

EMAIL SUBMISSION TO: [fsra.consultation@adgm.com](mailto:fsra.consultation@adgm.com)

To whom it may concern,

**Re: FSRA of the ADGM Consultation paper on Proposed Regulatory Framework for Regulated Activities Involving Fiat-Referenced Tokens**

**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 – Executive Director – GDF



## Response to the Consultation Paper: Executive Summary

GDF convened its MENA policy Working Group to analyse the Consultation Paper on **The Proposed Regulatory Framework for Regulating Activities Involving Fiat-Referenced Tokens (FRTs)** published by the Financial Services Regulatory Authority ("FSRA") of the Abu Dhabi Global Market ("ADGM"). Please note that as this response was developed in collaboration with GDF members, as well as community partners, that portions of our response may be similar or verbatim to individual member responses.

GDF is supportive of the aim of the CP, as well as the FSRA's broader aims of further developing their regime a comprehensive regime for crypto and digital assets, including FRTs. It is a welcome step forward in strengthening ADGM's position as a regional leader in digital-asset regulation and advancing global alignment and regulatory interoperability.

We also appreciate the industry engagement and thoughtfulness with which the FSRA has aimed to develop their approach to FRT use within regulated activities. Our response to this CP looks to provide feedback on the proposals and identify areas of the requirements which are welcomed by industry, as well as areas where further consideration or specificity may be beneficial. GDF would note that as the ecosystem, as well as use cases and implementation of FRTs is still evolving across the industry, our aim is to support the FSRA in developing future-proof and forward-looking regulation.

In collaboration with our members, GDF has aimed to provide technical feedback, as well as high-level analysis on the proposals, taking into consideration the requirements that industry must also comply with in other jurisdictions. Through this process GDF members identified key areas that we believe the ADGM should consider as they move forward with their additional regulatory requirements for the use of FRTs within regulated markets. The core areas identified are:

1. **Support for proportionate, interoperable FRT regulation:** GDF welcomes FSRA's balanced approach to regulating fiat-referenced tokens that supports both innovation and market integrity.
2. **Transparency in the Accepted FRT list:** FSRA should clarify the criteria, review cycle, and delisting conditions.
3. **Coordination with CBUAE for AED-denominated tokens:** Further guidance from the FSRA and CBUAE would ensure predictable, aligned supervision of AED-denominated stablecoins.
4. **Proportionate oversight to prevent fragmentation:** A token-level due-diligence model would avoid liquidity fragmentation and support a future issuer-notification regime similar to ADGM's AVA model.
5. **Regional and international interoperability:** Alignment with VARA and comparable global regimes will enhance regulatory coherence and ADGM's competitiveness as a digital-asset hub.



## Response to the Consultation paper: Questions for Public Consultation

Please note that given our focus areas set out in the executive summary, we have provided feedback and input relevant to these themes throughout our response.

### *1. Do you have any comments on the proposed criteria to be applied by the FSRA in assessing Foreign FRTs?*

GDF welcomes and appreciates the FSRA's decision to provide greater transparency on the criteria that will be applied in assessing Foreign FRTs. Providing market participants with clearer expectations will help reduce uncertainty, support consistent supervisory outcomes, and enhance confidence in the regime.

Building on this approach, we would encourage the FSRA to continue to consider the geopolitical and cross-border context in which FRTs operate. Stablecoins and FRTs are inherently global instruments, and many issuers are subject to supervision by well-established regulators in other jurisdictions. The proposed criteria should therefore not only focus on the robustness of the foreign framework, and how the FRT aligns with those which are domestically issued, but also on the potential for regulatory reciprocity and mutual recognition. This would help avoid market fragmentation, duplicative compliance burdens, and potential conflicts between jurisdictions. We also note the FSRA's decision to retain supervisory oversight for the acceptance process for FRTs, rather than adopting a self-approval model.

In this respect, we believe the FSRA has an opportunity to position ADGM as a leader in promoting international coordination. Building on the existing proposals, with which we are broadly supportive, we suggest the following calibrations:

- Replace FSRA's case-by-case pre-approval process with a supervised, platform-led admission framework. Instead of FSRA individually vetting each FRT, we recommend that authorized firms implement robust published listing and delisting policies addressing issuer governance, reserve levels, redemption procedures, disclosure requirements, market integrity, custody compatibility, sanctions compliance, traceability, and incident management.
- Avoid a total ban on stablecoins that are not pegged to a single fiat currency. While we agree that FRTs used for payments in ADGM should be single-fiat tokens that are fully redeemable with strong reserves and transparent disclosures, a complete exclusion of basket-backed, crypto-collateralized, or other types of fully collateralized tokens may unintentionally encourage activity to move offshore and decrease overall transparency.
- While we agree that adequate AML tracing is essential, the requirement for issuers to be able to "freeze assets or reject transfer instructions" at the smart contract level may unintentionally restrict acceptance to highly permissioned models. We recommend revising this test to focus on whether Authorised Persons and competent authorities can apply effective monitoring and enforcement through blockchain analytics and supervisory cooperation, consistent with FATF standards.
- Maintain technology neutrality regarding "specified blockchains." Limiting FRTs to a predefined list of blockchains could lead to liquidity fragmentation, reduced interoperability, and shift cross-chain transactions to unregulated platforms. We propose a chain-agnostic standard based on technical capabilities and control measures.
- Define the adequate reserves requirement through clear, objective, and auditable standards. Reserve adequacy should be based on transparent and measurable criteria,



benchmarked against international standards such as IOSCO/FSB to eliminate ambiguity and subjectivity.

- Clarifying whether applying for and securing approval would be subject to any fees payable by the relevant firms, and if so, the value of the relevant fees.
- Ensure the issuer's jurisdiction and regulatory framework are assessed through objective and consistent criteria. While jurisdictional oversight is important, approval should depend on clear standards related to the issuer's design and control measures, which must be presented to ADGM-licensed Exchanges for listing consideration. To support predictability, we encourage FSRA to publish guidance in this respect.
- Consider a simplified registration or recognition process for FRTs issued in jurisdictions with comparable regulatory frameworks and supervisory practices. A list of jurisdictions and frameworks deemed broadly equivalent could be helpful for market participants.
- Explore opportunities for mutual recognition agreements or formal cooperation arrangements with other regulators—such as VARA, the Central Bank of Bahrain, the US OCC/Federal Reserve, MAS, FCA, or European Supervisory Authorities—to support secure cross-border issuance and utilization of FRTs.

Taken together, these steps would ensure that the FSRA's approach not only provides clear domestic guidance but also advances the global dialogue on equivalence and interoperability of regulatory frameworks governing fiat-referenced tokens.

Separately, we would also note two additional comments with regards to the proposed criteria. First, we note that the 'adequately traceable test' has a requirement to 'reject transfer instructions'. We believe that while important for issuers to intervene where possible to prevent illicit activities, further clarity is required on this action, particularly as it relates to permissionless blockchains.

Additionally, with regards to accepted blockchains, we would encourage the FSRA to provide further guidance to support multi-chain acceptance. DLT minimum viable approval criteria would be beneficial to the industry to ensure that proportionate cross-chain usage continues across the ecosystem, and to avoid balkanising and potential isolating Abu Dhabi based issuers.

## ***2. Do you have any comments on the proposed inclusion of previously accepted stablecoins, Domestic FRTs or CBUAE approved Dirham denominated stablecoins on the Accepted FRT list?***

GDF appreciates FSRA's commitment to enhancing clarity by publishing a list of Accepted FRTs, which includes previously authorised foreign stablecoins, the currently recognised Domestic FRT, and Dirham-denominated stablecoins sanctioned by the CBUAE. To support both market integrity and continued innovation alongside user choice, we kindly seek further clarification regarding the licensing process for AED-denominated FRTs.

More generally, GDF suggests that FSRA provide transparency around the criteria and review cycle for maintaining an FRT on the Accepted list. Clear expectations on the frequency of review, delisting conditions, and ongoing compliance requirements would give Authorised Persons greater certainty and facilitate long-term product planning.

Recognising the importance of alignment with national monetary policy, GDF agrees that AED-denominated stablecoins approved by the CBUAE should be eligible for inclusion on the



Accepted FRT list. To enhance predictability and avoid supervisory overlap, it would be helpful for FSRA and CBUAE to clarify their respective roles through a formal memorandum of understanding (MoU) or equivalent guidance. Such an instrument could outline information-sharing arrangements and coordination on areas such as redemption, cross-border usage, and prudential oversight.

In practice, once a token receives authorisation from the CBUAE, FSRA would acknowledge this by listing the token on the Accepted FRT list, while ensuring ongoing FSRA conduct, and AML obligations are met by Authorised Persons. This clear division would establish a stable and predictable regulatory pathway for market participants, while upholding the central bank's primary authority.

GDF also encourages FSRA to consider how this regime would interact with Dubai-based frameworks such as VARA's, noting that firms can issue fiat-referenced virtual assets (FRVAs) under an issuance licence once whitepapers are approved. These instruments should also be considered when assessing "previously accepted" tokens.

Additionally, GDF proposes that the cut-off date for inclusion be the date of codification of this consultation, rather than the initial consultation back in January. This would allow for the inclusion of more stablecoins and better serve the FSRA's stated objectives.

To support ADGM's communication of FRTs on the Accepted list, international identification standards, such as ISO 6166 (ISINs) and ISO 24165 (DTIs), could be adopted to enable unambiguous identification of stablecoins at both the asset and token level. Major foreign-issued stablecoins (e.g., USDC, USDP, USDT) already have ISINs and DTIs, which help distinguish legitimate instruments from similarly named tokens and promote consistency with global market-infrastructure practices.

Finally, GDF notes concern that a per-chain approval model may fragment liquidity and slow the addition of new ledgers. While we support the requirement for "adequate" AML tracing, this should account for variance in smart-contract controls within the same blockchain. A more proportionate approach would be due diligence at the token level, supported by transparent application criteria, timelines, and checklists for qualifying issuers. Over time, as international standards mature, GDF would advocate moving towards an issuer-driven notification regime, similar to ADGM's existing model for AVAs.

### ***3. Do you have any comments on the FSRA's proposed expansion of the scope of the Regulated Activity of Providing Custody to include FRTs?***

GDF is supportive of the FSRA's proposal to expand the scope of the Regulated Activity of Providing Custody to explicitly include FRTs. This approach provides important clarity to market participants and ensures that the regulatory perimeter keeps pace with the evolution of digital asset markets. Furthermore, we also believe that this should be an automatically allowed activity for any accepted FRT which make the requirements of custodying FRTs proportional to those of VAs which qualify for self-certification.

To ensure the change is effective, proportionate, and operationally workable for global platforms, we respectfully propose the following suggestions:

- **Licensing path:** To reduce obstacles, we propose (i) a simplified variation process specifically for VA custodians who are already licensed; (ii) a clear confirmation that



holding FRTs will not trigger any additional prudential capital requirements or duplicate fees; and (iii) a brief transition period (such as 3–6 months) for firms to update their policies, procedures, and client communications accordingly.

- **Remove binary classification:** We concur that regulatory treatment should vary based on whether FRTs are employed for investment/trading purposes or for payments/remittances. To eliminate confusion and uncertainty in borderline cases, we recommend that FSRA remove the current categorical divide between “holding FRTs to facilitate Investment Business” and “using FRTs to effect Payment Transactions,” replacing it with a single, activity-neutral authorization structured by risk tiers. The existing distinction is subjective and operationally burdensome. Adopting a unified framework would maintain FSRA’s regulatory goals of consumer protection, AML/CFT compliance, and market stability, while streamlining processes and minimizing uncertainty. We would welcome the opportunity to further discuss with the FSRA the intent behind the distinction. We remain supportive of the FSRA’s regulatory objectives and priorities but would welcome further clarity on the intent of the divide.
- **Custodian responsibility:** The responsibility of an FRT custodian should not extend to evaluating the issuer’s solvency or reserve details beyond reasonable trust in publicly available attestations, audits, and supervisory information. We suggest clarifying that the obligation for issuers to maintain “adequate reserves” falls under supervision at the issuer’s level.
  - We also note the importance of supervisory clarity in cases where FRTs are held by omnibus custodians on behalf of multiple clients. Clear guidance on segregation, liability and disclosure will be critical to avoid contagion risk.
- **Reporting and reconciliation:** We support applying existing virtual asset reconciliation and reporting schedules to FRTs, with two practical adjustments: (i) permitting reliance on issuer-provided monthly attestations and annual audits for client disclosures; and (ii) making explicit that external audit opinions on the custodian’s internal controls over custody (such as SOC1/SOC2 or equivalent reports) fulfil assurance requirements without necessitating customized audits for each token.

#### *4. Do you have any comments on the proposed distinction between Authorised Persons that hold FRTs to facilitate Investment Business and those that hold FRTs to effect Payment Transactions?*

While we acknowledge that the differentiation between Authorized Persons engaged in FRT-based investment activities and those exclusively providing payment services is conceptually sound, in practice GDF does not support a strict “investment versus payment” classification, as it can be seen as subjective (for example, determining whether an external address is a “client’s own wallet” or a “beneficiary”) and may create unintended ambiguity and/or operational inefficiencies due to redundant permissions, overlapping controls, and complicated routing processes. We respectfully suggest removing this binary distinction between “holding FRTs for Investment Business” and “using FRTs for Payment Transactions” and instead adopting a single, activity-neutral authorization that is structured according to risk levels.

We also recommend the FSRA clarifies whether these integrated businesses require separate custody and payment service authorizations, or if a unified licensing approach could be adopted to streamline regulation.

Such a unified framework would maintain FSRA’s regulatory objectives, including consumer protection, AML/CFT compliance, and market stability, while eliminating ambiguity and minimizing operational complexity.





### ***5. Do you have any comments on the conduct requirements proposed for Authorised Persons that use FRTs to provide Payment Services?***

GDF supports FSRA proposal to require Payment Service Providers that use FRTs to be authorised under the regulated activity of Providing Money Services. This approach recognises FRTs as a means of payment and provides regulatory parity across payment instruments.

To ensure the framework is effective, balanced, and practical for global platforms, we respectfully propose the following adjustments:

- **Chapter 17: Technology and Disclosure:** We recommend adopting outcome-focused technology standards, covering areas like security testing, change management, key management, and incident reporting, that are blockchain-agnostic and allow for equivalent controls regardless of the network. Regarding disclosures, standardized, clear-language explanations addressing the irreversible nature of on-chain transfers, the definition of “stability” based on the reference fiat currency and issuer redemption policies, redemption processes, fees, maintenance periods, and procedures for handling consumer complaints and error resolutions would be valuable. Providing sample disclosure templates and concise checklists would enhance consistency among providers and reduce interpretive challenges.
- **Chapter 19: Payment Conduct Rules:** Certain fiat-related concepts require practical adaptation to blockchain contexts. We suggest FSRA clarify that “execution time” corresponds to the moment of valid on-chain broadcast or confirmation; that “cancellation” is restricted to pre-broadcast phases or designated cancellation windows (excluding reversal after confirmation); and that “error resolution” should primarily address provider errors (such as sending funds to the wrong address) rather than user mistakes, while still mandating reasonable support. We also recommend clear alignment with the Travel Rule’s thresholds and data exchange requirements for FRT payments involving other VASPs, with allowance for accepted messaging protocols.
- **Alignment with Other Global Hubs:** GDF also recommends the FSRA considering further alignment with leading jurisdictions by distinguishing remittance and FX services from broader payment service providers. In Singapore and Hong Kong, such activities are supervised primarily on AML, safeguarding, and proportionate prudential requirements, while virtual asset trading and custody are separately licensed. A similar approach in ADGM would maintain appropriate oversight while reducing unnecessary friction for high-volume, low-risk transfer and exchange firms.

### ***6. Do you agree with the proposed approach to regulation of the activity of FRT Intermediation?***

GDF welcomes the FSRA’s effort to provide clarity on the regulatory perimeter for activities involving FRTs. In particular, we appreciate the intention to address intermediation activities, given their importance to the functioning of markets and the safe distribution of fiat-referenced tokens.

That said, we recommend the following clarifications to the framework:

- **Scope and definition:** The current definition of FRT intermediaries (“whereby a firm may buy FRTs from, and sell FRTs to, clients by way of a standalone business, either as principal or as agent, on behalf of the FRT issuer”) is not sufficiently clear, and we are concerned this could cause unintended uncertainty as to whether this activity



constitutes a new regulated activity or should fall within existing ones. Further explanation is needed on how intermediation differs in substance from activities already covered by payment services or investment business. We suggest the Rulebook include clear, unequivocal definitions of activities along with a concise matrix that distinguishes when an activity qualifies as (i) FRT Intermediation, such as buying or selling FRTs with clients, whether acting as principal or as an issuer's agent, including off-exchange OTC transactions and retail cash-in/cash-out; (ii) Payment Services involving FRTs, facilitating client transfers to beneficiaries without assuming price risk; and (iii) Market/MTF activities, conducting matched trading via order books or request-for-quote platforms.

- **Overlap and dual licensing:** There is a risk that the proposed categorisation could overlap with existing regimes (e.g., payment services and/or MTFs for VAs), creating the potential for dual licensing obligations and unnecessary administrative burdens. We encourage the FSRA to set clearer regulatory boundaries to avoid duplication. To facilitate implementation for firms offering multiple services and to avoid redundant licensing, we recommend a simplified variation process whereby an already authorized exchange or custodian can incorporate FRT Intermediation through a notification procedure accompanied by a short “no-objection” period, supported by evidence of the relevant controls outlined earlier (including transparency, conflict management, AML consolidation, and transaction receipts). A decision tree may also be beneficial for providing additional clarity to the market.
- **Prudential considerations:** We respectfully suggest the FSRA to review the appropriateness of the Category 4 prudential framework, including the \$50,000 base capital requirement, as the market evolves, particularly if intermediaries expand into higher-volume retail activity.
- **Orderly wind-down:** To protect market integrity while minimizing impact on users, we propose implementing a brief, phased suspension and withdrawal process when FSRA detects concerns. Immediate stoppages would be reserved for urgent situations such as sanctions enforcement or critical safety issues. This approach ensures that regulatory measures safeguard consumers, particularly those involved in ongoing transactions, and preserve liquidity, while enabling timely intervention when necessary.
- **International considerations:** While ADGM's approach appears to share some similarities with frameworks in Singapore and Hong Kong, further consideration of international nuance is needed. In particular, we would note that this approach to ‘FRT intermediation’ may result in similar dual licensing issues to those which the EU is currently grappling with (e.g., E-Money/PSD2 and MiCA). We would note that a strength of the ADGM is that it can tailor its rules to reflect regional market structures and take the second mover advantage also avoiding pitfalls of legacy legislation which have been challenging for other jurisdictions.

In summary, while we strongly support the FSRA's intent to bring FRT intermediation within scope of regulation, we believe further clarity is required on its scope, overlap with existing activities, and the specific jurisdictional context. Without this, the proposals risk creating unintended uncertainty and fragmentation. We would welcome further dialogue with the FSRA on how to refine these provisions to ensure they deliver both clarity and proportionality.

#### ***7. Do you agree with the proposed fees in respect of the Regulated Activity of Payment Services involving FRTs and in respect of FRT Intermediation?***

In principle, we do not have concerns with the proposed fees but would reiterate the concerns set out in the previous question with regards to dual licensing. If ADGM intends distinct





authorisations, we would note that fee calibration should not unintentionally penalise firms forced into dual permissions due to perimeter ambiguity.

To ensure the framework remains proportionate, predictable, and operationally practical, particularly for firms offering multiple services, we respectfully propose two refinements: first, a graduated fee structure for start-ups and low-volume firms, such as lower initial fees that scale with transaction volumes, to avoid unduly constraining entry and innovation; and second, clear guidance on how the FRT fee will apply to multi-service firms (e.g., those conducting both Payment Services and FRT Intermediation) to prevent duplicative charges.

***8. Do you agree with the proposed conduct requirements for Authorised Persons that hold or control FRTs belonging to their Clients?***

Yes, we agree with extending custody safeguards to any Authorised Person that holds client FRTs. This closes residual gaps, promotes investor protection across use-cases, and broadly codifies what responsible firms already do.

To ensure implementation is clear, balanced, and technology-neutral, we respectfully offer the following recommendations:

- **Incidental custody:** We suggest the Rulebook explicitly state that custody obligations apply whenever an Authorized Person holds or controls clients' FRTs, regardless of their primary license. At the same time, it should clearly exclude situations where no client relationship exists, such as proprietary trading or treasury functions, and circumstances already covered by distinct regulatory frameworks, like fund managers under fund-specific rules. To prevent undue regulation of incidental or brief holdings (for example, during settlement processes within payment flows), we propose introducing a de minimis and/or time-bound safe harbour (e.g., holdings under T+1 solely for settlement completion), provided client ownership remains intact and appropriate safeguarding is maintained.
- **Chain-Agnostic approach:** To support innovation, we recommend that technology requirements focus on outcomes and remain blockchain-neutral. Firms should demonstrate capabilities such as transaction traceability, sanctions screening, and smart contract risk management, through measures like audits and appropriate allow-list or blacklist controls relevant to the specific token.
- **Omnibus accounts:** Many Authorized Persons may hold FRTs in pooled or omnibus wallets. FSRA may wish to provide guidance on minimum standards for record-keeping and disclosure in such cases.

***9. Do you agree with the proposed approach to fees for Authorised Persons that hold or control FRTs belonging to the Clients?***

As noted above under Q7, where perimeter clarifications still necessitate dual permissions, we recommend fee calibration or offsets to avoid penalising firms for structural overlaps that the framework itself creates. We support the FSRA confirming that any surcharge will apply only once per legal entity that is holding or controlling client FRTs to avoid duplication and inadvertently penalising firms.



***10. Do you have any comments on the proposed amendments to the FRT Issuance framework?***

We acknowledge the shift from prior approval to a notification plus written non-objection process. Although lighter than full approval, this approach may still cause operational delays and uncertainty for issuers needing to quickly establish or change reserve arrangements, especially during periods of market stress or bank de-risking. Therefore, we propose replacing non-objection with criteria-based notification where the Rulebook defines clear eligibility standards; reserving time-bound non-objection exclusively for higher-risk or exceptional cases; and introducing an “approved categories” list (such as credit institutions in the EEA/UK/US or highly rated, narrowly focused money-market funds) to allow entities in vetted categories to proceed solely via notification. However, noting we would also be supportive of tentative SLA timelines for non-objection certificates.

Additionally, we recommend substituting the default non-objection regime with objective criteria ensuring independence and expertise (including recognized assurance standards, rotation and independence protocols, and demonstrated competence in digital assets). To significantly boost user and supervisory trust, we suggest FSRA explicitly accept automated transparency tools like proof-of-reserves (PoR) as an approved method that can complement, or when sufficiently comprehensive, fulfil the monthly attestation requirement. Under this approach, issuers and, where relevant, their reserve custodians could maintain continuous PoR systems providing publicly accessible evidence of reserves reconciled against outstanding tokens.

For market clarity, we respectfully request confirmation on the scope of the prohibition, whether it applies only to issuers incorporated in ADGM or also to cross-border issuance by foreign entities operating in ADGM, and guidance on the treatment of Dirham-referenced tokens issued offshore but admitted for use in ADGM (e.g., whether they fall within the Accepted FRT regime by virtue of CBUAE approval).

Finally, we acknowledge FSRA’s current proposal prohibiting ADGM Authorized Persons from issuing Dirham-pegged FRTs given the CBUAE’s stance. To remove ambiguity and foster policy alignment across the UAE, we propose a concise joint clarification from FSRA and CBUAE establishing a “two-key” model: (a) issuance of AED-referenced tokens falls under CBUAE authorization and supervision; (b) activities involving such tokens by ADGM Authorized Persons, such as custody, listing, intermediation, and payment services, are subject to FSRA conduct and AML regulations. This framework provides clarity for issuers and intermediaries while respecting central bank authority, with the option for FSRA to reconsider its prohibition if CBUAE adjusts its position in the future.