MENA FinTech LAW

THE FUTURE OF LEGAL FINANCE IS NOW

MENA FINTECH LAW YEARLY REPORT

2022

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Introduction and Overall View

The rapid development of innovative technology in growing economies like the Middle East, coupled with regulators' proactive engagement in establishing regulatory sandboxes and innovation offices, 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 East and North African FinTech Regulatory Revolution

A high-quality policy environment is necessary but not sufficient for fintech development. Nations with poor policy indices that reflect the presence of legal and regulatory frameworks appropriate for digital financial services typically have low levels of fintech activity. In contrast, countries with strong indices have a far wider range of fintech activity. Moreover, our findings reveal contradictory tendencies concerning the impact of industry-specific laws and regulations. For example, electronic know-your-customer (e-KYC) frameworks like e-money, digital IDs, and e-signatures are favorably correlated with fintech activity. However, consumer protection legislation has a negative relationship.

These tendencies of technology-driven automatization and reconfiguration and the establishment of open digital infrastructure have been either promoted by or impeded by the regulatory attitude in various countries.
How regulators address new business entry and the development of new business models made possible by technological factors is crucial. Therefore several common methods can be used, including testing and learning and efficient regulation.

After the 2008 financial crisis, when traditional banks were widely viewed as having failed society, various government agencies softened their stances on new types of financial institutions and services, such as digital banks/neo-banks, new payment systems, and alternative lenders. As a result, marketplace lending arose between banking and capital markets regulation. However, some improvements can only be implemented with the help of supportive legislation or policy.

FinTech has flourished in the MENA region despite the region's varied regulatory agendas, cultural norms, and market circumstances. Many authorities consider FinTech as a tool to enhance financial inclusion and economic progress for a population of over 400 million that is underserved by the present financial system [51]. However, many regional authorities are still figuring out how to achieve a balance between encouraging innovation and safeguarding consumers.

As a result, regulations are at varying development points across the area.

FinTech Landscape in the MENA

The MENA region has proven to be a promising market for digital banking. The Milken Institute reports that as of April 2022, more than 465 fintech businesses are operating in the region, up from just 30 in 2017. This fast expansion coincides with eased regulations and increased funding for financial technology.

It has taken the Middle East longer to implement contemporary banking standards, making the region's digital banking sector fall behind Europe and North America. There is a great deal of diversity in terms of geography, resource issues, and standard of living. This results in a wide variety of regulatory methods and a wide variety of regulatory goals. However, with the emergence of foreigner-friendly measures like financial-free zones, FinTech businesses in the region are now free to operate following international norms, allowing quicker innovation.

Since the pandemic began, many regulatory agencies have launched or prioritized digital infrastructure projects, RegTech/SupTech solutions, innovation offices, and regulatory sandbox activities.

- **The Unbanked Population and The Importance of Financial Inclusion :**

Although the motivations for financial inclusion differ for every country in the MENA region, it is still one of the region's top goals. Only 41% of people in MENA have access to banks and other financial institutions. This means that a sizable population in the MENA region does not have access to these institutions.

While there has been significant growth in several industries around the Middle East and North Africa (MENA), a recent analysis indicated that banks in some MENA countries are still taking a "wait and see" attitude to developing agreements with FinTech companies.

To accommodate the expanding FinTech sector and speed up the delivery of digital financial services (DFS), regulatory authorities in the MENA region have introduced new laws and launched regulatory innovation projects. Seventy-five percent of MENA's FinTech businesses are headquartered in just eight countries: the United Arab Emirates, Egypt, Morocco, Bahrain, Tunisia, Jordan.

The governments of several nations, but notably those in the Gulf Cooperation Council - GCC, have made FinTech a priority. The emergence of the financial technology sector in the United Arab Emirates may be attributed in large part to the creation of FinTech-friendly ecosystems in the country's economic free zones, most notably Abu Dhabi Global Market (ADGM) and Dubai International Financial Centre [50][52].
As governments work toward economic diversification and lessen their dependence on natural resource resources, they have contributed to the growth of FinTech by investing in the sector themselves.[50][52]

The result has been a steady growth in FinTech investment by sovereign wealth funds like those of the United Arab Emirates and Saudi Arabia. Central banks in MENA, such as Egypt's Central Bank, development banks, such as Bahrain's Development Bank, and public-private partnerships with venture capital are also working to foster the region's FinTech industry.

- **Tech-based Infrastructure :**

The MENA region is at the forefront when it comes to innovative ideas and regulatory attempts to address a wide range of problems. Legal and regulatory change in favor of FinTech has recently been made possible by a combination of factors, including a range of regulatory frameworks, a wide focus on financial inclusion, and backing from various levels of government.

There are notable variations in regulatory goals and digital infrastructure between MENA countries. For example, while the Gulf Cooperation Council (GCC) states have a robust digital infrastructure thanks to supportive regulatory frameworks, centralized government initiatives, and a sufficient pool of talent, other states in the MENA region are still developing a highly diversified infrastructure.

Despite differences in regulatory objectives, geographical locations, cultural norms, and economic conditions, FinTech activity has increased across the MENA region. It is considered as a tool to promote efforts for financial inclusion and economic growth.

However, many regional authorities are still working to encourage innovation and safeguarding consumers; thus, regulations are currently in varying stages of development.

While technological advancements have a profound impact on the delivery of conventional banking services, they have also paved the way for new players in the alternative financial services market. The widespread adoption of various forms of financial technology, such as peer-to-peer lending, in several Middle Eastern and North African countries provides proof of this.

- **The Impact of Covid-19 :**

In light of COVID-19, it was not surprising that regulators in MENA started viewing FinTech as a higher priority.

Since the pandemic began, some regulatory agencies have launched or prioritized digital infrastructure projects, RegTech/SupTech solutions, innovation offices, and regulatory sandbox activities.

The urge to overcome these low levels of financial inclusion led to considerable legislative actions, with a heavy focus on electronic mobile wallets and innovation in payments and remittances.

In Egypt, for instance, regulatory measures have been undertaken to modernize the fintech industry, whereas, in Jordan, electronic mobile wallets were introduced to minimize financial exclusion.

Challenges and Solutions

Middle Eastern countries sometimes take time to adopt international standards or to update their legislative frameworks. This eventually causes some uncertainties about how rights and responsibilities can be enforced regarding the implementation of FinTech. Many regulatory hurdles have been discovered despite the burgeoning growth of FinTech in Middle East and North Africa (MENA). These are often more obvious in regions that have not yet developed the infrastructure for FinTech operations or have not fully scaled up their regulatory responses to the expanding sector. Today, initiatives like the Arab Monetary Fund's FinTech Working Group are a welcome development that should foster regional collaboration and increase our knowledge of these issues.

Concerns have also been raised about how expansion into new markets, like peer-to-peer lending, might expose consumers to previously unknown dangers. Additionally, the COVID-19 epidemic posed several difficulties for authorities in the MENA region.

Lebanon, the United Arab Emirates, Bahrain, the Kingdom of Saudi Arabia are at the forefront of developing bespoke regulatory regimes for crowdfunding, typically with both conventional and Shariah-compliant platforms. However, many other markets either do not allow or severely restrict firms from engaging in such activities. Even though there has been some international coordination of regulations in the region, some still question its efficacy. It is unknown yet if the institutions in place are adequate, particularly concerning information exchange and the monitoring of enterprises with activity in different countries, despite the rising emergence of memorandums of understanding and FinTech bridges.

Scaling up the industry in the area faces many challenges: it is hard to insure the quality of infrastructure and difficult to recruit talents and retain them.

FinTech in the MENA region has additional difficulties due to the region's specific demographic makeup. For example, because regional or local firms outnumber international firms, the latter often have difficulty figuring out how to do business in the region, gaining access to the services and infrastructure they require, and evaluating how to operate in a regulatory environment that is both complex and inconsistent.

As a result, regulatory authorities should be aware of the potential for more significant obstacles to be encountered by foreign firms. The absence of regional harmony might make scaling and reaching profitability more challenging, especially in nations with tiny populations and low levels of activity in internal markets. Moreover, if one-size-fits-all solutions are used, excessive FinTech regulation may hinder development.

FinTech has come a long way, but it still faces many obstacles.

Financial and digital financial illiteracy are often highlighted as persistent barriers to the development of the FinTech industry.

- **Limited Regulatory Frameworks :**

Although there are regulatory frameworks that support this kind of financial technology, unique licensing regimes have been already 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.

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.

Furthermore, financial technology companies (FinTechs) have to face other hurdles. They will need to wait for a good period of time and spend a large sum of money to obtain a banking license.

In addition, the uncertainty of whether an exclusive license would be required to conduct FinTech operations in specific market sectors has been a challenge in some countries due to regulations mandating that non-banks are not authorized to offer financial services. As a result, 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.

- **Regulatory Fragmentation :**

Regulatory fragmentation is a possible problem, both locally and regionally. Shariah law has been adopted to different extents by several Middle Eastern countries. Some consider it the foundation of their laws, like the legislation in the Kingdom of Saudi Arabia. As a result, Islamic Law imposes stringent penalties for a wide range of "decency" related offenses, like limitations on certain online content.

It is very challenging for businesses to expand their operations into other regions because there is much variation in the laws that govern different parts of the market, making it difficult to make informed business decisions. Accordingly, economic free zones allow authorities to construct supportive regulatory frameworks that incentivize FinTech but do not grant a passport to any other jurisdiction, which poses other hurdles for companies that are trying to expand in the region .
It is the case for the relatively new and unproven digital credit lending and crowdfunding fields.

- **Difficulty of Engagement :**

- *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 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 and the necessity for the transition towards an economy based on business investments rather than natural resources such as petrol.

- **Diversity and Expats :**

There is a great deal of diversity in the MENA region regarding geography, demographic issues, and standard of living.

- **Expats and FinTech :**

The Middle East and North Africa (MENA) have some of the most populated expat communities in the world, making international remittances a vital topic. The Gulf Cooperation Council (GCC) is responsible for as much as 18% of global remittances (particularly to countries like India, Pakistan, and the Philippines). Furthermore, the remittances industry used to be highly monopolized, charging exorbitant rates and fees; this encouraged disruptive FinTech firms to enter the market in areas where they were allowed to increase consumer choice [50].

However, problems with electronic know-your-customer procedures and digital onboarding are also relatively common. While some MENA nations, like the United Arab Emirates (UAE), have implemented national digital identification initiatives that include e-KYC and the facilitation of access to financial services, others are currently developing their approach to these issue [55].

We are observing a wide variety of techniques and aims for the different types of regulations.

- **Youth Demographia :**

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.

- **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, while it is true that incorporating in a free zone in the UAE is considered an option, business activities taking place beyond the free zone will face arising challenges. The latter makes business in the free zone necessary.

- **Cyber and Privacy Laws :**

Cyber incidents are making headlines around the globe and can create considerable disruptions as well as destroy credibility. These risks must be addressed by regulatory authorities. For example, customers worry most about their personal information and its protection. Hence, third-party cloud computing and storage providers, data sovereignty and security rules, and the development of national cloud plans are all factors that have pushed cybersecurity up the agendas of financial regulators [56]. Evidently, more robust consumer safeguards and data privacy regulations will be needed as the payments industry, and e-commerce solutions continue to expand. There is a need to improve minimum disclosure standards for marketing financial products and services. Hence, financial consumer protection should be better aligned with global regulations .

Due to the Arab countries' geographic proximity to regional instability, there is a heightened sense of interest by the media stressing that business would be vulnerable in the region. Therefore, in order to combat that vulnerability, privacy laws have been created for the preservation of national security. Furthermore, money laundering and terrorism act financing is still a major issue throughout the area, and legislation addressing these concerns would impede FinTech development. It should be noted nonetheless that multiple countries in the region have enough resources to shield themselves, just like any developed country.

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

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.

- **Intellectual Property Hurdles :**

- 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]

- **Anti-Money Laundering Laws (AML) and Sanctions Risk :**

Among MENA nations, regulatory support for e-KYC was the most frequent response. The 2018 introduction of Jordan's Central Bank's regulatory sandbox is an example of how a regulatory innovation effort was adapted in response to the pandemic.

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 AML compliance. 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.

- **The Need of a Digital Infrastructure :**

While the Gulf Cooperation Council (GCC) states have developed digital infrastructure thanks to supportive regulatory frameworks, centralized government initiatives, and a sufficient pool of experienced people, other counties in the MENA region are still developing. Therefore, regional regulators should focus more on this sector as the quality of digital financial services is affected by digital infrastructure [56].

- **The State of RegTech and Suptech :**

Some examples of RegTech and SupTech are the automated license application procedures in ADGM and the machine learning-based anti-money laundering measures in Bahrain. SupTech has also been implemented by certain regulatory bodies, such as the Central Bank of Bahrain, which has moved its model to the cloud and made significant investments in cyber security and digital infrastructure. In addition, the growth of the MENA FinTech industry has been aided by the availability of regulatory initiatives like sandboxes and innovation offices.

Authorities in the MENA region are likewise keen on working with their global counterparts. Several countries have joined the Global Financial Innovation Network, including the Central Bank of Bahrain and the Dubai Financial Services Authority, which are part of GFIN's Coordination Group. Furthermore, ADGM was the first non-ASEAN regulator to join the ASEAN Financial Innovation Network. In addition, authorities in the Middle East and North Africa region opened representative offices in countries in the APAC region like Singapore and signed many memorandums of understanding (MoUs) to facilitate cooperation on FinTech-related initiatives.

FinTech Regulations in the MENA
A Case-by-Case Study

THE UNITED ARAB EMIRATES

The UAE is fostering 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 has become a center for the Middle East and 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 aim 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 Dubai International Finance Centre (DIFC) is the domicile of an internationally renowned, independent regulation authority, a well-established judicial system based on English common law, and 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 workspaces, a network of professionals with the same mentality, and a supportive regulatory environment.

The Abu Dhabi Global Market (ADGM) has established the FinTech Regulatory Lab (RegLab). This custom-made legal framework 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 world's second most successful FinTech sandbox. 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. In addition, 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 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). After consulting with the candidate, the latter evaluates proposals and decides what laws are applicable and which rules are disregarded or amended.

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

FinTech companies can get a 'Developing Financial Technology Services' (DFTS) license from the RegLab for a limited period 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 its 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 through training and discussion panels, mentorship, and the possibility of meeting new investors.

The FinTech Hive and The ADGM RegLab are incubator-style institutions providing 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. Their 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 the world's finest FinTech hub and the top hub in MENA.[11]

The ADGM has many 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 and the DFSA, and it 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. However, 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 to provide an understanding of its regulations and consider any new initiatives.

In January 2017, the Securities and Commodities Authority of the UAE announced that it would introduce a regulatory sandbox that would 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.”

Blockchain Landscape in the UAE

The UAE has established the Emirates Blockchain technology initiative 2021 and 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, before 2022 licenses were 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 other capital-raising purposes.[19]

On December 12, 2022, the Cabinet of the United Arab Emirates issued Resolution No. (111) regarding the regulation of virtual assets and their service providers.

The decision aims to regulate the virtual assets sector in the country and its compliance with the provisions of anti-money laundering and counter-terrorism financing. This decision applies to all activities related to virtual assets in the country, including free zones. However, it does not apply to operations within financial-free zones, i.e., those subject to Federal Law No. (8) of 2004, digital papers and contracts subject to special regulations, and virtual assets under Central Bank jurisdiction.

Accordingly, several services are subject to the Securities and Commodities Authority's license, including operating and managing virtual asset platforms and all exchange, transfer, preservation, management, display, and sale services related to these assets. The license applicant must not have any criminal record and must not be subject to penalties related to terrorism and money laundering. In addition, he must have specific competencies associated with the technical systems used and capital requirements. Punishment for non-compliance with the Authority's decisions includes warning and suspension of business and fines imposed on profits.

ICOs

In the UAE, cryptocurrencies were 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 cryptocurrencies because of their complex and ambiguous legal nature. It may also focus on components of an Initial Coin Offering 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. However, 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 that certain aspects such as selling 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 worldwide. Furthermore, the Blockchain initiative would digitize all of Dubai's governmental operations and create tons of potential technological and business prospects.

- Abu Dhabi (ADGM)

The Financial Services Regulatory Authority (FSRA) issued guidance applicable to those considering offering virtual assets. The guidance has been modified many times, most recently in February 2020. The FSRA decides whether a coin or token offering – still referred to as ICO by the FSRA – is subject to the financial Services and Markets Regulations. Tokens may be considered securities by the FSRA under FSMR 58(2)(b). Accordingly, if an ICO is released to the public in or from the ADGM, it must conform to the FSMRs. Tokens considered securities by the FSRA are subject to the prospectus requirements of Section 61 of the FSMRs and AML and KYC regulations.

However, if an ICO is launched overseas but sold to the public in the ADGM, the FSRA must be consulted unless ADGM purchasers are prohibited from participating.
This latest Digital Securities Guidance indicates that digital securities issuers should thoroughly address both primary and secondary market situations. However, due to the insufficient integration of primary and secondary markets for digital securities, the issuer is additionally required to seek admission of the digital securities to trade on multilateral trading facilities and recognized investment exchanges operating in the ADGM.

Trading tokens classified as digital securities should be regulated for market intermediaries or operators, such as cryptocurrency exchanges. As a result, they will be regarded as holders of financial services licenses, recognized investment exchanges, or recognized clearing houses.

According to the FSRA, a secondary market cannot currently offer digital securities issued outside the ADGM. Also, enterprises' tokens to form a blockchain investment fund may be considered units in a collective investment fund subject to the ADGM fund guidelines.

The ADGM Financial Services Regulatory Authority's Response towards the Rise of NFTs

According to the FSRA's consultation paper No. 1 of 2022, titled Proposals for Enhancements to Capital Markets and Virtual Assets, the FSRA recognizes the rising importance of NFT markets within the overall market for digital assets. The consultation paper considered NFTs analogous to intellectual property rights over original works and mentioned that they might not become Specified Investments or Financial Instruments. Currently, the FSRA does not intend to create a formal regulatory framework for Non-fungible Tokens (NFTs).

Still, it is open to allowing NFT operations to be conducted under ADGM in specific circumstances, such as when an MTF intends to run a market for trading in Non-Fungible Tokens. However, only regulated and active MTFs/Virtual Asset Custodians, where both operations are carried out under the Abu Dhabi global market, can engage in such activities.

Anti-money Laundering and sanctions rules may also apply to ADGM enterprises, regardless of whether they are engaged in regulated activities. These businesses should be aware that transactions in NFTs may also require them to register with the FSRA as a Designated Non-Financial Business or Profession.

The consultation paper concluded that Financial Services Regulatory Authority (FSRA) will continue to monitor market trends and ensure that ADGM plays a recognized leadership role in the financial sector, both regionally and globally.

The FSRA intends to revise its "Guidance - Virtual Asset Activities in ADGM" to incorporate significant changes.

- **Dubai**

Virtual assets are now subject to regulation under the Dubai Virtual Assets Law (the "DVAL"), passed by Emirate of Dubai Law No. 4-2022 on 28 February 2022.
A new autonomous body, The "Dubai Virtual Assets Regulatory Authority" (the "VARA") has been established as part of the Dubai World Trade Center Authority to regulate, license, and control virtual assets, non-fungible tokens (NFTs), and cryptocurrencies.

The DVAL defines a virtual token as a "Digital Representation of a Group of Rights which can be issued and Traded Digitally through a Virtual Asset Platform (a platform operated by a virtual asset provider licensed by VARA)"
Virtual asset regulator VARA will monitor digital transactions and protect consumers' personal information. This body will issue permits and rules for businesses on Dubai's mainland and the Free Zones excluding the Dubai International Financial Centre (DIFC).

Accordingly, VARA will strictly regulate non-fungible tokens (NFTs) and virtual assets (VAs). Hence, the authority's key responsibilities are to license and regulate virtual asset service providers, which is important to safeguard consumers and the private information of users and beneficiaries.

In consequence, Emiratis are prohibited by law from engaging in any activity without obtaining permission from VARA, the Emirate's designated body for regulating and overseeing virtual asset services. Also, any individual who wants to participate in any of the VA programs in Dubai must first have a physical presence in the country.
Classifying and designating virtual assets are only a few of the authority's many tasks, including developing procedures for administering and regulating VA activities.

As a result, cryptocurrency exchanges and digital wallet providers are tightly monitored and controlled, allowing for comprehensive monitoring of online transactions and preventing any alteration or manipulation of virtual asset pricing.
Administrators will require VARA permission to run and administer virtual asset platforms..

Additionally, virtual asset and currency exchange services will be offered and made available domestic or worldwide.

Virtual asset management and token exchange services are also provided, allowing for the exchange, management, and storage of virtual assets via specific providers.
As for the penalties, the directors of the Dubai World Trade Center will decide what constitutes a violation of the legislation and the norms it imposes, as well as the punishments meted out to those who violate it.

It is possible for the VARA to suspend or terminate any permissions for a maximum of six months, cooperate with the Emirate's appropriate licensing agency for commercial activities, or penalize the permit holder.

Compliance Regulations

The United Arab Emirates (UAE) is a prime international business and finance hub. While the country's many free trade zones are attractive to large industries, they also provide a concern for money laundering and terrorist funding. Accordingly, the country has established stringent anti-money-laundering laws and regulations to counteract the aforementioned dangers.

The United Arab Emirates (UAE) has significantly improved its anti-money laundering (AML) laws in recent years. Among these are the June 2021 release of revised Financial Institution Guidelines and the creation of a new court dedicated to combating money laundering.

Under AML-CFT Law, local and foreign businesses operating in the UAE must adhere to certain standards. Companies fall into one of three primary categories that must follow the rules:

- Designated non-financial businesses and professions;
- Non-profit organizations.
- Financial Institutions

The authorities in charge of enforcing these rules reserve the authority to add other types of business or financial activities to the list.

The UAE's central bank, the CBUAE, created a specialized division in August 2020 to oversee AML and CFT issues (CFT). The Banking Supervision Division was formerly in charge of these types of activities.

The AMLD's primary concerns include:

- Preventing money from being laundered, tracking down those responsible for it, and stopping them from funding terrorism.
- Investigating Authorized Financial Institutions;
- Facilitating compliance with the AML/CFT legislative and regulatory framework in the UAE;
- Monitoring the financial sector in the UAE for possible risks, and emerging threats.

The AMLD works with the UAE's National AML/CFT Committee and the Banking Supervision Department's Examination Division to combat money laundering and terrorist financing. The AMLD also acts as an intermediary between the CBAUE and domestic interest groups.

The Securities and Commodities Authority, entities operating only inside special economic regions like the Dubai International Financial Center, as well as federal and municipal regulatory and law enforcement agencies, are just a few examples of additional authorities that deal with anti-money-laundering and counter-financing-of-terrorism operations.

What are the existing regulations?

The United Arab Emirates (UAE) has a number of anti-money laundering and countering the financing of terrorism (AML/CFT) statutes. Among the most important ones are:

- Federal Decree-Law No. (20) of 2018 On Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations (the “AML-CFT Law” or “the Law”);

- Cabinet Decision No. (10) of 2019 Concerning the Implementing Regulation of Decree-Law No. (20) of 2018 On Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations (the “AML-CFT Decision” or “the Cabinet Decision”).

To further assist licensed financial institutions (LFIs) in the fight against money laundering and terrorism funding, the Central Bank of the United Arab Emirates has released many guidelines.

Digital Banking

As a result of the implementation of the National Innovation Strategy, the United Arab Emirates has emerged as a global leader in both economic growth and technical innovation. In particular, the banking and finance industry has benefited from the acceleration of technological innovation investment because of projects like the Artificial Intelligence Strategy 2031 and the Emirates Blockchain Strategy 2021.

More than 40 financial free-zones have been set up across the seven Emirates, all of which have contributed to the growth of digital banking in the United Arab Emirates. It is now possible for non-UAE nationals to hold neobanks in the UAE under English common law according to the regulations of these new financial zones.

Therefore, it is possible to establish a new digital bank in UAE that complies with international banking regulations. Zand has become the first UAE digital bank to offer both retail and corporate services. Traditional financial institutions in Dubai, such as Emirates NBD, Mashreq, and the Commercial Bank of Dubai, have been among the most progressive in their use of online banking. Liv, NOW, Rise, and Neo is just some of the top digital banks in the UAE.

Open Banking

To facilitate the delivery of account information services (AIS) and payment initiation services (PIS), the Dubai Financial Services Authority (DFSA) has created licenses authorizing such operations.
Dubai's financial regulator, the Dubai Financial Services Authority (DFSA), made history in April when it issued the world's first open banking license to Tarabut Gateway. Collaboration between industry disruptors and established players requires licensing of open banking service providers to give legitimacy and confidence to both groups.

As a means of facilitating AIS and PIS operations before establishing definitive regulations, the DFSA uses a license structure. In addition, Abu Dhabi Global Markets have provided a similar license structure to help guide the development of the open banking and open finance industries.
Open Financial Lab, an incubator for open finance solutions, was unveiled on June 28 at the Dubai International Financial Center with Tarabut Gateway as its preferred platform partner, in line with the Emirates' aspirational 'Vision 2030'
Meanwhile, the Central Bank of the UAE talks with public and private organizations regarding the nature of open banking's regulatory framework and the extent to which it is enforceable

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 many 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, on the debit side, operators must guarantee 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 remains unclear whether smaller enterprises with fewer resources but a rising target market can meet these terms economically.

Abu Dhabi's first FinTech pioneer, Beehive, is the first in the Middle East to get DFSA authorization to provide crowdfunding 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. In addition, 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 give 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.

Payments

FinTech companies in the Gulf Region, particularly in the United Arab Emirates, are establishing partnerships with local banks regarding payment gateway because they desire 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", 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.

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 various operational improvements to its payment platform following 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 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]

On the other hand, some stored-value companies 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" created specifically for that purchase at the point of sale reacting as a gift card. Beam might circumvent any tougher credit-related legislation by using this form of framework.[17]

Digital Signatures

The UAE Federal Law No. 1 of 2006 Concerning E-Transactions and E-Commerce (Electronic Signature Law) recognizes electronically created signatures. It 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]

Implementation of the Smart Contract Code

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

Moreover, International innovations, like the R3 initiative in the derivatives domain, 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, enabling them to conduct basic operations on the Blockchain platform.

Under the UAE Civil Code, smart contracts are legally enforceable. However, the method of execution and the smart contacts’ 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.

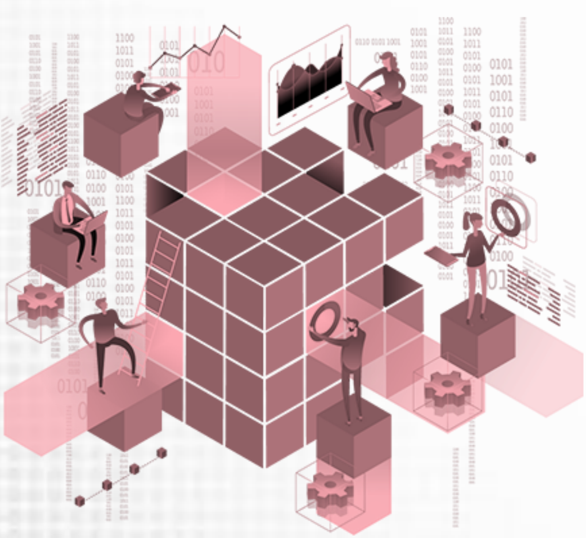
BAHRAIN

FinTech in Bahrain has been well 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. In addition, the kingdom's Economic Development board wants to attract more foreign investments.

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 and other enterprises, whether from Bahrain or abroad.

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



Crypto Landscape

To regulate cryptoassets, the Bahrain Central Bank (CBB) has issued a directive that covers a wide range of topics, including licensing requirements, conditions for obtaining and maintaining a CBB license, minimum capital requirements, safeguards for the interests of clients or customers, technological standards, including cyber security risk management, reporting, notifications, and approval requirements, as well as business obligations, prevention of market abuse or exploitation, and enforcement.

Cryptocurrency Assets

As per the directive, a license from the CBB is required to sell or perform commercial operations involving regulated cryptoasset services in or from the Kingdom of Bahrain.
Accordingly, "No person may market or undertake the activities, by way of business, within or from the Kingdom of Bahrain, comprised of regulated cryptoasset services without obtaining a license from the CBB."
The directive does not mention NFTs, and there is no clarification from regulators in the kingdom regarding that matter, maybe because they consider that NFTs fall under the scope of cryptoassets.

Regulated cryptoasset services are defined as the performance of any or all of the following activities:

- Order Reception and Transmission: The act of receiving an order from a customer to purchase or sell one or more accepted cryptoassets and transmitting it to a third party for execution.

- Execution of orders on behalf of clients: Acting on behalf of clients to finalize agreements to acquire and/or sell one or more accepted cryptoassets.

- Dealing on own account: Trading against proprietary capital resulting in the conclusion of transactions in one or more accepted cryptoassets.

- Portfolio Management: Managing or committing to managing accepted cryptoassets on behalf of a customer in such a way that the licensee managing or agreeing to manage those accepted cryptoassets has the discretion to invest in one or more accepted cryptoassets.

- Cryptoasset Custodian: preserving, storing, keeping, and maintaining custody of approved cryptoassets on behalf of clients.

- Investment Advice: Making a personal suggestion to individuals acting as investors or potential investors, or as an agent for an investor or potential investor, in connection with one or more transactions involving one or more approved cryptoassets.

According to the directive, the activities involving cryptoassets are carried out 'inside or from the Kingdom of Bahrain'; for example, the individual concerned is incorporated in Bahrain, uses a Bahraini address for communications, or the clients are directly solicited within the Kingdom of Bahrain.

Exclusions

The directive mentioned several exclusions and stated that the following actions are not permitted to be conducted through regulated cryptocurrency asset services:

- The production or management of cryptocurrency assets;
- The creation, distribution, or usage of software with the intent of producing or mining a cryptoasset;
- A loyalty program.

Digital Banking

The government of Bahrain has been working on the Economic Vision 2030 to foster competitiveness and sustainability.
To realize this goal, the Kingdom of Bahrain has introduced meem, the first Shariah-compliant digital bank operated by the digital division of the Gulf Internation Bank (GIB). In addition, Bank ABC, headquartered in Bahrain, is another significant digital bank that provides its customers with 24/7 access to its banking platform via various platforms.
The National Bank of Bahrain has also started a Digital Financial Challenge to inspire new generations of entrepreneurs to create cutting-edge banking infrastructure. There will also be involvement from Bahrain Fintech Bay, providing a resource for mentoring and assistance during the program's development.

Crowdfunding

The Central Bank of Bahrain ("CBB") issued regulations regarding Crowdfunding. The regulatory framework for loan crowdfunding (including Shariah) offers regulation for financial technology or FinTech enterprises and client protection.

The laws are designed to assist start-ups and 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 a 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 proposes a special licensing framework as an alternative for offered equities defined by the securities law.

E-wallets

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

Customers will no longer use debit, credit cards, or 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.

SAUDI ARABIA

There were sixteen fintech venture capital investments in Saudi Arabia worth $157.2m between January and August 2021.
It represents a substantial rise compared to the totals for 2020 (7 venture investments totaling $7.8m) and 2019 (6 venture investments totaling $18m).
Venture investment in Saudi Arabia between 2017 and 2021 indicates a CAGR of over 40%, which is much greater than the CAGR for the Middle East and North Africa (MENA) area for the same time, which is 28.6%. The Kingdom of Saudi Arabia can become a global FinTech center.
It represents the MENA region's economic powerhouse and has a large, youthful population and the world's highest smartphone usage rate (65 percent). 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 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, 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 brief permission to participate in FinTech activities. Moreover, due to the extreme demand throughout the Fintech industry and the increase in applicants, SAMA's attempts to enforce newer regulations in the Fintech sector, SAMA issued three licensing categories.

Digital Markets

SAMA governs collective investment; it is 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 licenses are obtained from SAMA and the company's activity complies with Shariah rules. As a result, every institution wishing to handle investments to finance other businesses would become subjected to SAMA licensing requirements. In order to handle collective investments, the entity that 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 a license, a company should take careful care of any money laundering vulnerabilities and disclose those risks to SAMA.

Crowdfunding

In Saudi Arabia, equity-based Crowdfunding is permitted under the existing legislation, regulated by 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 on 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 and the CMA. However, 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.

Peer-to-peer Lending

SAMA and the Finance Companies Law also supervise peer-to-peer lending. The entity must have a SAMA license and adhere to Islamic Shariah to carry out the operations linked to peer-to-peer lending. The Capital Market Authority regulations apply whenever the business is responsible for managing the funds. Accordingly, "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.

Payment Services

Saudi payment services must automatically apply the Banking Control Law, which applies to all banking institutions. Payment services operations would need SAMA licenses such as "PayPal, and HyperPay". However, a licensed entity can only offer payment services if it obtains licenses from: "SAMA, Partners with an entity licensed by SAMA, Appoint a local agent whom SAMA already licenses to conduct the payment services activities." [37]

Laws Ensuring Data Privacy

Regarding giving third parties access to clients' data, implementing the Open Banking Policy would allow users to safely exchange personal information with a third party to develop novel FinTech services. Aside from the open banking policy, the KSA has no legislation protecting customer data rights. However, the E-Commerce Law that was introduced in 2019 will require institutions to protect their clients' and users' data whenever there is an Electronic transaction.

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 regulation if they don't serve in any regulated activity. However, companies would still have to comply with current laws like financial data regulatory compliance. Nevertheless, RegTech solutions are more prone to be used by regulated companies, which require accountability and regulatory compliance in their place of expertise.

البنك المركزي السعودي
SAMA
Saudi Central Bank

Regulatory Sandbox in KSA

The SAMA & CMA recently built their respective regulatory evaluation mechanism that allows FinTech companies to conduct pre-licensing 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 becomes 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 using new technology, etc.)
- Ensure the products and services benefit consumers (and also ensure the risks to consumers have been considered). Ensure alignment with 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 the following:

- "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" to offer a regulatory environment favorable to FinTech innovation in the Kingdom's capital market. After checking that their new FinTech service applies to 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 relevant to the SAMA Regulatory Sandbox and the CMA FinTech Lab. Any candidate, even International FinTechs, are welcome to apply to the CMA FinTech lab, provided they have a business presence in the Kingdom.

CBDC

"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]

Open Banking

As part of its "Vision 2030" strategy to prepare the Kingdom for the increasingly digitalized global economy, Saudi Arabia, on the other hand, is implementing its open banking policy, which was first proposed in 2021.

The Saudi Arabian Monetary Authority (SAMA) is taking the lead in mandating that banks make available their application programming interfaces (APIs) in an effort to promote open banking and fintech innovation.

At the moment, SAMA is cooperating closely with the ecosystem's significant stakeholders to co-build an environment conducive to creating an ideal Open Banking framework that meets the requirements of the ecosystem's main participants. This year has been marked by lightning-fast ecosystem and regulatory innovation in Saudi Arabia's open banking sector. SAMA has taken a major step forward in recent months, establishing extensive fintech legislation and focusing its financial services towards innovation in response to the UK's open banking policy.

A licensing system for AIS and PIS will be implemented. Businesses and the government in Saudi Arabia are working together toward common goals in the innovation sector due to the country's "Vision 2030," which seeks to facilitate the country's transition to a knowledge-based economy.

The Kingdom has stated its goal of achieving 70% of all payments to be made digitally by 2030. Open banking can achieve this goal by facilitating immediate and direct bank-to-bank transfers. Potential FinTech clients will find the Saudi market attractive because of the country's young, underserved, and technologically adept population.

Saudi Arabia's ability to invest in FinTech projects worldwide 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, making that Fund a big player in the FinTech industry for the foreseeable future.[41]

EGYPT

Brief history of the Fintech Landscape in Egypt

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. By enacting its FinTech legislation, the Egyptian government was able to remove the most significant barriers, namely the absence of consistent FinTech licensing regimes and the generally vague guidance on an acceptable and standardized regulatory structure.

The country is witnessing a surge of reforms and new financial legislation in order to address the rise of online lending and crowdfunding. 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 (CBE), and the Chairman of the FSA (Financial Supervisory Authority).
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]

An independent investment catalyst vehicle has been developed with several significant institutions to access CBE's knowledge and strengths and cooperate with it. Its goal is to create a durable and independent investment platform to stimulate the growth of FinTech.

In 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 continues to face significant regulatory obstacles that must be tackled. One of the most important roadblocks is the absence of a consistent FinTech licensing scheme.

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.

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 bills and make contributions. Further, these solutions are open to both banked and unbanked customers.

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.

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]

LEBANON

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.

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 it's 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 allow 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 Board Committee and a compliance Unit for anti-money laundering and counter-terrorist financing (AML/CFT) .

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.

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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]

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.

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).

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.

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 an S.A.L or a limited liability company.

Furthermore, Lebanese FinTech won't pose any risk to existing banks and 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 emerging.

Crypto Landscape

Due to the economic crisis and collapse of the banking system in Lebanon, many individuals have turned to cryptocurrencies.

Most Lebanese utilize OTC (over-the-counter) services to put their money on the blockchain. However, according to the restrictions in force, most OTC suppliers are deemed unlawful.

However, the only legislation that may specifically address the use of cryptocurrencies is phrased ambiguously and is susceptible to conflicting interpretations. As a result, OTC dealers argue that they are not "financial institutions," which exempts them from the prohibition on trading cryptocurrencies.

In related news, NFTs are gaining popularity in Lebanon. The Lebanese Central Bank has become aware of these tokens' transactions (Banque du Liban). In a statement issued on May 17, 2022, BDL cautioned against purchasing these tokens.

In announcement number 948, the Lebanese Central Bank offered eight justifications for this decision. In addition, BDL explicitly considered the following legal problems pertaining to NFTs:

- The sellers may trick the purchaser into believing they have transferred the token's properties while keeping them for themselves.

- Due to the lack of transparency and complexity of the underlying contracts, purchasers are occasionally unaware of potential extra costs. (This may pertain to smart contracts.)

- The possibility that the seller may commit asset fraud before or after the transaction.

- Due to the novelty of these assets, there is no mechanism to track a specific price, and it is difficult to set a price for these tokens, as they are solely dependent on the unpredictable market price.

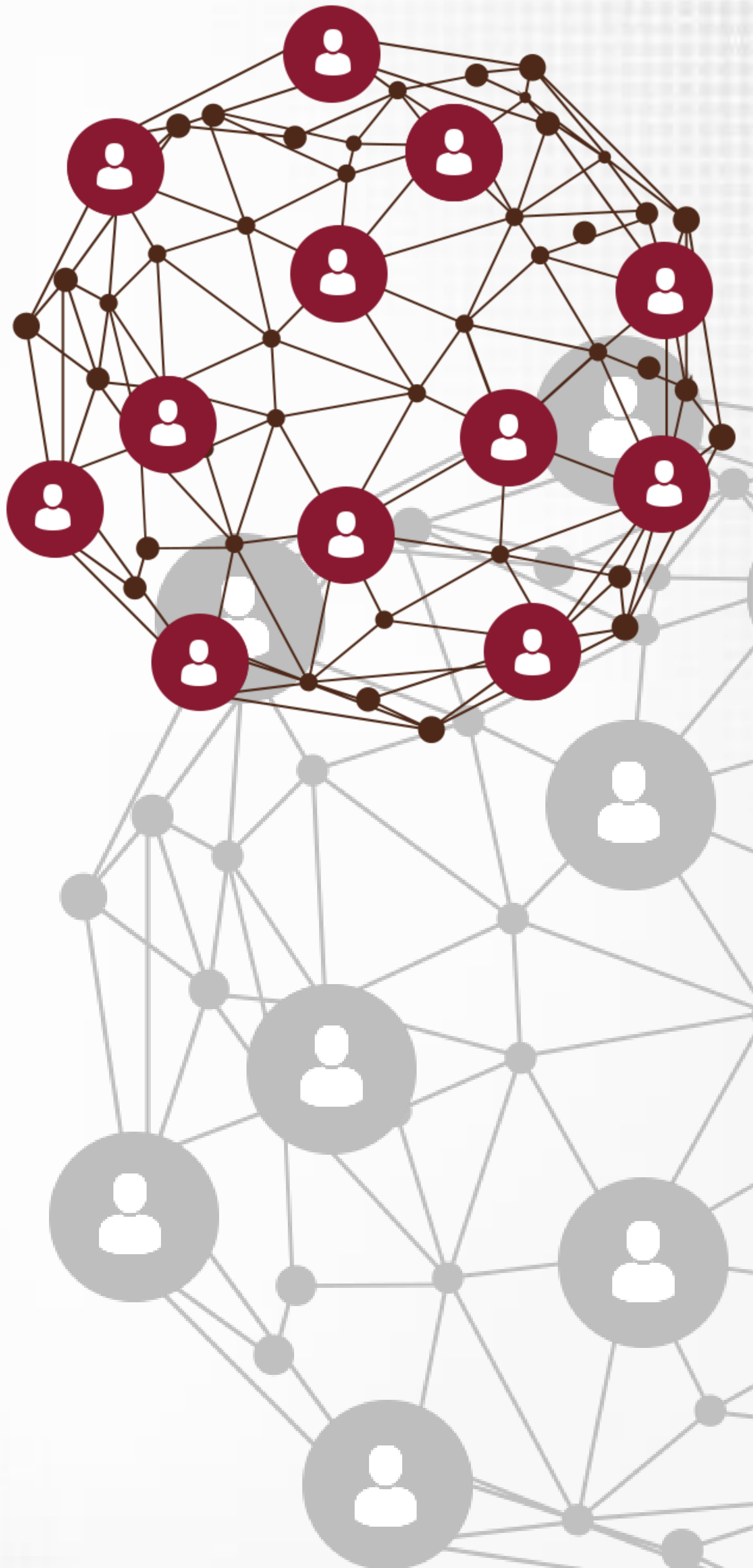
- Pre-sale or post-sale degradation of a physical item that may result in a decrease in value.

- The possibility of the vendor defrauding the buyer by offering to sell them NFTs belonging to other parties without their knowledge or consent.

- The absence of pertinent laws and regulations.

- The possible use of these currencies to support terrorism and money laundering.

As a result, BDL has advised against dealing with non-fungible tokens.



Jordanian FinTech is rising. For example, local companies are implementing programs to pay bills online or accept smartphone payments. Meanwhile, the government is working on a plan to digitize Jordanian currency to reduce the circulation volume of cash.

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.

Regulations

The Central Bank of Jordan governs e-payments and other categories of online payment systems. Following E-Transactions Law number 4, approved in 2015, Electronic payments are permissible, and e-signatures are allowed to complete 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. A new law will be issued to regulate third-party payment processors.

eFAWATEER.com

In 2015, a collaboration between the CBJ and Madfoo'atcom FinTech firm led to the launching of eFAWATEER.com which enables Jordanians to continue using electronic payments. The CBJ owns it, and Madfoo'atcom manages and operates it. This method helps customers manage and settle 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.

Mobile Wallets

According to official figures, Jordan's mobile financial services also saw significant development, with more than seven hundred thousand e-wallets on smartphones in 2020.

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 primarily 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 an online smartphone wallet that encourages users to transfer money from their mobile wallets to the wallets of others. Finally, users can benefit from a mobile wallet on any device to make payments or withdraw cash by only contacting their local telecommunication service operator.

Kuwait sandbox

Kuwait witnessed some regulatory developments regarding FinTech. A small number of companies operate in the country's banking and payment services sector. 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, supervised, reliable, and stable framework.

The “Electronic Transactions Legislation” regulates electronic binding arrangements, signatures, and 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 safe testing of new products and services with minimal governmental supervision that does not impede innovation.

Electronic payments :
The Central Bank of Kuwait has the jurisdiction to provide guidelines to its banks and financial institutions on E- payment regulations. CBK decided in conjunction with the Ministry of Commerce and Industry that the E-payment activity couldn't be completed without a license. Accordingly, the Electronic Payment Infrastructure Provider or Electronic Payment Agent was granted a payment services license to do so upon the Central Bank’s approval.

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.

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

Kuwait Sandbox Initiative

The Central Bank of Kuwait (CBK) has permitted a first-of-its-kind product to be tested in the local market within the Regulatory Sandbox. It applied it to the banking transactions of volunteer customers to fully assess and evaluate the product before its final launch in the market. Its aim is to enable new FinTech innovation, support Open Banking and bring innovative business models of financial services.

The program is built on an Open Banking Model and gives customers access to e-payment and transaction analytics across their various bank accounts.

In order to increase the variety of regulated products and services, the CBK released its Regulatory Sandbox in 2018 and revised it for 2019.

As a result, fintech innovation may be tested in the Regulatory Sandbox without threatening the stability of the banking and finance system.

Experts at the CBK did a comprehensive assessment of their past initiatives to encourage and regulate Open Banking, and they found that an Open Banking Regulatory Framework and API standards were required. As a result, the Central Bank of Kuwait (CBK) has established the "CBK Open Banking Working Group," which is made up of CBK experts and officials from Kuwaiti institutions.

Crypto Landscape

The CBK stated in May 2021 that cryptocurrencies are not recognized as legal tender in the country. The Central Bank of Kuwait has likewise cautioned its citizens about the risks associated with cryptocurrency investments. The warning was part of the bank's Diraya or "Be Aware" campaign.

However, the government did not prohibit the usage of cryptocurrencies. Residents can still mine, purchase, and trade Bitcoin and other cryptocurrencies via regulated exchanges. Due to the extremely low cost of power, Kuwait is recognized as one of the best sites for mining cryptocurrencies. In its statement, the CBK also raised concern over bitcoin mining.

Digidinar, a Kuwaiti cryptocurrency exchange platform, was also founded in 2019.Warba Bank is the newest firm in the Middle East and North Africa to join the Metaverse, a network of 3D virtual worlds oriented on social interaction.

Currently, the bank has two locations in the Metaverse, one on Sandbox and one on Decentraland.

OMAN

The FinTech sector in Oman is on the rise.
Its gradual adoption 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.

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.

Although the existing banking and commercial laws presumably apply to FinTech activities, no legal precedent describes the standards for FinTech operations since they have not been explicitly defined until now.

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". 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 adheres 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, the Information Technology Authority and the Central Bank must jointly create a system and framework for handling e-payments.

Creation of Fintech Innovation Hub

The Central Bank of Oman's Fintech Innovation Hub will promote local and international talent by establishing an incubation and acceleration center and programs 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 to provide banking and financial technologies products and services.

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.

AML and the Adoption of e-KYC and Digital Customer 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 to 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.

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 developing an internal strategy for the sector's Open Banking API strategy.

Data Protection and Cybersecurity

The CBO is now working on a cloud computing system incorporating 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, following 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.

Crypto Landscape

Although cryptocurrency is not considered a legal tender protected by banking laws in Oman, the Central Bank of Oman is considering the introduction of a digital currency to add to its portfolio.

The CEO of the central bank considers that COVID-19 also contributed to the digitalization of transactions.

In order to facilitate quicker and more affordable cross-border transfers to India, Dhofar Bank, one of Oman's largest banks, has previously experimented with Blockchain technology utilizing Ripple's RippleNet platform.

The ability to integrate underbanked areas into the financial system is a significant motivator for central banks in emerging nations to build central bank digital currencies (CBDCs). Additionally, it can decrease costs and expedite payments.

Oman is also launching innovative city projects powered by blockchain technology in Suhar, Nizwa, and Salalah. The purpose of these cities is to reduce the environmental footprints in line with the UN sustainable goals of 2030.

Regulations

The central Bank is the main regulatory body and also serves as the coordinator of the country's FinTech agenda. FinTech service providers are licensed as non-financial companies by the Ministry of commerce. Therefore, they are not subject to financial regulation and supervision, as Qatar's Financial Center doesn't handle customer funds. The regulation and supervision of FinTechs that handles client funds, such as digital banks and robo-advisors, are entrusted to the Qatari Central Bank. Nonetheless, FinTechs that accept to manage customers' assets are regulated businesses 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]

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.

Blockchain

The Qatari Central Bank "explores the use of blockchain within the existing regulations."[47] Despite being interested in blockchain, Qatar has no interest in investing in cryptocurrency.

On May 19th, 2022, CoinMENA launched in Qatar to allow Qataris to exchange crypto. However, the Qatar Central Bank (QCB) warned against dealing with crypto. The QCB claimed that occasionally, unlicensed organizations use social media marketing to "promote their criminal activities" and that no financial institutions are authorized to offer exchange, transfer, trading, or dealing with virtual assets and currency services.

The QCB also previously issued a circular in 2018 stating that cryptocurrency and bitcoin are illegal and not backed by the Central Bank. THE QCB 2019 circular also tackled crypto, saying that it is illegal and that no license will be granted to any institution to deal with crypto.
Nevertheless, with Qatar hosting the 2022 FIFA world cup, it is searching to enter the digital world by issuing a central bank digital currency (CBDC) to diversify its portfolio and face future global crises.

Payment Services

Payments services are 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. As a result, payment solution providers have an opportunity to get access to the country's growing market of online merchants and e-commerce platforms.

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.

The Qatar Fintech Hub has established global ties with FinTech centers that were highlighted before in this study.

In addition, 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.

In order to keep up with its regional rivals, the Central Bank of Qatar (QCB) has boosted its financial sector investments. In addition, due to the high demand for banking services in Qatar, most financial institutions have begun offering mobile banking services. Furthermore, Qatar Islamic Bank (QIB) has become the first digital bank in Qatar to offer a video banking service via the QIB Mobile App.

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.

According to 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. 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, 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. 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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