

VA Transfer and Settlement Services Rulebook

19 May 2025

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Introduction

The Dubai Virtual Assets Regulatory Authority ("**VARA**") was established and authorised by *Law No. (4) of 2022 Regulating Virtual Assets in the Emirate of Dubai ("Dubai VA Law")* to regulate Virtual Asset Service Providers ("**VASPs**"), including to issue authorisations to conduct regulated Virtual Asset Activities ("**VA Activities**").

This VA Transfer and Settlement Services Rulebook is issued pursuant to, and forms part of, the Virtual Assets and Related Activities Regulations 2023, as may be amended from time to time ("**Regulations**"), issued by VARA, and applies to all VASPs Licensed by VARA to carry out VA Transfer and Settlement Services in and/or from the Emirate.

This VA Transfer and Settlement Services Rulebook applies in addition to all other requirements in the Regulations as may be in force from time to time. As such, VASPs Licensed by VARA to carry out VA Transfer and Settlement Services must also comply with the following Rulebooks applicable to all VASPs—

1. Company Rulebook;
2. Compliance and Risk Management Rulebook;
3. Technology and Information Rulebook;
4. Market Conduct Rulebook; and
5. All Rulebooks specific to the VA Activities that a VASP is Licensed by VARA to carry out.

For the avoidance of doubt, where a VASP is Licensed by VARA to carry out other VA Activities in the Emirate in addition to VA Transfer and Settlement Services, it must comply with all Rulebooks that apply to those other VA Activities. Unless otherwise stated, the Rules in VA Activity specific Rulebooks apply cumulatively for each VA Activity a VASP carries out.

Capitalised terms in this VA Transfer and Settlement Services Rulebook have the meanings ascribed to them in the Regulations or as otherwise provided in Schedule 1.

Part I – Policies, Procedures and Public Disclosures

A. Policies and procedures

1. In addition to all other requirements in the Regulations and Rulebooks, VASPs providing VA Transfer and Settlement Services shall establish, implement and enforce appropriate written internal policies and procedures relating to the following—
 - a. how they will rectify any non-executed, defectively executed or incomplete Virtual Assets transmission, transfer and/or settlement in the course of providing VA Transfer and Settlement Services, including but not limited to refunding affected clients;
 - b. the Default Rules as prescribed in Rule II.H of this VA Transfer and Settlement Services Rulebook, below; and
 - c. such other policies or procedures as VARA may require from time to time.
2. VASPs providing VA Transfer and Settlement Services shall assess and, in any case at least yearly, review the effectiveness of their policies and procedures and take appropriate measures to address any deficiencies.

B. Public disclosures

1. VASPs providing VA Transfer and Settlement Services shall publish on their website in a prominent place or make available by other publicly accessible means—
 - a. a detailed description of any actual or potential conflicts of interest arising out of their activities, and how these are managed;
 - b. their policies and procedures relating to data privacy, whistleblowing and handling of client complaints;
 - c. a statement of whether the VASP refers or introduces clients to other Entities including, but not limited to, other VASPs and, if so, a description of the terms of such arrangements and the monetary or non-monetary benefits received by the VASP, including by way of reciprocity for any service or business; and
 - d. a statement of whether the VASP has accounts, funds or Virtual Assets maintained by a third party and if so, provide the identity of that third party; and
 - e. such other information as VARA may require from time to time.

2. Other disclosable matters. To the extent permissible under applicable laws, VASPs providing VA Transfer and Settlement Services shall publish on their website, or by other publicly accessible means—
 - a. details of any past convictions or prosecutions of any member(s) of their Senior Management or Board, whether before the courts of the UAE or the courts of another jurisdiction; and
 - b. any such other information relating to their business or activities as VARA may reasonably require.
3. The disclosure requirements set out in this Rule I.B of the VA Transfer and Settlement Services Rulebook are in addition to all disclosures required under the Market Conduct Rulebook, and to all notifications to VARA required under the Compliance and Risk Management Rulebook.

Part II – VA Transfer and Settlement Rules

A. General requirements

1. In addition to the Rules in this Part II of the VA Transfer and Settlement Services Rulebook, VASPs providing VA Transfer and Settlement Services must also comply with all applicable legal and regulatory requirements issued by the CBUAE which apply to the VASP including, but not limited to, all such applicable legal and regulatory requirements, which pertain to the end-to-end enablement of payments, remittances and/or other related services as may be amended from time to time.
2. In addition to the Rules in this Part II of the VA Transfer and Settlement Services Rulebook, VASPs providing VA Transfer and Settlement Services must ensure that they comply with all legal and regulatory requirements for such services, inside and outside of the UAE. VASPs must ensure at all times that any transmission, transfer and/or settlement being undertaken is permissible and can be facilitated through, and concluded in, all jurisdictions that are relevant to that transmission, transfer and/or settlement.
3. In addition to all other requirements in the Compliance and Risk Management Rulebook, VASPs providing VA Transfer and Settlement Services must comply with all requirements with respect to AML/CFT contained in that Rulebook, including but not limited to FATF-specific compliance requirements such as the Travel Rule.

B. Property interests and protection of client Virtual Assets

1. VASPs providing VA Transfer and Settlement Services are prohibited from selling, transferring, assigning, lending, rehypothecating, pledging, converting into another Virtual Asset, or otherwise using or encumbering any Virtual Assets for the purposes of a transmission, transfer and/or settlement, or authorising or permitting the same, except when authorised by explicit consent from their client to do so, as part of the VA Transfer and Settlement Services being provided to that client.

2. The consent required under Rule II.B.1 of this VA Transfer and Settlement Services Rulebook must be secured through explicit instruction from, or acceptance by the client prior to the VASP carrying out any VA Transfer and Settlement Services for that client, but is not required on a per transmission, transfer and/or settlement basis, unless explicitly required by the client, insofar as the said transmission, transfer and/or settlement meets the conditions consented to by the client.

C. Authorisation and responsibility for transmissions, transfers and/or settlements

1. VASPs must have procedures for ensuring that all VA Transfer and Settlement Services carried out for a client are authorised by the relevant client, and that the VASP is acting in accordance with the client's instructions at all times.
2. To the extent that any Virtual Assets transmission, transfer and/or settlement processed by a VASP as part of any VA Transfer and Settlement Services is not authorised by the relevant client, or is not carried out by the VASP in accordance with the client's instructions due to any reason whether or not it is a VASP triggered consequence, the VASP—
 - a. shall, as soon as practicable but in all events within twenty-four (24) hours of becoming aware of such erroneous execution, refund the client or otherwise restore the client's account to the state it would have been in, had the wrongful transmission, transfer and/or settlement not been effected; and
 - b. is liable to the client in respect of the loss suffered by the client as a direct result of the VASP's actions or omissions.
3. Where a VASP's client is the sender of a Virtual Assets transmission, transfer and/or settlement, the VASP is liable to its client for the correct transmission, transfer and/or settlement of the Virtual Assets to the recipient, whether the transmission, transfer and/or settlement is to the recipient's VASP (if applicable) or VA Wallet. To the extent that any such Virtual Assets transmission, transfer and/or settlement is not received by the target recipient, the VASP must make immediate efforts to trace the Virtual Assets, establish the cause of the failure, and notify its client (the sender) of the outcome. The VASP shall only be deemed to have fulfilled its responsibility if and when it is able to prove that it is not liable in respect of a non-executed, defectively executed or incomplete Virtual Assets transmission, transfer and/or settlement.

4. A recipient's VASP (if applicable) is responsible for the systemic readiness and infrastructural functioning of VA Wallets and/or accounts of its clients for the purposes of receiving Virtual Assets, as well as providing all routing information that is necessary for a transmission, transfer and/or settlement to be completed when requested by the sender's VASP. To the extent that any Virtual Assets transmission, transfer and/or settlement is not received by the target recipient, the recipient VASP shall only be liable if and when the sender's VASP can establish that it has executed the transmission, transfer and/or settlement in accordance with the instructions, and that the error was caused by the recipient's VASP.
5. VASPs must maintain records of all client instructions for a period of eight (8) years.

D. Client disclosures

1. In addition to all requirements in the Market Conduct Rulebook, prior to entering into any Client Agreements to provide VA Transfer and Settlement Services, VASPs must disclose to clients and potential clients all material risks associated with using Virtual Assets in connection with the VA Transfer and Settlement Services, including but not limited to—
 - a. Virtual Assets transactions may be irreversible, meaning that any losses suffered because of fraud or an accidental or unauthorised transaction may not be recoverable;
 - b. Virtual Assets transactions may not be finalised until recorded on the relevant DLT for the Virtual Asset, which may not be the time or date that the client initiates the transmission, transfer and/or settlement; and
 - c. Virtual Assets may experience technical difficulties unrelated to actions by the VASP that may in turn impact the client's ability to access or use the Virtual Assets for transmissions, transfers and/or settlements.
2. In addition to all requirements in the Market Conduct Rulebook, prior to entering into any Client Agreements to provide VA Transfer and Settlement Services, VASPs must disclose all the relevant terms and conditions associated with the VA Transfer and Settlement Services, including, as applicable, the following—
 - a. a fee schedule listing—
 - i. all fees and charges and how they will be paid;
 - ii. how the fees and charges are calculated, if they are not set in advance; and

- iii. when they will be assessed;
- b. information about execution times;
- c. whether the client has a right to stop or amend a pre-authorised transmission, transfer and/or settlement, or revoke authorisation for a transmission, transfer and/or settlement, including the required procedure to initiate stop-settlement orders, or revoke the authorisation for a subsequent transmission, transfer and/or settlement;
- d. the client's and the VASP's respective liabilities for any unauthorised, mistaken, or accidental transmission, transfer and/or settlement;
- e. general error-resolution rights that apply to transmission, transfer and/or settlement;
- f. the client's right to receive periodic account statements and Virtual Asset valuations from the VASP;
- g. the client's right to receive a receipt or other evidence of a Virtual Asset transmission, transfer and/or settlement; and
- h. to the extent relevant—
 - i. any ability of the VASP to vary unilaterally the terms of any contract with the client for the provision of VA Transfer and Settlement Services, and client's right to terminate such contract. If the client is a Retail Investor, terms and conditions shall specify—
 - 1. that any notice to vary unilaterally shall be provided by the VASP to the client no later than sixty (60) calendar days before the date on which any change is due to take effect; and
 - 2. that the client must have a right to terminate the contract without charge at any time before such a change takes effect, which the VASP shall also communicate at the time of giving notice.

In respect of any other type of client, the VASP and the client may agree to waive such requirements; and

- ii. any ability of the VASP and/or client to terminate a contract for the provisions of VA Transfer and Settlement Services. If the client is a Retail Investor, the terms and conditions shall—
 1. specify that the client may terminate the contract at any time unless the client and the VASP have agreed a notice period of no more than thirty (30) calendar days; and
 2. that the VASP may terminate a contract by giving at least sixty (60) calendar days' notice.
3. VASPs providing VA Transfer and Settlement Services may not exclude, or attempt to exclude, any form of actual or potential liability in respect of the VA Transfer and Settlement Services by virtue of having provided the disclosures required under this Rule II.D of the VA Transfer and Settlement Services Rulebook.

E. Exchange, trade or conversion

1. In addition to all other requirements in this VA Transfer and Settlement Services Rulebook, VASPs providing VA Transfer and Settlement Services which involve any exchange, trade or conversion between the Virtual Assets received and another Virtual Asset or fiat currency, must—
 - a. use a VASP Licensed by VARA for Exchange Services or, if using an Entity outside of the Emirate, as approved by VARA;
 - b. continue to act honestly, fairly and in good faith;
 - c. provide a description of how they undertake any exchange, trade or conversion to their clients or potential clients, including whether they use any third party, and the nature of the role of such third party;
 - d. disclose all relevant terms and conditions associated with the exchange, trade or conversion to their clients or potential clients, including but not limited to applicable fees;
 - e. do everything within their control to ensure completion of the transmission, transfer and/or settlement thereafter, including any such exchange, trade or conversion, subject

only to limitations or malfunctioning of any DLT in the event they are not controlled directly or indirectly by the VASP or its Group; and

- f. remain directly responsible to their clients for the completion of the transmission, transfer and/or settlement as relevant.

F. Receipts

1. Immediately after receiving client instructions to initiate a transmission, transfer and/or settlement, a VASP must provide the client with a receipt including the following information—
 - a. confirmation of whether the transmission, transfer and/or settlement has been successfully initiated;
 - b. date and time of receipt of the client's instructions;
 - c. amount and type of Virtual Assets in the transmission, transfer and/or settlement;
 - d. name and unique identifier of the Entity to which transmission, transfer and/or settlement is to be credited;
 - e. name of the client who made the transmission, transfer and/or settlement;
 - f. a breakdown of all fees paid or payable by the client and when they are paid or payable;
 - g. a breakdown of all exchanges, trades or conversions to be completed in the course of any transmission, transfer and/or settlement (if applicable);
 - h. transaction identification details and/or reference;
 - i. the VASP's name and contact information, including information necessary for the client to ask a question or file a complaint;
 - j. a statement regarding the VASP's liability for non-delivery or delayed delivery; and
 - k. a statement regarding the VASP's refund policy.
2. Immediately after a transmission, transfer and/or settlement has been finalised, a VASP must provide the client with a receipt including the following information—
 - a. date and time of the transmission, transfer and/or settlement being credited to the recipient;
 - b. amount and type of Virtual Assets in the transmission, transfer and/or settlement;
 - c. transaction identification details and/or reference; and

- d. full details of all exchanges, trades or conversions completed in the course of the transmission, transfer and/or settlement (if applicable), including times, rates of exchange and all fees.
3. VASPs must maintain all receipts provided in accordance with Rules II.F.1 and II.F.2 of this VA Transfer and Settlement Services Rulebook for a period of eight (8) years.

G. Benchmark global standards

1. VASPs providing VA Transfer and Settlement Services must be able to demonstrate alignment on relevant internationally accepted standards for financial market infrastructures, to VARA's satisfaction.
2. VASPs providing VA Transfer and Settlement Services must ensure that such services include satisfactory arrangements for securing the timely discharge of the obligations in the context of transactions for which it provides such services.
3. In complying with Rule II.G.1 above, VASPs providing VA Transfer and Settlement Services should have regard to their—
 - a. practices relating to settlement including, but not limited to, the conditions agreed with clients for the provision of VA Transfer and Settlement Services;
 - b. where relevant, arrangements for matching transfers and/or trades and ensuring that the parties are in agreement about such transfers and/or trade details;
 - c. where relevant, arrangements for making deliveries and payments in all relevant jurisdictions;
 - d. notwithstanding Rule II.H below, procedures to detect and deal with the failure of a client to settle in accordance with the conditions agreed;
 - e. arrangements for taking action to settle a transfer and/or trade if a client does not settle, in accordance with the conditions agreed; and
 - f. arrangements for monitoring its clients' settlement performance.

H. Default Rules

1. VASPs providing VA Transfer and Settlement Services must have legally enforceable rules in the event of a client being, or appearing to be, unable to meet its obligations in respect of one or

more transmission, transfer and/or settlement, which enable action to be taken in respect of the unsettled transmission, transfer and/or settlement to which the client has undertaken obligations or is a party ("**Default Rules**").

2. Such Default Rules must be appropriate, and demonstrate due consideration, for all risks given the nature of transmission, transfer and/or settlement, including but not limited to the following—
 - a. effecting any close-out transfers of a defaulting client's assets or positions (as applicable) to the VASP or a non-defaulting client;
 - b. the application of the proceeds of liquidation and/or other funds and assets of the defaulting client;
 - c. the use of a default contribution fund mechanism pertaining to clients' pre-funded contributions becoming applicable in the event of a default;
 - d. all remaining rights and liabilities of the defaulting client in respect of an unsettled transmission, transfer and/or settlement;
 - e. segregation and portability arrangements, including the method for determining the value at which client positions will be transferred;
 - f. provisions ensuring that losses that arise as a result of any default do not threaten the solvency of the VASPs providing VA Transfer and Settlement Services, and that the VASP can continue to provide the services and carry out the activities; and
 - g. restriction of any further transmission, transfer, trade or termination of a client's access to the VA Transfer and Settlement Services in the event of such client's failure to meet its obligations in respect of one or more transmission, transfer or trade.
3. The Default Rules shall clearly define and specify:
 - a. circumstances which constitute a default, addressing both financial and operational default, and how the different types of default may be treated by the VASP providing VA Transfer and Settlement Services;
 - b. the method for identifying a default, including any automatic or discretionary default scenarios, and how the discretion is exercised in any relevant default scenarios;
 - c. potential changes to the normal settlement practices in a default scenario;

- d. the management of transmissions or transfer at different stages of processing a transmission, transfer and/or settlement;
 - e. the treatment of Client Money and/or Client VAs;
 - f. the probable sequencing of actions that the VASP providing VA Transfer and Settlement Services will expect to take under the Default Rules;
 - g. the roles, obligations and responsibilities of various parties, including the VASP providing VA Transfer and Settlement Services, the defaulting client and non-defaulting clients;
 - h. how to contain the chain effect of the defaulting client's obligations and its implications in the wider ecosystem including, but not limited to, other clients of the VASP;
 - i. how to address the allocation of any credit losses it may face, as a result of any individual or combined default, and how stress events are dealt with;
 - j. any other mechanisms that may be activated to contain the impact of a default, including—
 - i. whether the VASP maintains a default contribution fund, whereby defaulting and non-defaulting clients' or participants' pre-funded contributions are applied to cover the losses or shortfalls resulting from a default on the basis of a predetermined order of priority; and
 - ii. a resolution regime of the defaulting participant, involving 'porting' or transferring the open positions and margin related to client transactions to a non-defaulting participant, receiver, third party or bridge financial company.
4. Default Rules should be reviewed and tested at least annually, or following material changes to the rules and procedures, to ensure that they are practical and effective.

Schedule 1 – Definitions

Term	Definition
"AML/CFT"	has the meaning ascribed to it in the Regulations.
"Board"	has the meaning ascribed to it in the Company Rulebook.
"CBUAE"	means the Central Bank of the United Arab Emirates.
"Client Agreements"	has the meaning ascribed to it in the Market Conduct Rulebook.
"Client Money"	has the meaning ascribed to it in the Compliance and Risk Management Rulebook.
"Client VA"	has the meaning ascribed to it in the Compliance and Risk Management Rulebook.
"Company Rulebook"	means the Company Rulebook issued by VARA pursuant to the Regulations, as may be amended from time to time.
"Default Rules"	has the meaning ascribed to it in Rule II.H.1 of this VA Transfer and Settlement Services Rulebook.
"Distributed Ledger Technology" or "DLT"	has the meaning ascribed to the term 'Distributed Ledger Technology' in the Dubai VA Law.
"Dubai VA Law"	means <i>Law No. (4) of 2022 Regulating Virtual Assets in the Emirate of Dubai</i> , as may be amended from time to time.
"Emirate"	means all zones across the Emirate of Dubai, including Special Development Zones and Free Zones but excluding the Dubai International Financial Centre.
"Entity"	means any legal entity or individual.
"Group"	has the meaning ascribed to it in the Company Rulebook.
"Licence"	has the meaning ascribed to it in the Regulations.
"Licensed"	means having a valid Licence.
"Market Conduct Rulebook"	means the Market Conduct Rulebook issued by VARA pursuant to the Regulations, as may be amended from time to time.

Term	Definition
"Regulations"	means the Virtual Assets and Related Activities Regulations 2023, as may be amended from time to time.
"Retail Investor"	has the meaning ascribed to it in the Market Conduct Rulebook.
"Rule"	has the meaning ascribed to it in the Regulations.
"Rulebook"	has the meaning ascribed to it in the Regulations.
"Senior Management"	has the meaning ascribed to it in the Company Rulebook.
"Technology and Information Rulebook"	means the Technology and Information Rulebook issued by VARA pursuant to the Regulations, as may be amended from time to time.
"Travel Rule"	has the meaning ascribed to it in the Compliance and Risk Management Rulebook.
"UAE"	means the United Arab Emirates.
"VA Activity"	means the activities listed in Schedule 1 of the Regulations, as may be amended from time to time.
"VA Transfer and Settlement Services"	has the meaning ascribed to it in Schedule 1 of the Regulations.
"VA Transfer and Settlement Services Rulebook"	means this VA Transfer and Settlement Services Rulebook issued by VARA pursuant to the Regulations, as may be amended from time to time.
"VA Wallet"	has the meaning ascribed to the term 'Virtual Asset Wallet' in the Dubai VA Law.
"VARA"	means the Dubai Virtual Assets Regulatory Authority.
"VASP"	means an Entity authorised by VARA to conduct VA Activity(ies) in the Emirate.
"Virtual Asset" or "VA"	has the meaning ascribed to it in the Dubai VA Law.