

FTX Exchange FZE – VARA Revocation of Approval and Suspension of MVP Licence

On 11 November 2022, one hundred and thirty-four [134] entities related to, and including, FTX Trading Ltd., FTX Exchange FZE, and Alameda Research [Bahamas] Ltd. [collectively, the “Debtors”] filed a petition in the U.S. Bankruptcy Court for the District of Delaware for relief under Title 11 of the United States Code.

FTX Exchange FZE [FTX MENA], one of the aforementioned entities, had received approval from VARA for a Minimum Viable Product [MVP] licence on 15-Jul-2022 – the Approval was revoked as of 10-Nov-2022 and the Licence stands suspended in consequence. FTX MENA was in the readiness preparatory phase and had not received VARA approval to commence operations, onboard clients or service the market in the MVP Phase of the regulatory regime. Client Money Account with a domestic bank account had also not been secured – which is a pre-requisite for VARA to authorise any VASP operations in the UAE.

As such, the FTX MENA is confirmed to have no client exposure. Further, in line with VARA's principles of mitigating market and investor risk, all Virtual Asset Service Providers [VASPs] that have engaged with VARA to participate in Dubai’s regulated ecosystem, have been asked to provide disclosures to determine the severity of domestic market exposure, and contagion scale across the UAE. Details sought include:

1. Exposure to the FTX group of companies referenced in the 11-Nov-2022 bankruptcy filing, including holdings of the FTT token and any other assets;
2. Nature and risk of the exposure; alongside the scale/magnitude; and impact/severity and manageability;
3. UAE residents that are impacted, including number of users and magnitude of exposure – both retail and institutional clients [not limited to FTX MENA];
4. Detailed action plans to mitigate the exposure highlighted above.

Following receipt of the information, VARA will publish a summary closure statement on impact within the VARA Regime.