Dubai Courts on Criminality of Unlicensed Virtual Asset Operations

August 18, 2024

In a recent decision by the Dubai Court of Appeal, **Judgment No. 829 of 2023**, the court identified the criminal conviction of a former employee who was found guilty of both **embezzling funds** and **engaging in virtual asset service activities without obtaining the necessary license** from the relevant regulatory authorities. This case serves as a critical reminder of the legal obligations that come with handling virtual assets and the severe consequences of failing to adhere to them.

The court's findings were rooted in the criminal judgment from an earlier case, **Criminal Case No. 16363 of 2021**, where it was established that:

> ***"the defendant was convicted of embezzling funds belonging to one of the plaintiff's clients, [redacted], in addition to being convicted of engaging in virtual asset service provider activities without obtaining the necessary license from the relevant regulatory authorities."***

The connection between the defendant's embezzlement and his unlicensed activities in the virtual asset space cannot be understated. The court recognized that by operating without a license, the defendant not only breached regulatory requirements but also facilitated his illicit activities. Deductively, **engaging in unregulated virtual asset services** provided the defendant with opportunities to handle and misappropriate client funds, which ultimately led to his

conviction.

In Dubai, the regulation of virtual asset service providers is overseen by the **Virtual Assets Regulatory Authority (VARA)** for mainland activities and the **Dubai International Financial Centre** regulates operations in its respective jurisdiction which mandates that any entity offering services in Dubai related to virtual assets must obtain the appropriate licenses. These regulations are designed to protect investors, maintain the integrity of the financial system, and ensure that all transactions involving virtual assets are conducted transparently and lawfully.

The defendant's failure to obtain the necessary license from VARA or otherwise was not a minor oversight; it was a fundamental breach of the regulatory framework that governs virtual assets in Dubai. Operating without a license meant that the defendant's activities were outside the purview of regulatory oversight, allowing him to engage in transactions that were both unmonitored and unregulated. This lack of oversight was seemingly connected to the crime of embezzlement of funds, as there were no regulatory checks in place to detect or prevent the misuse of client assets.

The court's decision underscores the serious consequences of engaging in virtual asset service activities without proper licensing. It highlights that **unlicensed activity in this sector is not just a regulatory breach—it can also be a gateway to criminal behavior**, such as the embezzlement of funds. The connection between unregulated virtual asset services and the illicit obtainment of funds in this case serves as a clear warning to others in the industry.

In summary, the Dubai Court of Appeal's ruling in **Judgment No. 829 of 2023 / Criminal Case No. 16363 of 2021** strongly affirms the importance of regulatory compliance in the virtual asset sector. The case demonstrates that operating without a license is not only illegal but also potentially criminal, especially

when it leads to misappropriation of client funds. As the virtual asset market continues to grow, the need for stringent regulatory oversight and compliance becomes ever more critical. This judgment serves as a reminder that the consequences of ignoring these regulations can be severe, leading to criminal convictions and significant legal repercussions

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