

ALTERNATIVE MODES OF FINANCE:

Overview and Guidelines for the Arab Countries.



صندوق النقد العربي
ARAB MONETARY FUND



مجلس محافظي المصارف المركزية ومؤسسات النقد العربية
COUNCIL OF ARAB CENTRAL BANKS AND
MONETARY AUTHORITIES GOVERNORS



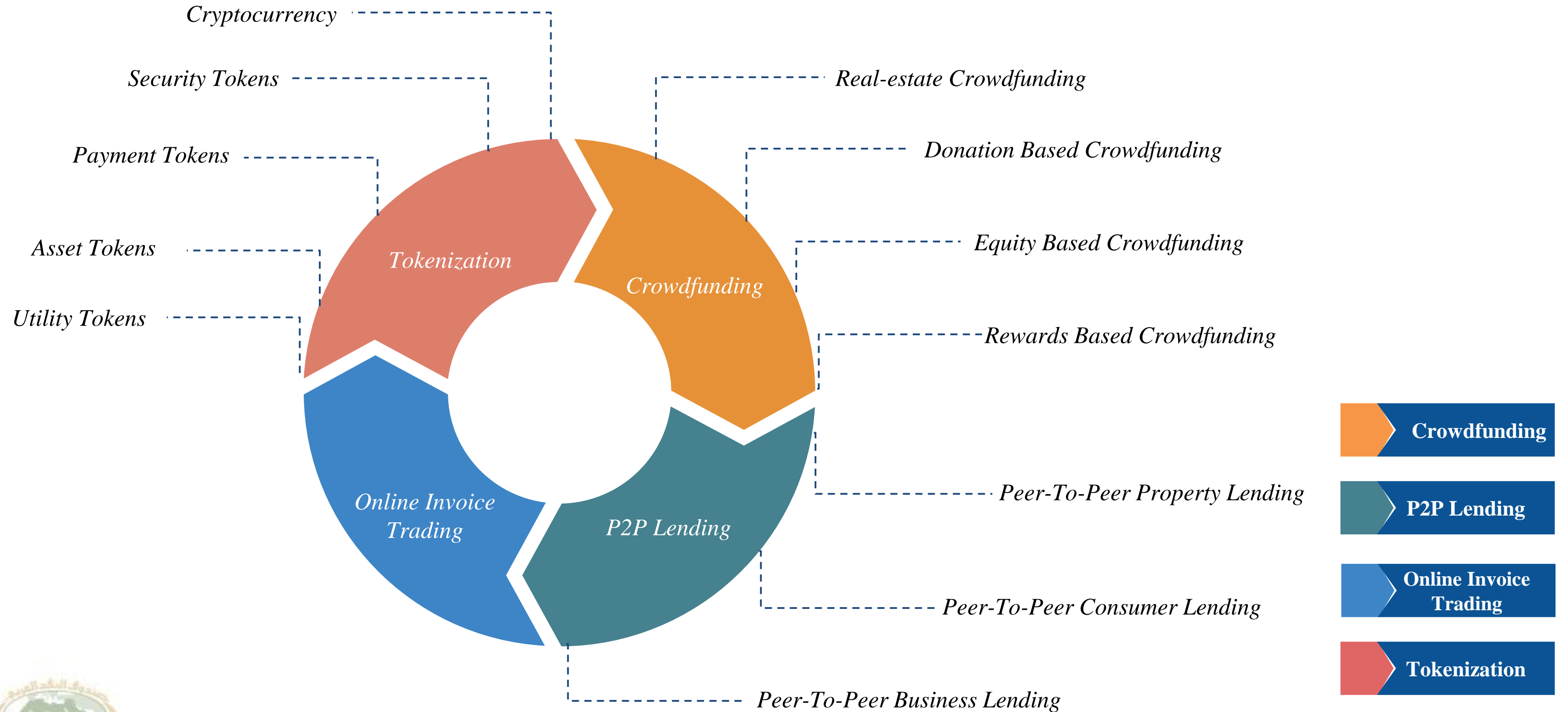
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REGIONAL LEADERS IN THE DEPLOYMENT OF ALTERNATIVE FINANCE



1. United Arab Emirates
2. Kingdom of Saudi Arabia
3. Bahrain
4. Egypt
5. Oman
6. Jordan

TYPES OF ALTERNATIVE FINANCE SOLUTIONS



ALTERNATIVE FINANCE BY MODEL COMPARISON

ALTERNATIVE FINANCE BY MODEL FOR THE MIDDLE EAST

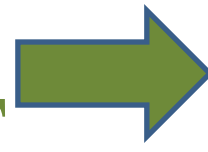
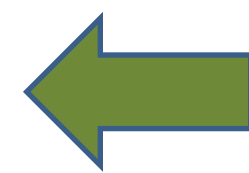
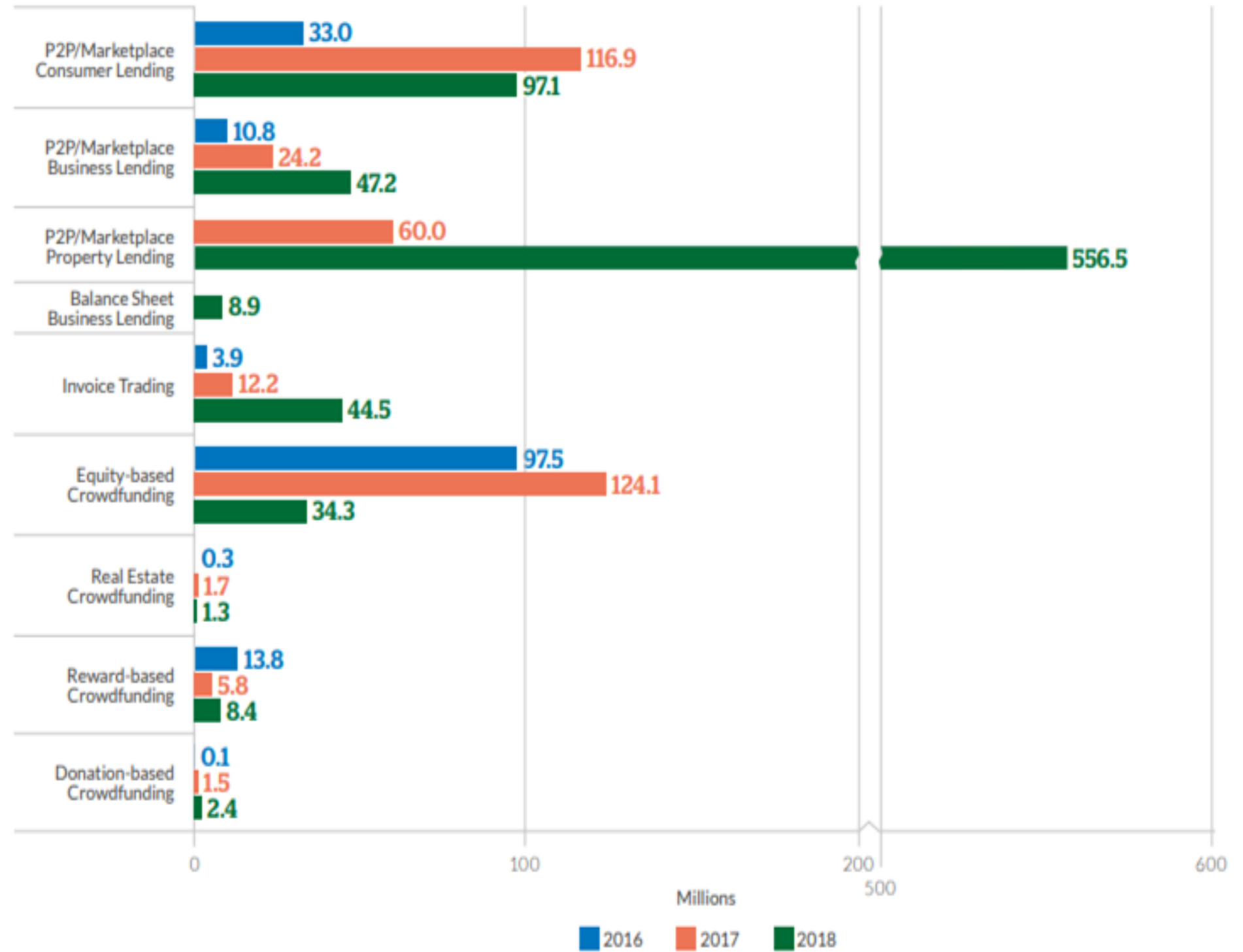
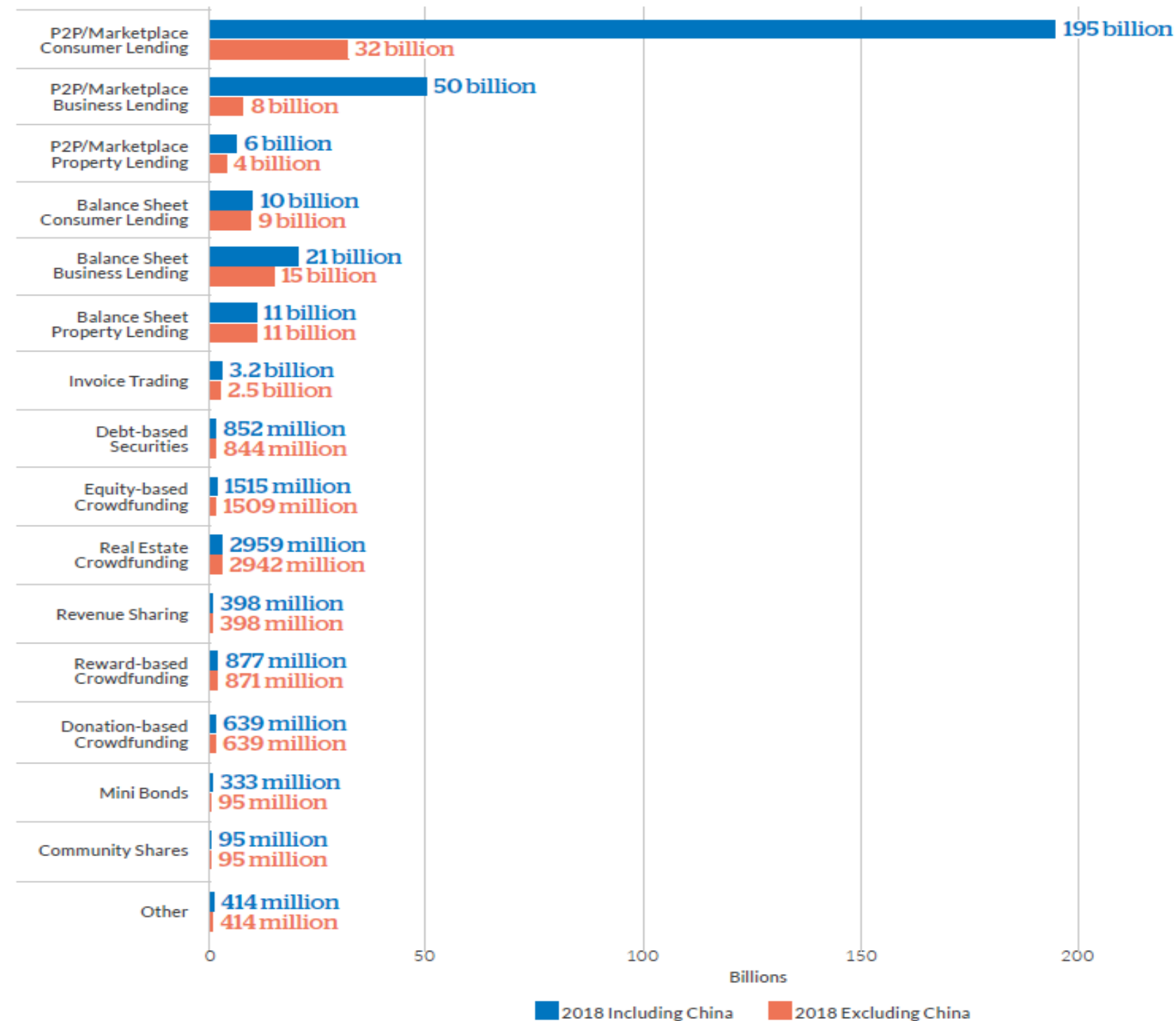


Figure 1.8: Global Volume by Model in 2018, USD



GLOBAL ALTERNATIVE FINANCE BY MODEL 2018

THE GLOBAL REGULATORY LANDSCAPE FOR CROWDFUNDING/P2P LENDING

COUNTRY	REGULATORY AUTHORITY	REGULATION(S)
1. U.S.A.	Securities Exchange Commission (SEC)	Regulation Crowdfunding (Title III of JOBS Act)
2. U.K.	Financial Conduct Authority (FCA)	Financial Services & Markets Act, 2000 (FSMA)
3. U.A.E	<ol style="list-style-type: none"> 1. Dubai Financial Services Authority (DFSA) 2. Central Bank Of UAE 3. Securities and Commodities Authorities Of UAE 4. Abu Dhabi Global Market 	<ol style="list-style-type: none"> 1. DFSA GEN Module creates regulated activity of ‘Operating a Crowdfunding Platform’. 2. A CBUAE draft has been proposed in 2020. 3. Regulation concerning Crypto Assets Activities, 2020 4. Guidance Note on Digital Securities FSRA, 2020

THE GLOBAL REGULATORY LANDSCAPE FOR CROWDFUNDING/P2P LENDING

COUNTRY	REGULATORY AUTHORITY	REGULATION(S)
4. Bahrain	Central Bank of Bahrain.	1. CBB Rulebook Vol. 5 – Financing Based Crowdfunding Platform Operator. 2. CBB Module – Markets & Exchanges Module.
5. K.S.A	KSA Capital Market Authority (CMA)	Regulation at drafting stage, yet to be implemented.
6. Jordan	Central Bank of Jordan.	No Regulations planned but remain unimplemented.



Arab Regulatory Positions on Tokenization.



Central
Bank
Of
Bahrain

1 Payment Tokens (Exchange Tokens).

2 Utility Tokens.

3 Asset Tokens.

4 Hybrid Tokens.



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Arab Regulatory Positions on Tokenization



**ABU DHABI
GLOBAL MARKET**
سوق أبوظبي العالمي

**Abu
Dhabi
Global
Market**



Arab Regulatory Positions on Tokenization

Securities & Commodities Authority



هيئة الأوراق المالية والسلع
SECURITIES & COMMODITIES AUTHORITY

GUIDELINES OF P2P LENDING / CROWDFUNDING GOVERNANCE AT DIFFERENT STAGES

Early/Seed Stage (Stage 1)

- Facilitate ecosystems with support structures for efficient growth.
- Improve market-readiness.
- Improve technological set-up/regulate supporting functionalities
- Improve investor awareness on new avenues & risks.

Growth Stage (Stage 2)

- Encourage industry networks including fair marketing prices, disclosure of selection & mechanism.
- Independent research institutions can provide data on market developments, industry maturity, success rates of projects, & campaign strategies.
- Government should organize meetings between academia, government representatives & industry representatives.
- Oversight on cyber-security & data protection, donations & charities or legal operations, utilization of funds for the purposes stated.

Mature Stage (Stage 3)

- Development of regulatory framework/ bringing crowdfunding platforms under a licensing regime
- Ensure adequate investor/creditor supervision / investment – lending supervision / process for managing enquiries & disputes.
- Ensure adequate project monitoring/necessary due diligence of each project.
- Ensure adequate investor/creditor supervision / investment – lending supervision / process for managing enquiries & disputes.
- Ensure transparent rules to be abided by everyone.
- Consideration of possible conflicts of interest.

ROADMAP FOR CROWDFUNDING/P2P LENDING

Establish a regulatory framework that seeks to dynamically & flexibly approach Crowdfunding & relevant P2P Lending Legislation.

Implement a strong governance model to address concerns or queries in relation to the functionality of Crowdfunding & P2P lending initiatives.

Encourage the involvement & creation of expert groups on Crowdfunding & P2P lending.

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2

3

4

5

Coordinate with & Seek inspirations from the benchmarks & experiences of other Arab countries which have successfully crafted a regulatory framework.

Ensure the implementation of a framework highlighting the general overarching principles to ensure customer & investor protection.



ROADMAP FOR CROWDFUNDING/P2P (CONTD...)

Create a mechanism to identify poor market conduct & subsequent measures to rectify & mitigate market abuse.

Encourage involvement & oversee creation of expert groups on Crowdfunding & P2P lending, tasked with collection, exchange & discussion of methods to support Crowdfunding & P2P lending at national & regional levels.

Undertake activities to collaborate with regional & international players to develop regional actors & support access for international actors.

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10

Implement a mechanism facilitating open & cooperative dealings between regulators & relevant stakeholders.

Establish a database of best practices, platforms & industry data for all Crowdfunding & P2P lending stakeholders.



TOKENIZATION - GUIDELINES

Initiating the Process:

Greater clarity around regulatory frameworks of tokenized assets & markets.

Global Compatibility & Multi-jurisdictional acceptance:

There's no "one size fits all" solution, hence circumstances need to be judged holistically.

AML/KYC & Tax Laws:

Operational measures to be adopted, since AML, KYC & other requirements should be the 1st priority.

Ensuring Data & Cyber Security:

Because of the very virtual nature of tokens & the nascent stage of DLT technology, data protection & cyber-security is a must.

Business Model Development & Platform Integration:

Financial institutions will have to choose where to exist & thrive in the value chain.



ROADMAP FOR TOKENIZATION

Establish a regulatory framework that seeks to dynamically & flexibly approach tokenization legislation incorporating international industry practices.

Ensure the implementation of regulatory requirements that promote financial consumer & investor protection, market integrity & competition.

Encourage the involvement & oversee the creation of expert groups on tokenization, tasked with the collection, exchange & discussion of best practices.

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Facilitate the establishment of a database of best practices for processes & procedures or the minimalistic sharing of the information held by tokenization projects.

Implement mechanisms facilitating open & cooperative dealings between regulators & relevant stakeholders.



ROADMAP FOR TOKENIZATION (CONTD...)

Implement mechanisms to educate & ensure greater clarity around the regulatory & supervisory frameworks applied to tokenized assets & markets.

6

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Undertake initiatives to, at the national level, harmonize the different institutions regulating & supervising virtual assets.

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Ensure the Constant updating of regulations & relevant guidance to ensure applicability to new actors & implementing new requirements.

Supervise the rise of new risks for the application of DLT technologies.

Facilitate & strengthen financial & technological education efforts focusing on disseminating appropriate information & ensuring understanding of these aspects.



THANK YOU!



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KARM

