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Digital Assets in the Middle East and North Africa: 2022 in Review

Building the rulebook in a crypto winter

Annual Report 2022

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AT A GLANCE

$566bn
Crypto value received in the Middle East and North Africa, July 2021 to June 2022 (Chainalysis)

+48%
Year-on-year growth, the fastest of any region studied by Chainalysis

$22m+
Real cross-border payments settled in the mBridge CBDC pilot, with the UAE central bank taking part

−64%
Change in the price of Bitcoin over 2022, in a global bear market

ABOUT THIS REPORT

How the region kept building while global markets collapsed: Dubai's new regulator VARA, Bahrain's licensing, the mBridge CBDC pilot, and why North Africa stayed cautious.

01

Executive summary

2022 was a paradox for digital assets in the Middle East and North Africa. Prices collapsed worldwide: Bitcoin lost about two-thirds of its value, and the failures of Terra and FTX shook confidence in the whole industry. Yet the region kept building. Chainalysis estimates that the Middle East and North Africa received about **$566 billion** in cryptocurrency between July 2021 and June 2022, 48% more than a year earlier, the fastest growth of any region in its study.

The defining story was regulation in the United Arab Emirates. In March, Dubai adopted Law No. 4 of 2022 and created the **Virtual Assets Regulatory Authority (VARA)**, an authority dedicated entirely to virtual assets. Within months, global exchanges were applying for licences and opening offices in the emirate. When FTX collapsed in November, VARA revoked the approval of FTX's local entity within days, an early test that the new regime passed. In the Dubai International Financial Centre, the DFSA's crypto token regime took effect on 1 November.

Bahrain consolidated its position as the Gulf's other licensing hub. Elsewhere, the picture was more cautious: Saudi Arabia, Qatar and Kuwait kept crypto outside the regulated system, Egypt reaffirmed that crypto activities need a central bank licence that has never been granted, and Morocco, Algeria, Tunisia and Libya maintained their restrictions.

Central banks moved too. The UAE central bank took part in **Project mBridge**, which settled more than $22 million in real cross-border payments with central bank digital currencies.

> **Three lessons of 2022: clear rules attract serious firms; regulators that act quickly protect users; and the gap between the region's licensing hubs and its restrictive markets is widening.**

02

The global backdrop: a crypto winter

The year began with the total value of crypto-assets above $2 trillion and ended at roughly a third of that. Three shocks explain most of the fall.

- **May — Terra.** The algorithmic stablecoin UST lost its peg to the dollar and its sister token LUNA collapsed, wiping out tens of billions of dollars in days and exposing the risk of stablecoins that are not backed by real reserves.
- **June and July — contagion.** Lenders and funds exposed to Terra and to falling prices failed one after another, including Celsius, Voyager and the hedge fund Three Arrows Capital.
- **November — FTX.** The world's third-largest exchange collapsed after a run on deposits revealed that customer funds had been misused. FTX filed for bankruptcy on 11 November.

There was progress as well. On 15 September, Ethereum completed **the Merge**, moving to proof of stake and cutting its energy use by more than 99%. In the European Union, negotiators agreed on MiCA, the first comprehensive crypto-asset regulation for a major economic bloc.

For the region, the lesson was clear: the firms that failed were mostly lightly supervised. Regulators in the Gulf responded by insisting on segregation of client assets, independent custody, governance and transparency, principles that would shape their rulebooks in 2023.

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United Arab Emirates: writing the rulebook

No country in the region did more in 2022 than the United Arab Emirates. Its approach is unusual: several authorities regulate digital assets, each in its own zone.

Authority	Where it applies	2022 milestone
VARA	Dubai, including its free zones except the DIFC	Created by Dubai Law No. 4 of 2022; first licences and MVP approvals
DFSA	Dubai International Financial Centre (DIFC)	Crypto token regime in force from 1 November
FSRA	Abu Dhabi Global Market (ADGM)	Regulating virtual-asset activities since 2018
Securities and Commodities Authority	Onshore UAE, outside the zones above	Cabinet Resolution No. 111 of 2022 on virtual assets

Dubai and VARA. Law No. 4 of 2022 gave Dubai a dedicated regulator for virtual assets. VARA chose a phased approach: firms received provisional approvals, then a *minimum viable product* (MVP) licence allowing them to serve qualified investors while the full rulebook was prepared. Binance received a virtual asset licence in March and MVP approval in September. FTX's regional entity received an MVP licence on 15 July.

The FTX test. When FTX collapsed, VARA revoked its local approval with effect from 10 November and suspended the licence, confirming that the Dubai entity had no client exposure. For a regulator less than a year old, it was a credible first response to the year's biggest crisis.

The DIFC. The DFSA's crypto token regime took effect on 1 November. It allows licensed firms to deal only in tokens the DFSA recognises, and it prohibits privacy tokens and algorithmic tokens, a direct lesson from Terra.

Federal rules. Cabinet Resolution No. 111 of 2022 set the principle that virtual-asset activities in onshore UAE require approval and a licence from the Securities and Commodities Authority or a local licensing authority.

The wider vision. In July, Dubai launched its Metaverse Strategy, which aims to support 40,000 virtual jobs by 2030, and global exchanges, including Bybit, announced headquarters or regional hubs in the emirate.

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Saudi Arabia and the wider Gulf

Outside the UAE, the Gulf remained divided between one other licensing hub and markets that kept crypto at arm's length.

Bahrain has licensed crypto-asset service providers since 2019 under the Crypto-asset Module of the Central Bank of Bahrain (CBB) Rulebook. In March 2022, the CBB granted Binance its first licence in the region, and in May, Binance Bahrain became the first provider to hold a full Category 4 licence, the highest category. Locally founded exchanges such as Rain, licensed in Bahrain since 2019, served customers across the Gulf.

Saudi Arabia does not license crypto exchanges. Virtual currencies are not legal tender, official warnings since 2018 describe them as unlicensed in the Kingdom, and banks need approval from the Saudi Central Bank (SAMA) to process related transactions. At the same time, SAMA has long experience with central bank digital currencies through Project Aber, run with the UAE central bank in 2019 and 2020.

Qatar kept crypto services restricted, both under the Qatar Central Bank and inside the Qatar Financial Centre. The FIFA World Cup in November and December nevertheless brought crypto into the spotlight: Crypto.com was one of the tournament's official sponsors.

Kuwait does not recognise crypto as legal tender, and the Central Bank of Kuwait prohibits its use in payments. No licensing regime exists.

Oman had no dedicated framework for virtual assets in 2022.

> **In 2022, a firm wanting to serve Gulf customers under a licence had essentially three places to go: Dubai, Abu Dhabi or Bahrain.**

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North Africa: caution and restriction

North Africa took the opposite path to the Gulf's licensing hubs. Concerns about capital flight under strict exchange controls, money laundering and consumer losses kept every country in the sub-region restrictive in 2022, even as peer-to-peer trading remained widespread.

Country	Position in 2022	Legal basis
Egypt	Effectively prohibited: a central bank licence is required and none has been granted	Article 206, Central Bank Law No. 194 of 2020
Morocco	Prohibited since 2017; framework under study	Exchange regulations (Foreign Exchange Office, 2017)
Algeria	Prohibited	Finance Law 2018, Article 117
Tunisia	Restricted; no licensing regime	1976 foreign-exchange code
Libya	Considered illegal by the central bank	Central Bank of Libya statement, 2018

Egypt. Article 206 of the 2020 Central Bank Law prohibits issuing, trading or promoting cryptocurrencies, or operating platforms for them, without a licence from the Central Bank of Egypt. In September 2022 the central bank renewed its warning, noting that it had observed trading through regional and international platforms.

Morocco. Since November 2017, the Foreign Exchange Office has treated crypto transactions as a breach of exchange regulations. Bank Al-Maghrib continued to study a legal framework, while usage persisted through peer-to-peer channels.

Algeria has prohibited the purchase, sale, use and holding of virtual currency since the 2018 Finance Law. **Tunisia** has no crypto law: crypto falls under the 1976 exchange code, which restricts holding assets abroad.

Libya is a case apart. The central bank declared virtual currencies illegal in 2018, but very cheap, subsidised electricity attracted mining. The Cambridge Centre for Alternative Finance estimated that Libya accounted for about 0.6% of global Bitcoin mining in 2021, while the country suffered regular power cuts.

06

Market and adoption

Despite the bear market, the region's on-chain activity grew strongly over the twelve months to June 2022.

$566bn
Value received in MENA, July 2021 to June 2022

+48%
Growth on the previous year

~$192bn
Türkiye, the region's largest market in Chainalysis data

Chainalysis defines the region to include Türkiye, where high inflation drove heavy use of crypto and stablecoins. In the Gulf, activity was dominated by professional and institutional traders, while in North Africa and other restrictive markets it relied mostly on peer-to-peer exchanges.

Three trends shaped the market in 2022:

- **Relocation to Dubai.** Exchanges, market makers and Web3 start-ups opened offices in Dubai and Abu Dhabi, attracted by licensing clarity and tax conditions.
- **Stablecoins as dollars.** In markets with weak currencies or capital controls, dollar stablecoins such as USDT were used as a store of value and for remittances.
- **A slower second half.** After Terra and FTX, retail trading volumes fell sharply worldwide, and the region was no exception.

The data also shows the limits of restriction: activity continued in countries where crypto is prohibited, but outside any consumer protection.

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Central banks and digital money

While private crypto markets crashed, central banks in the region kept exploring how blockchain technology could improve payments.

Project mBridge. Between August and September 2022, the Central Bank of the UAE, the Hong Kong Monetary Authority, the Bank of Thailand and the Digital Currency Institute of the People's Bank of China, with the BIS Innovation Hub, ran the first pilot of cross-border payments with central bank digital currencies (CBDCs) using real value. Around twenty commercial banks settled more than $22 million in over 160 payment and foreign-exchange transactions, directly between jurisdictions, in seconds rather than days.

The legacy of Project Aber. The Saudi and UAE central banks had already tested a shared digital currency for settlement between banks in 2019 and 2020, concluding that the technology could reduce the cost and time of cross-border payments.

Stablecoins under scrutiny. The collapse of UST showed that a stablecoin is only as safe as its reserves. Regulators responded: the DFSA prohibited algorithmic tokens in the DIFC, and policymakers worldwide began designing rules that require full reserves and regular attestations.

> **Central bank digital currencies, tokenized bank money and regulated stablecoins all aim at the same goal: moving money instantly across borders. The Gulf is testing all three.**

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Projects of the year

Our selection of the five initiatives that did the most to shape the region's digital-asset landscape in 2022.

01 VARA and Dubai's MVP licensing

What happened. Dubai created a regulator dedicated to virtual assets and licensed firms in phases while writing its full rulebook.

Why it matters. It turned Dubai into the region's main destination for global crypto firms and proved its worth during the FTX collapse.

02 Project mBridge pilot

What happened. Four central banks, including the UAE's, settled real cross-border payments with CBDCs.

Why it matters. It showed that central bank money on a shared platform can make cross-border payments faster and cheaper.

03 Binance Bahrain's Category 4 licence

What happened. The first full Category 4 crypto-asset licence granted by the Central Bank of Bahrain.

Why it matters. It confirmed Bahrain as a credible licensing hub with a mature rulebook.

04 DFSA crypto token regime

What happened. The DIFC's framework for dealing in recognised crypto tokens, in force from 1 November.

Why it matters. It banned privacy and algorithmic tokens, applying the lessons of Terra directly.

05 Dubai Metaverse Strategy

What happened. A government strategy to grow Dubai's Web3 and virtual-economy sector.

Why it matters. It signalled long-term public support for blockchain businesses beyond trading.

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2022 month by month

March	Dubai adopts Law No. 4 of 2022 and creates VARA. Binance receives licences from the Central Bank of Bahrain and from VARA.
May	The UST stablecoin and LUNA collapse. Binance Bahrain receives a full Category 4 licence.
July	FTX's regional entity receives a VARA MVP licence (15 July). Dubai launches its Metaverse Strategy. Celsius files for bankruptcy.
August–September	The mBridge pilot settles more than $22 million in real CBDC payments, with the UAE central bank taking part.
September	Ethereum completes the Merge (15 September). Binance receives VARA's MVP approval. Egypt's central bank renews its warning against crypto.
October	Chainalysis names the Middle East and North Africa the fastest-growing crypto region.
November	The DFSA crypto token regime takes effect (1 November). FTX collapses; VARA revokes its local approval (10 November). The FIFA World Cup opens in Qatar, with Crypto.com among its sponsors.

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Outlook: what to watch in 2023

Entering 2023, the region's direction is set: more regulation in the licensing hubs, and continued caution elsewhere. We will be watching six questions.

- **VARA's full rulebook.** Dubai has promised a comprehensive framework to replace the MVP phase. Its requirements on custody, marketing and governance will set the standard for the region.
- **Federal implementation in the UAE.** How the Securities and Commodities Authority applies Cabinet Resolution No. 111 of 2022 onshore.
- **Custody after FTX.** Expect stricter rules on segregating client assets, proof of reserves and independent custody across all regulators.
- **Central bank digital currencies.** Whether mBridge moves from pilot to a production-ready platform, and whether more central banks in the region join.
- **Stablecoins.** Rules requiring fully reserved, regularly audited stablecoins are coming in several jurisdictions.
- **North Africa.** Whether Morocco's work on a legal framework turns into a draft law, and whether anti-money-laundering pressure leads other countries to tighten rather than open.

> **Our view: in 2023, the competition between financial centres will shift from attracting firms to supervising them well.**

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Methodology and sources

This report compiles public information available at the time of publication: laws, regulators' announcements, official statements and industry data. Market figures come mainly from Chainalysis's Geography of Cryptocurrency report, whose Middle East and North Africa region includes Türkiye. Figures are rounded, and dates refer to official announcements.

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