

DFSA Crypto Token Regime – Licence Variation Checklist for Existing Firms

Step 1: Review Your Current Licence

- ✓ Identify your Financial Service permissions (e.g., Arranging Deals, Managing Assets, Providing Custody).
- ✓ Check the types of Financial Services approved & listed on your licence (Shares, Derivatives, Fund Units, etc.).

Step 2: Is Your Exposure Direct or Indirect?

- ✓ **Indirect exposure** (e.g., derivative referencing Bitcoin, fund investing in recognised tokens) → **Licence variation usually NOT required**.
- ✓ **Direct exposure** (e.g., buying/holding Crypto Tokens for clients, custody of tokens, operating a trading facility) → **Licence variation REQUIRED**.

Step 3: Situations Where Variation Is Not Required

- ✓ For example: Already licensed for **Derivatives**, and arranging/managing products that references a Crypto Token.
- ✓ Licensed to market or arrange **Units in Funds**, and distributing funds that invest in recognised Crypto Tokens (within DFSA limits).
→ **Still subject to the DFSA Crypto Token regime** (see Step 5).

Step 4: Situations Where Variation Is Required

- ✓ Directly **Dealing, Managing, or Advising** in spot Crypto Tokens.
- ✓ **Providing Custody** of client Crypto Tokens (including staking).
- ✓ Operating a **Multilateral Trading Facility** or **Clearing House** for Crypto Tokens.
→ Must apply for licence variation through DFSA ePortal with updated Regulatory Business Plan and supporting documents.

Step 5: Even Without a Variation – You Must Comply with the Crypto Token Regime

All firms (direct or indirect exposure) must implement:

- ✓ **Conduct Rules** - risk warnings, appropriateness tests, no incentives for retail clients.
- ✓ **Disclosures** - Key Features Document with token details, risks, issuer, and technology.
- ✓ **Custody Standards** - segregation, reconciliations, 3-day correction of errors, DFSA reporting.

- ✓ **Technology Governance** - IT controls, cyber-resilience, independent technology audits.

Additional requirements apply when dealing with **Retail Clients**:

- ✓ **Appropriateness assessment** - firms must check if Crypto Token products are appropriate for the client.
- ✓ **Ban on incentives** - firms cannot offer inducements to encourage Retail Clients to trade in Crypto Tokens.

Step 6: Practical Next Steps for Firms

- ✓ Map current permissions vs planned Crypto Token activities.
- ✓ Decide if activity is **direct** or **indirect**.
- ✓ If indirect → confirm no variation required, but update policies to meet Crypto Token regime.
- ✓ If direct → prepare variation application with DFSA.
- ✓ Review recognition status of tokens (only **Recognised Crypto Tokens** permitted).

Tip: Always cross-check with DFSA's up-to-date list of recognised tokens and consult legal/compliance advisors before launching new products.