of its vision to digitize Jordanian currency, Jordan wants all government taxes, fines and bills to be settled online.

5.3 Mobile wallets

Jordan's mobile financial services also saw significant development, with more than seven hundred thousand of e-wallets on smartphones in 2020, according to official figures. Also, this accounts for approximately ten percent of the cellular network subscriber's base, "with a total market value of 88.1 million US dollars, which constitutes a significant increase from 26.7 million in December of 2019".^[36]

Another factor is the deployment of mobile wallet apps by telecommunications companies to enable their clients to conduct transactions such as "top-ups" and online bill settling. Jordan is mostly a prepaid smartphone market, with around 80 percent of the population using monthly contracts. As a result, the "top-up" operation is essential for maintaining users and keeping them linked.

As a result, the Jordanian Central Bank is attempting to provide financial services to the "unbanked" by launching the online smartphone wallet that encourages users to transfer money from their mobile wallets to the wallets of others.

Finally, users are able to benefit from a mobile wallet on any device to make payments or withdraw cash, by only contacting their local telecommunication service operator.

6. SAUDI ARABIA



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The Kingdom of Saudi Arabia has the capacity of becoming a global FinTech center. It represents the MENA region's economic powerhouse and has a large, youthful population, as well as the world's highest smartphone usage rate (65 per cent).

Saudi Arabia's economic diversification is a primary objective of “Vision 2030 and the National Transformation Program 2020”, mainly to reduce its dependence on oil. Therefore, the approach will be based on the implementation of technology.

The surge in Fintech in Saudi Arabia has prompted the country’s Capital Market Authority and the Saudi Arabian Monetary Authority (SAMA) to launch new initiatives and rules to oversee Fintech firms' operations. To serve the Saudi Arabia's Vision 2030 and diversify the economy, SAMA launched applications for its sandbox initiatives in January 2018 to serve the digital market of the Kingdom.

Accordingly, in order to access the Saudi FinTech industry, FinTech businesses will be needed to secure the proper licensing from SAMA and/or the CMA.

In the last two years, licenses given by SAMA and/or CMA have only been in the format of letters with a brief permission to participate in FinTech activities.

Moreover, due to the extreme demand throughout the Fintech industry and the increase in applicants, as well as SAMA's attempts to enforce newer regulations in the Fintech sector, SAMA issued three licensing categories.

6.1 Digital markets

SAMA governs collective investment, which is typically permitted but subject to license and minimum capital limits. The Law on “Finance Companies Control, established by Royal Decree No. M/51 dated 02/07/2012”, and its corresponding legislation govern all financing activities. Since the goal of collective investment is to fund firms, the Finance Companies Law shall be applied. According to the relevant provisions of the Finance Companies Law, financial operations in KSA are prohibited unless the relevant licenses are obtained from SAMA, and that the activity of the company complies with Shariah rules. As a result, every institution wishing to handle investments in order to finance other businesses would become subjected to SAMA licensing requirements.

In order to handle collective investments, the entity who manages the assets should attempt to get the relevant SAMA license. In addition, managing such an investment may subject the manager to further inquiry by the authorities for potential money laundering.

Accordingly, due to these concerns, SAMA will only permit people or businesses to gather sums on the condition that they can present sufficient proof of how they intend to supervise the transactions performed. To be eligible for license, a company should take careful care of any money laundering vulnerabilities as well as disclose those risks to SAMA.

6.2 Crowdfunding:

In Saudi Arabia, equity-based Crowdfunding is permitted under the existing legislation, regulated from the Capital Markets Authority. Every business should request a time limited license for Crowdfunding operations using the Capital Market' platform. Since collecting money is a delicate operation, the institution intending to Crowdfund should offer information as to how it plans to closely watch suspected money laundering operations. After completing the experimental phase, the organization will be awarded a regular license that permits it to conduct equity-based Crowdfunding operations.

Rewards-based Crowdfunding platforms don't need any regulation by the financial regulators, provided that they do not engage in any activity governed by SAMA as well as the CMA. They must conform to the ministry of commerce's and other ministries' regulations.

Reward-based Crowdfunding sites for collecting and distributing money are monitored by SAMA and must meet with Anti-Money Laundering and Countering Financing of Terrorism requirements as well.

6.3 Peer to peer lending:

Peer-to-peer lending is also supervised by SAMA and the Finance Companies Law. The entity must have a license by SAMA and must adhere to Islamic sharia in order to carry out the operations linked to peer-to-peer lending.

The Capital Market Authority regulations apply whenever the business has a responsibility to manage the funds. And since “Management activities” are securities business operations according to the “Securities Business Regulation” promulgated by the Capital Market Authority.

Finally, when necessary licensing is acquired, the company can be authorized to conduct “lending and management operations” in the KSA.

6.4 Payment services

Saudi payment services must automatically apply the Banking Control Law, which is applicable to all banking institutions. Payment services operations would need SAMA licenses such as "PayPal, HyperPay and PayTab".

However, a licensed entity is only allowed to offer payment services if it obtains licenses from: “SAMA, Partners with an entity licensed by SAMA, Appoint a local agent who is already licensed by SAMA to conduct the payment services activities.”[37]

6.5 Laws ensuring data privacy

Regarding giving third parties access to clients' data, the implementation of the Open Banking Policy would allow users to safely exchange personal information with a third party for the purpose of developing novel FinTech services.

Aside from the open banking policy, the KSA has no legislation protecting the rights of customer data. However, the E-Commerce Law that was introduced in 2019 will require institutions to protect their client's and user's data whenever there is an Electronic transaction.

6.6 RegTech in KSA

Regtech is focused on using technology to enable financial institutions to comply with financial services laws. FinTechs may build "RegTech solutions" that help regulated financial institutions to enforce compliance.

Some of the RegTech services and products can be:

- “Software that uses external databases to automate the checks required for KYC / AML activities
- Data analytic tools that are operated by the financial institutions, which automate the analysis of data to find patterns to detect financial crime / fraud
- Software that automatically updates compliance officers on new regulatory requirements that need to be met by financial institutions and prepares compliance officers for upcoming regulation changes
- Tools that can automate the audit of operational data as parts of the internal audit process”.[38]

RegTech solutions won't require any regulation if they don't serve in any regulated activity. Despite this, companies would still have to be in compliance with current laws like financial data regulatory compliance.

Nevertheless, RegTech solutions are more prone to be used by regulated companies, which requires accountability and regulatory compliance in their place of expertise.

6.7 Regulatory Sandbox in KSA

The SAMA & CMA recently built their respective regulatory evaluation mechanism that allows FinTech companies to conduct prelicensing tests of innovative products within a simulated space.

This testing is meant to facilitate the implementation of innovative technologies and operations that are not clearly specified within current legislation.

The KSA regulatory Sandbox is testing multiple products and services such as: “Digital Payments, Financial Information Aggregation, Payment Aggregators, Crowd-lending / Peer to Peer Lending, Digital Savings Associations, and Digital Banking Products”.

SAMA will be monitoring the firms that have been given the testing authorization in order to better regulate or modify current restrictions.

Whenever an activity is regulated. It doesn't qualify anymore for being tested in the Regulatory Sandbox and entities can request licensing.

SAMA's Regulatory Sandbox requires the following qualifying requirements:

- “Demonstrate the products and services provide genuine innovation for Saudi Arabia (differs from existing offerings, uses new technology, etc.)
- Ensure the products and services benefit consumers (and also ensure the risks to consumers have been considered) Ensure alignment to Saudi Vision 2030 and the Financial Services Development Program • Ensure the products and services are ready to be tested in the sandbox
- Have an exit plan in place out of the Regulatory Sandbox”

However, the Regulatory Sandbox is open to:

- “SAMA licensed entities such as banks, remittance companies, insurance groups, etc. that want to test an innovative solution that is not explicitly mentioned in the existing regulation or in an area not covered by their existing permissions.
- FinTech companies based in Saudi Arabia or international FinTech companies with proven technology that have a local presence in Saudi Arabia”.

In 2018, the Capital Market Authority released the “Financial Technology Experimental Permit Instructions” aimed to offer a regulatory environment favorable to FinTech innovation in the Kingdom's capital market.

After checking that their new FinTech service applies with the Instructions, the Capital Markets Authority will provide the Permit to the successful applicants.

The FinTech Lab is being utilized to explore many activities, including: “Equity Crowdfunding, Robo-advisory, social trading, and securities arrangement using distributed ledger technologies.”

Some candidates could have operations that are relevant to both the SAMA Regulatory Sandbox and the CMA FinTech Lab. And, any candidate, even International FinTechs, are welcome to apply to the CMA FinTech lab, provided that they have a business presence in the Kingdom.

6.8 Cryptocurrencies/Initial Coin offerings & security tokens

“Aber” is a novel Cryptocurrency launched by SAMA in collaboration with the Central Bank of the United Arab Emirates (UAE). Aber will enable Blockchain cross-border transactions & transfers between Saudi Arabia and the United Arab Emirates as part of its attempts to examine, develop, and get a better knowledge of Cryptocurrencies and Blockchain technology. Adopting “Aber” would also enable the KSA to compare its results with foreign central banks, ensuring that SAMA-issued Cryptocurrency overcomes whatever challenges that most other products face.

Furthermore, the Saudi Central Bank has signed an agreement with Ripple, a company located in the United States, to launch trial programs for Saudi banking institutions. This scheme aims to fundamentally alter Saudi Arabia's financial system by permitting transactions with digital currency.^[39] Accordingly, the Saudi Arabia British Bank announced at the Financial Sector Conference in April 2019 that it would debut its Ripple-based cross-border payments through blockchain.

As a result, Saudi Arabia's aspirations to develop a digital currency are visible via agreements with the Central Bank of UAE and Ripple.^[40]

6.9 KSA's ambitions

Saudi Arabia's ability to invest in FinTech projects all over the world is a key component of its FinTech ambitions. “The Public Investment Fund”, the world's largest sovereign wealth fund, was launched as part of Vision 2030 as the primary vehicle for these investments.

One of its most notable investments was a hundred billion US dollars investment in Softbank's "Softbank Vision Fund" in 2017. SoFi received US\$1 billion in 2015 and PayTM received US\$1.4 billion in 2017, showing that this Fund will be a big player in the FinTech industry for the foreseeable future.[\[41\]](#)

7. KUWAIT



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Kuwait witnessed limited regulatory developments regarding FinTech. A small number of companies operate in the banking and payment services sector in the country.

Kuwait is rated fourth in the GCC on the Global Fintech Index 2020. The same score was attained in “FinxAr” 2021, the Arab Fintech Index.

The CBK has made FinTech adoption a priority, establishing a FinTech Unit inside the Central Bank and introducing the Regulatory Sandbox Framework in 2018 to foster development and allow Kuwait's financial sector to start testing innovative technologies.

Kuwaiti banks are collaborating with FinTech firms to advance the ecosystem.

The financial sector in Kuwait is revolutionized by the “Law Number 20 of 2014 about Electronic Transactions”, passed by the National Assembly to promote a technology-based economy.

The goal is to replicate conventional paper-based transaction processes in a digitized framework that is supervised, reliable, and stable. The “Electronic Transactions Legislation” regulates electronic binding arrangements and signatures, as well as e-payments.

The Law of 2014 states that, “no individual is forced to accept or authorize electronic transactions without a clear and concise consent that will be concluded through his positive behavior that the case circumstances shall leave no doubt in indicating.” [42]

Due to Covid-19, Kuwaiti enterprises are now giving more tailored services via applications and the Central Bank is upgrading the country's financial IT infrastructure.

Also, the Kuwait National Payment System (KNPS) was introduced. It is a strategic project in conjunction with local banks and payment portals to improve financial system stability and efficiency. This enables for safe testing of new products and services with minimal governmental supervision that does not impede innovation.

7.1 Electronic payments

The Central Bank of Kuwait has the jurisdiction to provide guidelines to its banks and financial institutions on E-payment regulations.

A decision was made by CBK in conjunction with the Ministry of Commerce and Industry that stated that the E-payment activity couldn't be completed without a license. The Electronic Payment Infrastructure Provider or Electronic Payment Agent was granted a payment services license to do so upon the Central Bank's approval.

E-payments are permitted as long as they adhere to the Electronic Transactions Law and the provisions of Law No. 32 of 1968 by the CBK. According to the ET Law, financial institutions that accept electronic payments must ensure "the necessary procedures for the provision of safe services to the customers and maintain the banking secrecy in accordance with the legal standards followed" the safety and protection of their customers' services as well as maintain banking confidentiality.^[43]

7.2 Electronic signatures

Under the ET Law, "The legal effect of the electronic signature shall not be disregarded in terms of its validity and applicability merely because it is in an electronic form". Thus Specific standards for e-signatures are required and the regulator has already defined the practical criteria.^[44]

As provided by the "Law Decree No. 39 of 1980" on "Evidence in Civil and Commercial Matters", digital signatures are valid and can be admitted for proof as long as they comply with the stated law and are approved by a certified institution.

7.3 Data privacy laws

Both governmental and non-governmental agencies are expected to safeguard and protect personal data. The Electronic Transactions Law considers that "governmental bodies, agencies, public institutions, companies, non-governmental bodies or employees cannot unlawfully access, disclose or publish any personal data or information registered in the records or systems of electronic processing related to positional affairs, personal status, health status or elements of the financial status of persons or other personal information registered."^[45]

Once the permission is given, businesses handling personal data should make sure that the information is correct, will be utilized only for the targeted purpose, and also secured against theft as well as release to the public. However, it's indeed unclear whether "personal data" applies exclusively to people or also to business entities.

8. QATAR



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8.1 Regulations

The central Bank is the main regulatory body and also serves as the coordinator of the country's FinTech agenda.

The aspects of the FinTech service provider license that are not subject to financial regulation and supervision are well-defined, as Qatar's Financial Center doesn't handle customer funds. FinTechs licensed as non-financial companies by the Ministry of commerce fall under this category. The regulation and supervision of FinTechs that handle client funds, such as digital banks and robo-advisors, are entrusted to the Qatari Central Bank. Nonetheless, FinTechs accepting to manage customers' assets are deemed businesses that are regulated and will be required to begin with restricted licenses in the Central Bank's regulatory sandbox.

After going through the regulatory sandbox, companies can obtain a permanent business license.

According to a report released by the Qatar Financial Centre Authority and Refinitiv, “around 80% of FinTechs do not require regulation, as they build technology like APIs (application programming interfaces), AI (artificial intelligence), and Blockchain, as long as they deliver these products straight to banking and financial firms.”[46]

8.2 Regulatory Sandbox

The central Bank of Qatar is aiming to establish a regulatory sandbox in 2021, by offering a lenient regulatory setting for companies to test their fintech products.

FinTech companies will be able to operate in the sandbox for up to twelve months, and they will be granted a restricted license that limits:

"The number of customers or application users, the number of daily transactions, the maximum value per transaction, the value at risk, and the value of funds held by the institution".

Also, Qatar’s Fintech Hub can admit promising FinTechs straight into the Central Bank's regulatory sandbox, bypassing the incubator and accelerator programs.

8.3 Blockchain:

The Qatari Central Bank, “is exploring the use of blockchain within the existing regulations.”[47]

8.4 Payment services:

Payments services is the fastest-growing market in the area, and it is a priority in the Nation's FinTech Agenda. As a result, the Qatar Central Bank has targeted the Payments industry and launched a sophisticated payment system in 2019, including a smartphone e-wallet and QR code-based solutions.

While payment platforms in Qatar are still in their adolescence, digital and contactless payments are quickly expanding. Payment solution providers have an opportunity to get access to the country's growing market of online merchants and e-commerce platforms.

8.5 Qatar’s position

The Central Bank announced various measures aimed at regulating the FinTech sector in Qatar, all while prioritizing customers and the stability of Qatar's banking and financial sector. We’ve also noticed the country’s interest and focus on Islamic FinTech and Islamic RegTech. Thus, incorporating Islamic law into innovative technologies.

Accordingly, the Qatar Fintech Hub has established global ties with FinTech centers that were highlighted before in this study. The authority also benefits from FinTech bridges or MoUs with FinTech regulatory bodies worldwide.

Qatar is following the lead of other Middle Eastern states such as the UAE, the Kingdom of Saudi Arabia, and the Kingdom of Bahrain in implementing similar rules. However, the FinTech revolution is still in its early phases.



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The FinTech sector in Oman is on the rise. It is being adopted gradually since it provides a big potential for developing financial services in the Sultanate. However, the steady pace of FinTech development is attributable to a weak consumer understanding and confidence in the industry.

9.1 Regulations

According to the Banking Law 2000, the Central Bank of Oman (CBO) is the primary regulatory and supervisory body for financial institutions, including banks, finance and leasing companies, exchange companies, payment service providers, and, in the future, FinTechs.

Despite that the existing banking and commercial laws are presumably applicable to FinTech activities, no legal precedent describes the standards for FinTech operations, since they are until now not explicitly defined.

The Sultanate's Electronic Transaction Law regulates most types of e-transactions and defines them as "Any act or contract drawn up, fully or partially, using electronic information communicated via electronic means is an electronic transaction". Accordingly, all payment transactions made via smartphone applications and digital wallets will be subject to the stated law.

Furthermore, the ET Law requires that every digital payment must adhere to specific evidential, authenticating criteria and special operating protocols to be considered "legitimate".

Also, as part of a drive to increase transparency in the country's online transactions, it requires the Information Technology Authority and the Central Bank to jointly create a system and framework for handling e-payments.

9.2 Creation of Fintech Innovation Hub:

The Central Bank of Oman's Fintech Innovation Hub will promote local and international talent by putting up an incubation and acceleration center and programs in conjunction with investment and funding agencies, financial institutions, technological partners, etc.

The Central Bank of Oman has issued a draft cloud computing framework for the banking and financial sectors, which includes specific guidelines for licensed financial institutions in the Sultanate to use cloud services effectively in order to provide banking and financial technologies products and services.

9.3 Oman's Sandbox

The Central Bank of Oman established the FinTech Regulatory Sandbox in December 2020, allowing financial institutions, startups, and local and foreign financial technology businesses to properly trial their innovative products and services.

9.4 AML and the adoption of e-KYC and customer digital services

The Anti-Money Laundering law carries repercussions on FinTech businesses since all financial organizations need to execute a series of procedures that include AML controls throughout all their activities.

The adoption and use of e-KYC is one of the primary efforts that will assist financial institutions in their digital transformation journey by establishing an electronic Know Your Customer platform (eKYC).

In addition, the National eKYC platform will allow financial institutions and new FinTech entrants to quickly enroll and verify their clients' identities. This project is vital in maintaining market integrity, financial inclusion, and economic progress while also adhering to the Financial Action Task Force's (FATF) worldwide financial regulations for money laundering and terrorism funding.

9.5 Strategy for Open Banking APIs

Open banking is a modern technology breakthrough in finance and banking that allows licensed financial organizations to safely share data with other parties online.

The Central Bank of Oman is currently developing an internal strategy for the sector's Open Banking API strategy.

9.6 Data Protection and Cybersecurity

The CBO is now working on a cloud computing system that will incorporate certain data security measures. The applicant must meet some general standards, such as establishing a comprehensive information technology and information security policy that includes (data categorization and a suggested strategy and procedures for data protection). Additionally, in accordance with the legal obligations outlined in Banking Law Article 70, data shall not be shared with a third party unless the consumer expressly consents. Furthermore, the Government is considering a Data Protection Law.

Challenges and solutions



<https://unsplash.com/photos/1T0If2BgztA> Middle Eastern countries sometimes take time to adopt international standards or to update their legislative frameworks, which eventually causes some uncertainties about how rights and responsibilities can be enforced regarding the implementation of FinTech. The differences in language and culture would also constitute a barrier to the development of an economy.

Accordingly, Shari'a law has been adopted to different extents by several Middle Eastern countries, and it is considered the foundation for their laws, as well as the legislation in the Kingdom of Saudi Arabia.

However, Islamic Law imposes stringent penalties for a wide range of "decency" related offenses, like limitations on certain online content.

On the other hand, unique licensing regimes have been established throughout the MENA region to address uncertainties in the finance industry. For example, the Emirates has created a special framework that adopts Common Law rules in its free zones, which will definitely ensure greater trust in business transactions.

Furthermore, as Islamic financing regulations evolve, they can now be applied to FinTech products and services.

Some Central Banks in the various countries we are researching require licensing from banks in order for FinTech activities to take place and fall under their jurisdiction. In others, FinTech firms can operate without a specific license.

Certain jurisdictions in the region do not require special licensing for the establishment of FinTech activities, while other countries require a banking license for FinTech businesses to be fully operational. This will enable Central Banks to keep this kind of activity under their control and supervision.

A financial services license provides the confidence and legitimacy needed to achieve accessibility to newer marketplaces and consumer platforms.

Similar to "sandbox" models employed by many countries, the financial regulatory body in the United Arab Emirates' financial free zones has created a pathway where unique regulatory frameworks are given to FinTech businesses with a trial license to test the offered products or services.

Furthermore, financial technology companies (FinTechs) have to face substantial regulatory hurdles. They will need to wait for a good period of time and spend a large sum of money to obtain a banking license. Partnership opportunities with existing banks,

on the other hand, remain widely publicized in the Arab World and are commonly regarded as a way of obtaining regulatory approval. Many banks now offer digital platforms, allowing them to collaborate with FinTech startups. There are also international licensing options that enable companies to acquire a license abroad to enhance the user's experience and guarantee the product's or service's integration into new market places.

1. Limited Regulatory Frameworks:

It should be noted that, few are the countries in the region that possess laws targeting FinTech innovations besides e-payment services.

Furthermore, although there are regulatory frameworks that support this kind of financial technology, like free zones in the United Arab Emirates, expanding the established FinTech companies is challenging since it would need acquiring a separate local license in order to successfully reach prospective consumers.

2. Difficulty of engagement:

2.1 Language barriers and slow Government action

Many companies have struggled in the past to find the right audience to help them enter Middle Eastern markets due to language barriers and limited resources.

Therefore, governments and their institutions are quickly reacting and moving quickly to show their support for FinTech, especially in the UAE.

This reflects the importance of FinTech in governmental policies to ensure the development of new technologies as well as the necessity for the transition towards an economy based on business investments rather than natural resources such as petrol.

The Middle East's youth demographic means that new technologies are strongly endorsed in the region.

Some governments in the Middle East have devoted resources to forming FinTech networks and endorsed the adoption of that industry, they showed readiness to collaborate with both new and existing participants.

3. Foreign ownership laws: a barrier to foreign investors

Non-national (or non-GCC) shareholders are only allowed to own a certain percentage of a company in some nations. As a result, entrepreneurs will hesitate in spending their money to invest if they have no trustworthy national partnerships and connections.

Nevertheless, foreign investment is increasing in many countries, such as the UAE and Qatar including Saudi Arabia, and restrictions have been lifted in a few sectors. In reality, most investing companies seek to deal with regional stakeholders when doing business.

Additionally, in the UAE, incorporating in a free zone is considered an option but is necessary since business activities taking place beyond the free zone will face arising challenges.

4. Cyber and privacy laws

Cyber incidents are making headlines around the globe and can create considerable disruptions as well as destroy credibility. These risks are taken into consideration by executives around the world.

Due to the Arab countries' geographic proximity to regional instability, there is a heightened sense of interest by the media which is stressing that business would be vulnerable in the region. Therefore, in order to combat that vulnerability, privacy laws have been created for the preserving of national security. Furthermore, financing of terrorism is still a major issue throughout the area, and legislation addressing these concerns would impede FinTech development.

It should be noted that, multiple countries in the region have enough resources to shield themselves like any developed country.

Furthermore, we observe that local businesses regularly use foreign data hosting services, such as Amazon Web Services, within the EU.

Moreover the scarcity of effective data protection regulations will help keep compliance expenses down during setup process while ensuring adequate disclosures to consumers and financial institutions on data uses. Finally, data storage should conform to worldwide solutions in order to keep it safe and secure.

5. Intellectual property hurdles

5.1 Undeveloped Intellectual property legislations and their enforcement:

In the Middle East, there are IP protection laws in place, and brand rights are well recognized. Also patents that cover the entire GCC region are available.

In comparison to several other countries, the inspection and enforcement regime for copyright, industrial design, and patents is still under development. Consequently, FinTech entrepreneurs might refrain from investing money in decentralized systems.

The widespread of “open source code, the use of third-party developers, and the collaborative environment”, contributed in making intellectual property a major concern for FinTech engineers.

Furthermore, it is likely that entrepreneurs will look at patents in industrialized nations such as the United States, the European Union and Japan. This would provide them better protection against international piracy. Also, Innovators may use other techniques to safeguard their IP like “trade secret protection”^[48] as well as “digital rights management” ^[49]

6. Anti-Money Laundering laws (AML) and Sanctions Risk

Due to the rapid innovation that is happening and the development of Blockchain and increased use of crypto currency, countries around the world and especially in the Middle East are facing challenges in tracing the money. As a result, compliance costs are rising, and business owners will have to endure substantial expenses regarding "KYC/CDD" inspections and also mitigate any risk exposure.

Accordingly, regulators are faced with a risk to be sanctioned when it comes to complying with AML.

Therefore, governments are working towards, the adoption of new technologies to ensure transparency and the prevention of financial criminal activities. RegTech is also being implemented in several projects in the area to achieve that goal.

Conclusion

In the last few years, we have witnessed the booming of FinTech activities throughout the MENA region.

Worldwide officials are attempting to build a conducive regulatory system for FinTech businesses and help in the development of platforms through innovative regulations based on State- led attempts to broaden their economies away from dependency on government expenses.

As a result, a key component of this approach is to create an environment that is able to attract and support international firms within their respective countries.

Based on the mentioned earlier in our study, the Emirates and the Kingdom of Bahrain are in the early phases of their aspirations in becoming the powerhouse of Financial Technology of the region. Other countries of the Middle East are following their footsteps and it is yet to be seen if Bahrain and the UAE's policy objectives and FinTech initiatives will successfully be able to develop a flourishing FinTech environment. Moreover, stakeholders are collaborating with regulatory agencies from all over the world to share information and discoveries on FinTech developments, and also assist startups and help growing firms evolve in their countries and expand into other jurisdictions.

The establishment of direct links between regulatory bodies and governments are becoming more frequent, and regulators are busy conducting Memorandums of Understanding (MoUs) on FinTech policy.

The “Financial Conduct Authority” of the UK and the “Monetary Authority” of Singapore are top regulators in the world when it comes to forming meaningful FinTech relationships with other regulatory organizations utilizing these bridges. Certainly, information sharing between countries will aid in the development of a prominent local FinTech industry.

Finally, the MENA region has a lot of potential when it comes to implementing FinTech regulatory frameworks, which will enable these countries to attract foreign investments and provide assurance to companies interested in doing business there.

Efficient, innovative, and progressive regulations are critical to guaranteeing a business-friendly and appealing innovation hub.

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