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TECHNOLOGY MARATHON

**Tokenised Funds and Investments in
the UK, EU and UAE**

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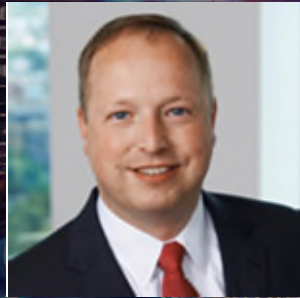
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Tokenised Funds and their Benefits

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What is a Tokenised Fund?



Token is tradeable piece of code on distributed ledger digitally representing traditional asset.



Tokenised fund is fund issuing digital tokens representing interests on distributed ledger, meaning tokens can be traded and recorded on distributed ledger.



Distributed ledger is decentralised database of transactions managed across shared network, with distributed nature enabling investors to see holdings in real time, as ledger updates as transactions occur on network.

Potential benefits

- Potential benefits of tokenising funds could include:
 - increased liquidity and accessibility
 - increased transparency
 - more operational efficiencies and automation



UK Regulatory/Legal Issues

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UK Regulatory and Legal Framework

Regulatory treatment of tokenised interests in funds



Government call for evidence on DLT and tokenisation



FCA discussion paper on improving asset management



UK Jurisdiction Taskforce statements on cryptoassets and smart contracts

EU Regulatory/Legal Issues

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Crypto Regulation in the EU

There is currently no uniform legal framework for crypto services in the EU.

Some EU countries have enacted national crypto laws (e.g. Germany, Malta, Estonia), others have no specific crypto laws.

This situation will change with the “Markets in Crypto-Assets Regulation” (MiCA) becoming effective which will introduce a uniform European legal framework for crypto assets and crypto services.

MiCA has been approved by the EU Parliament on 20 April 2023; following Council approval it will be published in the EU Official Journal after which it will become effective. 18 months later it will become applicable in the EU member states (likely at the end of 2024).

The scope of MiCa

MiCA provides for a technology-neutral regulatory framework for the regulation and supervision of crypto assets and crypto service providers.

It is part of the EU Digital Finance Package and supplements MiFID II to the extent MiFID II does not cover certain crypto assets.

MiCA defines Crypto assets as “digital representations of value or rights which may be transferred and stored electronically, using DLT or similar technology.”

It covers utility tokens, currency tokens and stable coins but not security tokens (which are subject to MiFID II) and NFTs.

Similar to the scope of MiFID II with respect to classical financial instruments, MiCA regulates crypto custody services, the operation of crypto trading platforms, the exchange of crypto assets into money, the brokerage of crypto assets, advisory services and the offering of crypto assets.

The MiCa License



- Crypto service providers will be required to obtain a license in their home member state.
- License requirements are similar to MiFiD II license requirements with respect to reliability and qualification of managers, organizational requirements, risk management, IT-security and capital.
- The MiCA license can be passported through the entire EU.
- CRR institutions and IFD institutions may become active in crypto services by relying on their existing license and do not need to obtain a separate MiCA license.
- MiCA does not contain a third country regime for cross-border services, i.e., non- EU crypto service providers must obtain a EU MiCA license (or acquire on EU licensed entity) to become active in the EU.

The MiCa Product Regime

- Crypto service providers have to publish a so-called White Paper for the crypto assets they are dealing with.
- The White Paper must contain information, in particular, on:
 - the issuer of the crypto assets;
 - a description of the crypto project of the issuer;
 - description of the crypto asset and its underlying technology;
 - rights and obligations of the investor;
 - risk disclosures.
- Similar to the regime under the securities prospectus directive, certain exemptions from the obligation to publish the White Paper apply.

UAE Regulatory/Legal Issues

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UAE Regulatory Landscape

Authority	Jurisdiction	Key Regulations and Guidance
SCA	Onshore UAE (ex. Dubai in respect of digital assets regulation)	<ul style="list-style-type: none"> Decision No. (23/ Chairman) of 2020 concerning Crypto Assets Activities Regulation Decision No. (11) of 2021 concerning Guidance for Crypto Asset Regulations Resolution No. (111) of 2022 Concerning the Regulation of Virtual Assets and their Service Providers Decision No. (26/RM) of 2023 in relation to Virtual Assets Platform Operators
VARA	Emirate of Dubai (ex. DIFC)	<ul style="list-style-type: none"> Law No. (4) of 2022 Regulating Virtual Assets in the Emirate of Dubai Virtual Assets and Related Activities Regulations 2023
DFSA	Designated freezone of Dubai International Financial Centre (DIFC)	<ul style="list-style-type: none"> Regulatory Law DIFC Law No.1 of 2004 Markets Law DIFC Law No. 1 of 2012 DFSA Rules
FSRA	Designated freezone of Abu Dhabi Global Market (ADGM)	<ul style="list-style-type: none"> Financial Services and Markets Regulations 2015 FSRA Rules Guidance on Regulation of Digital Securities Activities in ADGM (24 February 2020) Guidance on Regulation of Digital Security Offerings and Virtual Assets under the Financial Services and Markets Regulations (24 February 2020) Guidance on Regulation of Virtual Asset Activities in ADGM (28 September 2022)

Ukraine Conflict Resources

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Biography



Robert Mailer

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Rob Mailer focuses on private investment fund formation and fundraising, representing managers and investors across a wide range of strategies, including growth, venture capital, infrastructure, debt, and buy-out. He has a particular focus on clients investing in new technologies such as artificial intelligence and fintech, and has substantial experience advising teams on spin outs and the establishment of new fund management companies, as well as on defaulting investor and on other ongoing and end-of-life funds issues.

Biography



Steven Lightstone advises on financial services, securities, and derivatives regulatory issues. His clients include asset managers across a wide range of asset classes and their funds, banks, broker-dealers, fintech firms, payment institutions, institutional investors, insurers, lenders, and market associations.

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Torsten Schwarze counsels clients on complex financing transactions, including acquisition and real estate finance transactions, restructurings, and derivatives transactions, as well as regulatory matters and compliance issues. His clients include banks, financial service institutions, investment companies, stock and derivatives exchanges, and other companies. He also represents his clients in court and administrative proceedings on compliance and regulatory matters. Torsten is a member of the firm's LIBOR working group, which acts as its go-to authority on LIBOR transition across a range of jurisdictions and practice areas, and tracks evolving deadlines in relation to LIBOR replacements.

Biography



Carolyn J.D. Abram

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Carolyn J.D. Abram's practice focuses on representing fund sponsors on the structuring, formation, and operation of private investment funds across asset classes, and other bespoke investment arrangements, including seed and stake arrangements with anchor investors, asset manager joint venture agreements, co-investment and warehousing arrangements, carried interest arrangements, secondaries transactions, and fund restructurings. She also advises on regulatory and structural matters relating to the operations of asset managers and investment banks in the Middle East and North Africa (MENA) region and other emerging markets, particularly for global asset managers seeking to enter the MENA market.

Biography



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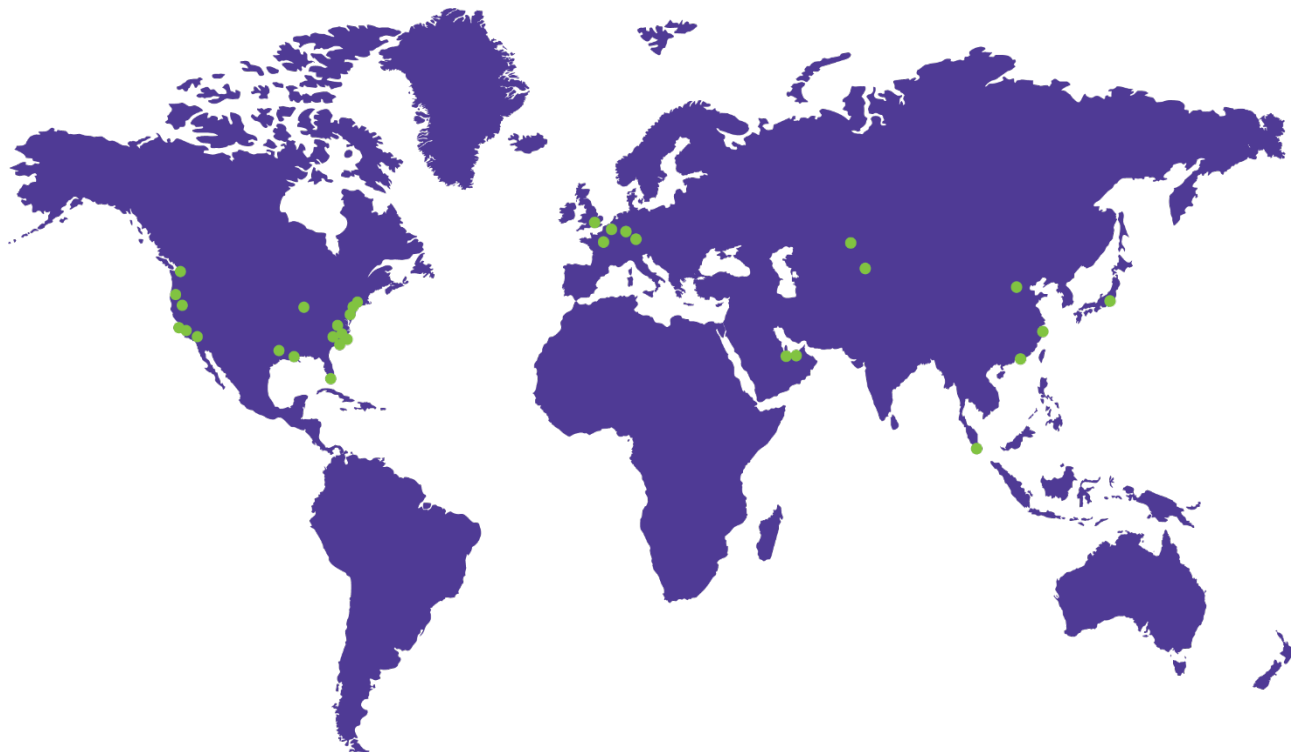
Sam Hare focuses his practice on mergers and acquisitions, private equity, venture capital, and general corporate matters. Sam advises on a variety of transactions, including cross-border and domestic acquisitions, venture capital investments, and capital raises. Prior to joining Morgan Lewis, Sam worked in the London office of a top-tier US law firm. He is admitted to practice in England & Wales.

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