SUBMITTED VIA WEBFORM

To whom it may concern,

Re: GDF Response to Jordan's Draft Licensing System for Virtual Asset Service Providers

About Global Digital Finance (GDF)

GDF is the leading global members association advocating and accelerating the adoption of best practices for crypto and digital assets. GDF's mission is to promote and facilitate greater adoption of market standards for digital assets through the development of best practices and governance standards by convening industry, policymakers, and regulators.

The input to this response has been curated through a series of member discussions, industry engagement, and roundtables, and GDF is grateful to its members who have taken part.

As always, GDF remains at your disposal for any further questions or clarifications you may have, and we would welcome a meeting with you to further discuss these matters in more detail with our members.

Yours faithfully,
Elise Soucie Watts – Executive Director – GDF

Response to Jordan's Draft Licensing System for Virtual Asset Providers: Executive Summary

GDF convened its MEA Policy Working Group to analyse the draft proposal from the Jordanian Securities Commission (JSC or Commission) on their **"Draft Licensing System for Virtual Asset Service Providers".** Please note that we developed this response in collaboration with GDF members, as well as community partners, and that portions of our response may be similar or verbatim to individual member responses.

GDF is supportive of the aim of proposals, as well as Jordan's broader aims to build and develop a comprehensive regime for virtual assets. It is a welcome step forward, and GDF also appreciates the consideration of evolving global regulation. GDF and its membership is global, so we appreciate the consideration which Jordan gave to evolving global regulations in order to frame their approach. Overall, our aim with this response is to support the JSC in developing future-proof and forward-looking regulation. We remain supportive of the ongoing evolution of the framework and would respectfully request to be included in ongoing dialogue with key institutions and stakeholders in Amman.

In collaboration with our members, GDF has aimed to provide feedback and suggested key themes that would be beneficial for consideration as the Jordanian public sector builds out these proposals. We also aimed to consider the requirements that industry must comply with in other jurisdictions. Through this process GDF members identified key areas that we believe the JSC should consider as they move forward to develop a regulatory regime. The key themes are identified below:

1. Clarifying the scope of virtual asset regulation is essential to address gaps in taxonomy and the treatment of other categories of virtual assets.

2. Licensing and listing requirements should be calibrated to service providers, with clarity on foreign entities and listing standards while supporting local partnerships.

3. Supervision should be proportionate and risk-based, taking into account the size and complexity of the licensed entity.

4. Capital Requirements Should Be Proportionate and Operational Requirements Should Promote Clarity, Proportionality, and Market Competitiveness.

5. Additional considerations for fiat-referenced virtual assets to avoid duplicative obligations for issuers.

Expansion on Key Themes: GDF Letter in Response to the Draft Licensing System for Virtual Asset Providers: Executive Summary

Our response follows the key themes outlined above and offers broad areas for consideration to strengthen the framework's resilience, future-readiness, and effectiveness. Our considerations aim to support the growth of Jordon's engagement in global virtual asset markets.

1. Clarifying the scope of virtual asset regulation is essential to address gaps in taxonomy and the treatment of other categories of virtual assets

GDF notes that the draft proposals do not set out a clear taxonomy of virtual assets. Instead, they define virtual assets broadly as *"any digital representation of value that can be electronically traded or transferred and used for payment or investment"*. The only explicit exclusion is for fiat currency and financial instruments already covered by existing laws. While this definition is a useful starting point, the lack of further differentiation risks creating legal uncertainty. In particular, it remains unclear how categories such as **virtual asset derivatives, non-fungible tokens (NFTs), utility tokens, or algorithmic tokens** will be treated under the proposed regime.

The Commission should also consider incorporating the definition of Virtual Assets set out in the Law passed earlier this year directly into the regulation, to ensure consistency across the legislative framework. Going a step further, the Commission may wish to amend the definition to include an explicit reference to distributed ledger technology (DLT) or blockchain, providing further clarity for market participants. While the current definition is broadly in line with international practice, regulatory frameworks typically provide more detail. For example, the Central Bank of Bahrain's crypto-asset framework adopts a definition that reduces ambiguity and increases regulatory certainty.

A further area where scope requires greater precision is the treatment of fiat-referenced tokens (commonly referred to as stablecoins). In practice, stablecoin issuers often operate on a Primary and Secondary Market model. For example:

- *Primary Market*: Customers who complete full onboarding and know-your-customer (KYC) checks can mint or redeem tokens directly with the issuer.
- *Secondary Market*: Once issued, tokens circulate more broadly through trading platforms, wallets, and service providers. The issuer does not directly control these Secondary Market transactions, but instead take place under the terms of the relevant virtual asset service provider (VASP) or exchange.

Considering this structure, GDF recommends that the Commission's regulatory perimeter should focus on activities undertaken in the Primary Market—that is, direct issuance and redemption to Jordanian persons, and the marketing or targeted promotion of such products into Jordan. By contrast, Secondary Market activity—where users transact peer-to-peer or via foreign platforms without direct targeting of Jordanian residents—should remain out of scope. Such an approach would align with peer jurisdictions, which typically seek to balance risk-based oversight with proportionality, while avoiding extraterritorial application of national frameworks.

2. Licensing and Listing Requirements Should be Calibrated to Service Providers, with Clarity on Foreign Issuers and Listing Standards while Supporting Local Partnerships

Reverse Solicitation and Local Presence

The draft proposals, as articulated under Jordan's Virtual Assets Law 2025 (Law No. 14/2025), prohibit the practice or promotion of virtual asset activities inside the Kingdom unless licensed by the JSC. Foreign providers are deemed to be operating in Jordan if they offer products or services to Jordanian clients, even without local incorporation or a physical office.

GDF supports the intent to bring virtual asset service providers (VASPs) operating in Jordan under the JSC's supervisory perimeter. However, the requirement to be licensed should apply only to those virtual asset service providers conducting direct customer-facing activity in Jordan, rather than to all virtual asset service providers whose services may be accessed by Jordanian residents without direct marketing being conducted within the Kingdom. The same principle applies to token issuers whose assets may be traded by Jordanian residents through platforms (such as exchanges, brokers, and custodians) that are licensed and based in the Jordanian market.

To avoid unintended extraterritorial consequences, we recommend clarifying that:
"Trading or facilitating the trading of virtual assets or listing virtual assets issued by a foreign entity, does not, on its own, constitute that foreign entity is actively and directly providing a service in Jordan, provided that the foreign entity is not marketing, targeting, or soliciting Jordanian customers."

Such an approach would align with peer jurisdictions. For example, under the Central Bank of Bahrain's (CBB) crypto-asset framework, activities relating to crypto-assets are deemed to be undertaken in or from Bahrain when the person or establishment is incorporated in Bahrain or directly solicits clients within Bahrain. In addition, with respect to foreign issuers licensed exchanges are permitted to list USD-backed stablecoins issued abroad, provided the issuer is identifiable and responsible. These examples have allowed Bahrain's relatively modest market to benefit from stablecoin liquidity and innovation, while maintaining a supervisory focus on VASPs operating within the Kingdom and ensuring that issuers are held to standards of transparency and backing without requiring local incorporation.

Licensing Fees
In addition to minimum capital requirements, the draft proposals introduce licensing fees that may constitute a high barrier for new entrants. In particular, the licence approval fee of JOD 50,000 creates a substantial upfront cost for applicants.

To reduce such barriers to entry while maintaining supervisory funding, we recommend that the JSC consider adjusting the fee structure so that:

- The upfront authorisation fee is reduced or removed (with regulators instead collecting the first-year licence fee at the time of licensing, as is common in peer jurisdictions); and
- Introduce an annual supervision fee adjusted upward to ensure adequate cost recovery for the regulator when the licensed entity is already operational.

This would ease initial entry requirements for smaller or innovative firms, while still ensuring sustainable funding for supervisory oversight. Such an approach would encourage greater market participation and align Jordan's framework with international practice.

Listing Standards and Due Diligence
The draft proposals currently do not explicitly address due diligence standards for listing virtual assets. It is not clear whether listings would require prior authorisation from the JSC or whether responsibility would rest with the VASP. To promote clarity and proportionality, we recommend the JSC articulate a framework in which:

- VASPs are responsible for performing due diligence on assets they list, consistent with principles of investor protection and market integrity; and

- The JSC provides high-level guidance and retains oversight, without requiring pre-approval of every asset.

This balance would enable innovation while maintaining safeguards and is consistent with international practice.

Disclosure Requirements

The draft licensing proposals require VASPs to provide disclosures to clients regarding the operation of the VASP, but do not specify what those disclosures should include. They also require disclosure of the "*technology used to operate the VASP*" and prohibit trading any virtual asset in a "*misleading or deceptive manner*" or in a way "*designed to defraud persons.*"

While GDF supports principles-based disclosure obligations, the requirements as currently drafted are overly broad and could risk inadvertently creating uncertainty for both VASPs and issuers. For example, requiring disclosure of the underlying technology could inadvertently expose proprietary information, and prohibitions based on subjective determinations of what constitutes a "*misleading*" or "*deceptive*" manner could be applied unevenly across different cases.

We recommend that the JSC provide clear, proportionate disclosure standards that:

- Focus on material risks relevant to clients (such as custody, governance, fees, and asset risk factors);
- Avoid requiring the disclosure of commercially sensitive or proprietary technical information; and
- Ensure that prohibitions on misleading or fraudulent assets are framed objectively and enforced through transparent criteria.

Outsourcing Provisions

The draft proposals also require that, where a VASP outsources any functional aspects or activities to a third party, that third party must itself be licensed by the JSC to perform the outsourced function. GDF notes that this approach diverges from international practice, where regulatory frameworks typically focus on ensuring the regulated entity retains responsibility, oversight, and accountability for outsourced activities, rather than directly licensing the third party.

Requiring every outsourcing partner to obtain a JSC licence could create unnecessary barriers, particularly for cloud service providers, technology vendors, or cross-border specialist firms that support multiple markets but do not conduct regulated activity themselves. We therefore recommend amending the outsourcing requirements to:

- Ensure that VASPs remain fully responsible for oversight and risk management of outsourced activities;
- Require notification to, and supervisory access by, the JSC; but
- Avoid blanket licensing obligations on outsourcing partners.

In addition, the draft proposals empower the JSC to demand immediate termination of an outsourcing arrangement without reference to orderly wind-down provisions. GDF recommends revising this approach to ensure that any termination occurs on an orderly basis, to protect customer interests, maintain operational continuity, and avoid unintended financial stability risks.

Custody and Technology Service Providers

GDF welcomes the flexibility in the draft proposals allowing platform operators to also provide custody services. However, further clarity would be helpful in distinguishing between:

- Providing custody directly; and
- Arranging custody through a third party.

For example, it is not clear whether a licensed broker-dealer would also be permitted to offer custody, or whether they could only arrange custody with a licensed custodian. We recommend that the Commission clarify these distinctions to avoid uncertainty in business models and supervisory expectations.

In addition, technology service providers, including custody technology vendors such as wallet infrastructure or key management solution providers, should be explicitly excluded from the scope of licensing. These entities provide technological infrastructure rather than financial services and requiring them to be licensed would create unnecessary barriers for VASPs seeking to use best-in-class global providers. Responsibility for oversight should remain with the regulated VASP that contracts these providers, not the vendors themselves.

Supporting Local Innovation and Partnerships

GDF is concerned that the current wording of Articles 3(c–d) and 4 could inadvertently discourage strategic collaborations between international issuers and Jordanian SMEs, FinTech companies, and digital ecosystem partners. For example, a Jordanian FinTech company exploring stablecoin payments (with Central Bank of Jordan approval) may find it unclear whether the foreign stablecoin issuer must incorporate locally before such a partnership can proceed.

We recommend that the JSC establish a framework that permits voluntary partnerships between foreign entities and local firms under appropriate oversight, without automatically triggering local incorporation requirements. This would allow Jordanian FinTechs to experiment with virtual asset-enabled use cases and attract inward investment, while maintaining regulatory visibility.

We further note the proposed Sandbox under Article 37, to be jointly administered by the CBJ and JSC. We strongly support this initiative and would welcome further details on its design, eligibility, and supervisory objectives. Properly implemented, the Sandbox could provide a safe environment for innovative collaborations, particularly in payments, tokenisation, and cross-border financial services. GDF has long been a proponent of Sandboxes, and particularly supports enabling cross-border partnerships for the scalability of digital markets.

3. Supervision Should Be Proportionate, Risk-Based, and Support the Incorporation of Stablecoins

Expectation of Physical Presence

The draft proposals contain multiple provisions requiring disclosure of the applicant's business address, real estate holdings, and the names and photographs of all employees, along with notifications of any changes in place of business. These requirements signal an expectation that licensed entities maintain a physical presence in Jordan.

While a local establishment requirement may be appropriate for certain systemically important VASPs (e.g., exchanges and custodians), a blanket expectation of physical presence could limit opportunities for cross-border participation, technology partnerships, and the attraction of international expertise. We recommend that the JSC consider a tiered approach, reserving physical presence obligations for core infrastructure providers while permitting other business models to operate on a cross-border basis subject to adequate disclosures, oversight, and cooperation mechanisms.

Trading Fees as Supervisory Fees

The draft proposals introduce a commission structure under which the JSC would collect 0.0005% of the total value of each contract or trading order in virtual assets. This replaces the more common supervisory fee model with a transaction-based levy.

GDF would note that this approach is uncommon in crypto markets. Applying a commission to every trade could inadvertently risk distorting market behaviour, particularly in high-frequency or low-margin trading strategies, and it may reduce the attractiveness of Jordanian venues in a competitive global landscape. In most peer jurisdictions, supervision fees are levied based on firm size, revenue, or activity levels, rather than on a per-transaction basis.

We therefore recommend that the JSC reconsider the proposed fee model in favour of a more conventional supervisory levy that reflects the scale and risk profile of the regulated entity, while avoiding unintended consequences for liquidity and market development.

JSC Outstanding Faculties

The draft proposals grant the JSC significant discretion to impose limits on the value and number of assets that may be traded, held, or issued through a VASP. While GDF recognises the importance of supervisory flexibility in safeguarding market integrity and financial stability, such open-ended powers could create uncertainty for market participants if applied without transparent criteria or notice.

We recommend that the JSC accompany these powers with:

- Clear principles on when and how limits would be applied;
- Proportionate thresholds tied to prudential or systemic risk factors; and
- Procedural safeguards ensuring that restrictions are communicated in advance and subject to review.

Such measures would strike the right balance between supervisory discretion and predictability, thereby maintaining investor confidence while enabling the JSC to act decisively where genuine risks.

4. Capital Requirements Should Be Proportionate and Operational Requirements Should Promote Clarity, Proportionality, and Market Competitiveness

Minimum Capital Thresholds

The draft proposals set a minimum entry capital of JOD 1,500,000 (approximately USD 2.1 million). This is significantly higher than international comparators. For example, under the EU's MiCA regime, initial capital requirements range from €50,000–€150,000 depending on

the service provided, with ongoing own-funds requirements proportionately linked to fixed overheads.

The proposed Jordanian thresholds also sit considerably above regional benchmarks. A back-of-the-envelope comparison shows that the minimum capital requirement for a broker-dealer in Jordan would be approximately 6.5 times higher than in Dubai (under VARA's framework) and 2.65 times higher than in Bahrain (under the Central Bank of Bahrain's framework). Consequently, such levels pose risks of disincentivising market entry and limiting the development of a competitive domestic ecosystem.

To align with international best practice, the JSC may wish to consider reducing the minimum capital requirement and adopting a "higher-of" approach similar to VARA's model, where the broker-dealer capital requirement is the higher of AED 600,000 (approximately 115,800 JOD) or 25% of annual fixed operating expenses (OPEX). This approach would lower barriers to entry for smaller firms, while ensuring that capital requirements scale proportionately with the size and risk profile of larger businesses.

Appropriate Capital Triggers

In addition to the above points, we recommend clarifying that capital and reserve requirements should apply only to:

(a) Virtual Asset Service Providers that are incorporated and operating directly from Jordan; or

(b) Virtual Asset Service Providers that are directly targeting Jordanian residents.

This is qualitatively different from a scenario where a Jordanian customer purchases a virtual asset directly on a foreign exchange without an active solicitation from the exchange or when a customer purchases a stablecoin on an exchange in the secondary market, which should not automatically trigger capital allocation requirements for the foreign issuer in Jordan.

Paid-up capital minima and guarantee requirements (Articles 3E–G) can appropriately apply to licensed Jordanian exchanges, custodians, and brokers. However, these should not indirectly compel offshore virtual asset service providers or stablecoin issuers—who are not licensed in Jordan—to hold local capital or reserves simply because the customer can access their services directly from the web or their token is admitted to trading on a Jordanian exchange.

Cross-Border User Acquisition and Reverse Solicitation

Given Jordan's current market size, it will be important to clarify how Jordan-licensed VASPs may acquire users abroad. Peer jurisdictions such as VARA in Dubai and the Central Bank of Bahrain (CBB) explicitly permit licensed entities to serve foreign clients, provided they comply with the relevant host jurisdiction's laws and guidance. Similar provisions in Jordan would make the jurisdiction more attractive for firms to establish operations, particularly given existing banking and commercial connectivity with neighbouring countries such as Iraq.

Conversely, the framework should explicitly address the treatment of reverse solicitation. While the draft proposals indicate further marketing guidance is forthcoming, the regulation should clarify whether foreign entities may conduct marketing activities in Jordan, and if so, what qualifies as solicitation (e.g., advertising, targeted promotions, direct outreach). This clarity is essential to safeguard against unlicensed overseas platforms capturing significant Jordanian market share — a risk highlighted in the National Risk Assessment.

Lending, Credit, and Derivatives

The draft framework prohibits VASPs from offering lending, credit, or derivative products without explicit approval from the Commission. While this provides appropriate safeguards, greater clarity would be beneficial on how such approvals may be granted. We recommend that the Commission explicitly state that such activities could be considered on a case-by-case basis, consistent with the CBB's approach to derivatives under CRA-4.3.2B.

Further guidance should also clarify which user segments may access such products — for example, restricting certain complex products to institutional or professional investors while providing simpler products to retail clients under defined safeguards.

UBO Categorisation

The draft framework sets a 5% threshold for identifying a person with "influential interest" as a beneficial owner. This is notably lower than thresholds in many other jurisdictions, which commonly use 10–25%. Setting such a low threshold risk generates disproportionate compliance burdens for firms with complex or widely distributed ownership structures. We recommend reconsidering the threshold to align more closely with international norms, thereby reducing unnecessary complexity while still achieving effective oversight.

Data Retention and Localisation

The draft proposals require VASPs to retain audit files and operational records for all technical work environment components for a period specified by the JSC. The absence of a clear timeframe introduces uncertainty, while the broad wording suggests a potential data localisation requirement in Jordan.

GDF recommends clarifying the duration of record-keeping requirements and specifying whether records may be stored securely in recognised cloud or cross-border data environments. International practice typically permits secure storage outside the jurisdiction, provided regulators retain access. This balance would provide operational flexibility while ensuring supervisory visibility.

Marketing Rules

The draft proposals provide that VASPs must comply with promotion and marketing rules set by the JSC. While proportionate marketing oversight is welcome, further clarification is needed on how these rules will apply in practice, particularly for global firms running regional or international campaigns. Without careful calibration, overly restrictive marketing obligations could discourage cross-border collaboration and innovation, while leaving domestic consumers more exposed to unregulated foreign platforms.

5. Additional considerations for fiat-referenced virtual assets to avoid duplicative obligations for issuers and balance market access with consumer protection.

Treatment of Stablecoins

Based on our reading of the draft proposals, Jordanian platforms and brokers may admit and trade fiat-referenced tokens (stablecoins), subject to the platform conditions outlined in Articles 13–16. We welcome the indication in Article 38 that transparent admissibility criteria will be issued to VASPs, as this would allow stablecoins to be effectively incorporated into the Jordanian market within a clear supervisory perimeter.

We note the approach of the Abu Dhabi Global Market (ADGM) as a useful reference point. ADGM was among the first regulators globally to develop a bespoke regime for fiat-referenced tokens/stablecoins. Its supervisory framework permits stablecoins to be traded on licensed exchanges provided certain prudential and operational criteria are met, without requiring the issuer itself to incorporate or bank in the UAE. This risk-based model could provide valuable guidance for Jordan in balancing supervisory oversight with market access and innovation.

Application to Foreign Stablecoin Issuers

GDF recommends that foreign stablecoin issuers should be exempt from requirements to hold capital reserves in Jordan, so long as they are not directly issuing tokens to, or targeting, Jordanian residents. Requiring overseas issuers to deposit local reserves where their tokens are only traded in the secondary market would fragment global liquidity, create operational inefficiencies, and risk undermining redemption arrangements.

In the secondary market, stablecoin issuers have no direct relationship with Jordanian customers. Imposing duplicative reserve obligations in these circumstances would not materially enhance consumer protection, but instead result in "siloed" pools of capital across multiple jurisdictions. This can reduce efficiency, raise costs, and even lead to issuer withdrawal from smaller markets, as evidenced by recent developments in the EU following the implementation of MiCA.

A more effective approach is to ensure that Jordanian VASPs providing secondary market access implement robust consumer protection, AML, and disclosure standards, while permitting issuers' reserves to remain consolidated in the primary jurisdiction where they are licensed and supervised.

Reserve Management and Onshoring

GDF does not support the development of rules that would require offshore stablecoin issuers to open local bank accounts in Jordan or onshore reserves. Globally, reserves are typically managed in consolidated pools (e.g., US Treasuries or equivalent instruments), which support operational resilience, deep liquidity, and efficient redemption. Fragmenting these reserves across jurisdictions would introduce inefficiencies, elevate banking risk, and could undermine redemption timelines.

Instead, we would encourage regulators to accept quarterly assurance reports from reputable auditors for stablecoins that are active or widely used in Jordan. This could provide transparency and oversight while avoiding unnecessary fragmentation of reserves.

Best Practice for Exchanges and Custody

To safeguard solvency and investor protection, licensed Jordanian exchanges should maintain adequate custody arrangements for stablecoins held on behalf of clients. Where users wish to redeem stablecoins into Jordanian Dinar, such conversion should be managed by the exchange's licensed banking partners, consistent with Article 36. This model ensures consumer protection and financial stability while avoiding unnecessary duplication for global issuers.

Safeguards Through VASP Requirements

We are supportive of articles 18(c), 31, and 36 of the draft proposals which require VASPs to segregate client assets from firm assets and prohibit the use of client funds to satisfy firm debts.

These protections ensure that, where a Jordanian exchange holds fiat-referenced stablecoins on behalf of customers, those assets remain legally protected from the exchange's creditors.

We would note that stablecoins also serve as a bridge currency between crypto trading pairs, enhancing liquidity and contributing to price stability on exchanges. Their inclusion can channel trading activity through licensed Jordanian platforms, rather than offshore venues, thereby supporting local market development and reducing capital flight.

Distinction Between Investment and Payments Use

It is important to distinguish between trading stablecoins for investment purposes and using them for retail payments. Secondary market trading on exchanges falls under JSC oversight. In contrast, using a Jordanian Dinar–pegged stablecoin for payments would properly fall within the remit of the Central Bank of Jordan (CBJ).

We recommend that the JSC and CBJ jointly clarify that:

- Stablecoins may be admitted to trading on licensed exchanges for investment and liquidity purposes;
- Stablecoins can be used for retail payments in Jordan, with a prior authorisation from the CBJ.

This clarity will ensure exchanges can support stablecoins without concern that such activity could be misconstrued as promoting unlicensed payment services.

Regional Models for Oversight

Peer jurisdictions can offer useful models for Jordan, giving it a regional second-mover advantage. In the UAE, for example, the Central Bank oversees local currency tokens while regulators such as VARA and ADGM supervise fiat-referenced stablecoins like USD-backed coins. This split-oversight structure allows stablecoins to circulate on licensed exchanges without requiring issuers to incorporate locally, while ensuring local currency tokens remain under central bank control. A similar approach could support Jordan's supervisory objectives while fostering market growth.

Conclusion

GDF welcomes the opportunity to provide feedback on the draft proposals and commends the Commission for its proactive approach in developing a regulatory framework for virtual assets. We strongly support the overarching objectives of promoting financial innovation, safeguarding consumers, and enhancing the competitiveness of Jordan's financial sector.

As set out in this response, we encourage the Commission to adopt a proportionate, risk-based approach that provides clarity for market participants while avoiding unnecessary barriers to entry. Clear rules on scope, licensing, supervision, capital requirements, and stablecoin treatment will help ensure that Jordan strikes the right balance between regulatory oversight and fostering innovation.

We would be very keen to continue this dialogue in person and to support the Commission in its efforts to build a robust, internationally aligned regulatory framework. GDF and its members remain committed to engaging constructively with the JSC, sharing industry expertise, and helping to ensure the success of Jordan's virtual asset ecosystem.