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Digital Assets in the Middle East and North Africa: 2023 in Review

From pilot licences to a full rulebook

Annual Report 2023

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AT A GLANCE

$389.8bn

Crypto value received in the Middle East and North Africa, July 2022 to June 2023, about 7.2% of the world total (Chainalysis)

~$35bn

Crypto value received in the UAE over the same period

250 MW

Capacity of the bitcoin mining venture announced in Abu Dhabi by Zero Two and Marathon Digital

+155%

Change in the price of Bitcoin over 2023, after the crypto winter of 2022

ABOUT THIS REPORT

The year Dubai's full rulebook arrived, Kuwait banned crypto outright, Abu Dhabi and Oman invested in large-scale mining, and central banks prepared digital currencies, while North Africa stayed restrictive.

01

Executive summary

After the collapse of 2022, 2023 was the year the region turned promises into rules. On 7 February, Dubai's Virtual Assets Regulatory Authority (VARA) published its full regulatory framework, replacing the pilot phase with detailed rulebooks for every licensed activity. The message was clear: Dubai wanted to be a home for crypto firms, but on strict terms.

The contrast with the rest of the region sharpened. In July, Kuwait's Capital Markets Authority prohibited crypto-related activities outright, from payments and trading to mining. In June, Libyan authorities raided an illegal mining farm in Zliten and arrested 50 Chinese nationals. Egypt and Tunisia repeated that crypto-assets are not money.

Energy-rich Gulf states took a different view of mining. Abu Dhabi's Zero Two and the US miner Marathon Digital announced a 250-megawatt bitcoin mining venture, and Oman inaugurated the first phase of a large data and mining centre in Salalah.

Markets recovered: Bitcoin gained about 155% over the year. Chainalysis estimates that the region received $389.8 billion in crypto between July 2022 and June 2023, down from the previous year's peak but still about 7.2% of global activity. The UAE alone received about $35 billion.

> **Three lessons of 2023: licensing hubs now compete on the quality of their rulebooks; mining has become an energy policy question; and the region's divide between open and closed markets is now written into law.**

02

The global backdrop: recovery and reckoning

2023 opened in the shadow of FTX and closed with renewed optimism. Four events shaped the year.

- **March — the banking scare.** The failures of Silicon Valley Bank, Silvergate and Signature cut crypto firms off from key US banking partners. USDC briefly lost its dollar peg after its issuer disclosed reserves held at Silicon Valley Bank, before recovering when depositors were protected.
- **June — Europe's rulebook.** The EU's Markets in Crypto-Assets Regulation (MiCA) entered into force, creating the first comprehensive crypto regime for a major economic bloc.
- **June — Wall Street returns.** BlackRock, the world's largest asset manager, applied to launch a spot bitcoin exchange-traded fund in the United States, followed by other large firms. Expectations of approval lifted the market through the second half.
- **November — Binance settles.** Binance agreed to pay about $4.3 billion to settle US charges related to anti-money-laundering and sanctions failures, and its founder stepped down as chief executive.

The Binance settlement mattered in the Gulf, where the exchange holds licences in Bahrain and Dubai. It reinforced a trend regulators in the region had already embraced: licences come with compliance obligations that are enforced, not just written.

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United Arab Emirates: the rulebook arrives

The UAE remained the region's regulatory engine in 2023, with progress in Dubai, Abu Dhabi and at the federal level.

VARA's full framework. On 7 February, VARA issued the Virtual Assets and Related Activities Regulations 2023 with a set of rulebooks. Some apply to every licensed firm, covering company structure, compliance and risk management, technology and information security, and market conduct. Others apply to specific activities, including advisory, broker-dealer, custody, exchange, lending and borrowing, management and investment, and transfer and settlement services. Firms that had operated under the pilot regime had to meet the full requirements to keep their licences.

Area	What the 2023 framework requires
Governance	Fit-and-proper management, local presence and clear responsibilities
Client assets	Segregation of client assets and rules on custody
Marketing	Fair, clear and non-misleading promotions, with risk warnings
Technology	Cybersecurity, information security and audit requirements
Financial crime	Anti-money-laundering, sanctions screening and the travel rule

Abu Dhabi. In January, Marathon Digital disclosed a joint venture with Zero Two, a company owned by the Abu Dhabi holding company ADQ, for an initial 250 megawatts of bitcoin mining. Details followed in May: a 200 MW site in Masdar City and a 50 MW site at Mina Zayed, using immersion cooling suited to the desert climate, with Zero Two holding 80% and Marathon 20%. In November, the Abu Dhabi Global Market introduced a legal framework for distributed ledger technology (DLT) foundations, designed for blockchain projects and decentralised communities.

Federal level. The Central Bank of the UAE's Financial Infrastructure Transformation programme set out plans for the Digital Dirham, a central bank digital currency for cross-border and domestic payments.

04

Saudi Arabia and the wider Gulf

The Gulf divided more clearly in 2023: the UAE and Bahrain licensed, Kuwait prohibited, and others stayed in between.

Kuwait. On 18 July, the Capital Markets Authority issued a comprehensive ban on crypto-asset activities. It prohibits their use for payments, investment and trading, bans mining, and closes the door to licensing virtual-asset service providers. The authorities presented the decision as part of aligning with the anti-money-laundering standards of the Financial Action Task Force (FATF).

Oman. On 13 August, the first phase of a data-processing and crypto mining centre operated by Exahertz International was inaugurated in the Salalah Free Zone. Oman's choice to host regulated industrial mining contrasts with Kuwait's ban, although Oman had not yet adopted a full licensing regime for crypto services.

Saudi Arabia. Crypto remained outside the regulated system, with SAMA's warnings unchanged. Yet usage grew: Chainalysis found that Saudi Arabia was one of only a handful of countries in the world whose crypto economy grew in the year to June 2023.

Bahrain continued to operate one of the region's most established licensing regimes under the Central Bank of Bahrain's Crypto-asset Module. **Qatar** kept crypto services restricted.

> **Two energy-rich neighbours, two opposite answers: Kuwait banned crypto mining in 2023, while Oman inaugurated an industrial mining centre.**

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North Africa: restrictions hold

No North African country opened to crypto in 2023, and enforcement tightened where mining strained power grids.

Libya. In June, the Attorney General's office announced the dismantling of an illegal mining farm in an abandoned iron and steel factory in Zliten and the arrest of 50 Chinese nationals. Days earlier, prosecutors had shut down another mining operation in Misrata. Libya's subsidised electricity makes mining profitable, while the country suffers frequent power cuts.

Tunisia. In February, the Central Bank of Tunisia stated that crypto-assets do not have the legal status of money. Crypto remained subject to the 1976 exchange code.

Egypt. The Central Bank of Egypt issued a new warning in March about an online platform promising crypto gains, reminding the public that it has granted no licence for crypto activities under Article 206 of the Central Bank Law.

Morocco maintained the 2017 prohibition while Bank Al-Maghrib continued to work on a legal framework. **Algeria** maintained the ban introduced by the 2018 Finance Law.

Country	2023 development
Libya	Zliten and Misrata mining farms dismantled; 50 arrests in Zliten
Tunisia	Central bank: crypto-assets are not money
Egypt	New central bank warning; no licence granted
Morocco	2017 prohibition maintained; framework under preparation
Algeria	2018 ban maintained

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Market and adoption

The region's on-chain activity fell from its 2022 peak but remained one of the world's most significant.

$389.8bn
Value received in MENA, July 2022 to June 2023

7.2%
Share of global crypto activity

~$35bn
Value received in the UAE

According to Chainalysis, the Middle East and North Africa received $389.8 billion between July 2022 and June 2023, about 17% less than the previous year's $566 billion. Türkiye remained the largest market, at about $170 billion. The UAE received about $35 billion and stood out for decentralised finance: DeFi services accounted for a slightly larger share of its activity than centralised exchanges. Saudi Arabia was one of the few countries in the world whose crypto activity grew over the period.

Three trends shaped the market:

- **Institutional relocation.** Exchanges, brokers and market makers continued to apply for licences in Dubai and Abu Dhabi and to build local teams.
- **Mining as industry.** Large, state-linked mining projects in Abu Dhabi and Oman contrasted with crackdowns on informal mining in Libya and the ban in Kuwait.
- **Peer-to-peer in restrictive markets.** In North Africa, activity continued mainly through peer-to-peer channels, outside consumer protection.

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Central banks and digital money

Central banks in the region kept preparing for a world in which money moves on shared digital platforms.

The Digital Dirham. The Central Bank of the UAE's Financial Infrastructure Transformation programme includes a central bank digital currency, the Digital Dirham, intended both for cross-border payments, building on the mBridge project, and for domestic use.

mBridge. After its 2022 pilot with real value, the multi-CBDC platform shared by the central banks of the UAE, Hong Kong, Thailand and China continued its development towards a platform ready for live use.

Stablecoins after the banking scare. USDC's brief loss of its peg in March showed that even fully reserved stablecoins depend on the safety of the banks holding their reserves. Regulators drew the lesson: reserves must be diversified, held with sound institutions and disclosed regularly.

> **In 2023 the central question shifted from whether digital money would exist to who should issue it: central banks, commercial banks or regulated private issuers.**

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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 2023.

01 VARA's full regulatory framework

What happened. Dubai replaced its pilot regime with detailed rulebooks covering governance, client assets, marketing, technology and each licensed activity.

Why it matters. It set the benchmark that other regulators in the region now measure themselves against.

02 Zero Two and Marathon Digital in Abu Dhabi

What happened. A 250 MW bitcoin mining venture across Masdar City and Mina Zayed, majority-owned by an ADQ company.

Why it matters. It made mining part of Abu Dhabi's energy and investment strategy, at industrial scale.

03 Exahertz's Salalah centre in Oman

What happened. The first phase of a data-processing and crypto mining centre opened in the Salalah Free Zone.

Why it matters. It positioned Oman as a regional destination for regulated, large-scale mining.

04 The Digital Dirham programme

What happened. The UAE central bank set out plans for a CBDC for cross-border and domestic payments.

Why it matters. It prepared the UAE to move real payments onto central bank digital money.

05 ADGM's DLT foundations framework

What happened. A legal structure designed for blockchain projects and decentralised communities.

Why it matters. It gave Web3 projects a recognised legal home in a common-law financial centre.

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2023 month by month

January	Marathon Digital discloses its 250 MW mining joint venture with Zero Two in Abu Dhabi.
February	VARA issues its full regulations and rulebooks (7 February). Tunisia's central bank says crypto-assets are not money.
March	US bank failures; USDC briefly loses its peg. Egypt's central bank warns against a platform promising crypto gains.
May	Marathon and Zero Two detail their Masdar City and Mina Zayed mining sites.
June	Libya dismantles illegal mining farms in Misrata and Zliten, arresting 50 Chinese nationals in Zliten. MiCA enters into force in the EU. BlackRock applies for a US spot bitcoin ETF.
July	Kuwait's Capital Markets Authority bans all crypto-asset activities, including mining (18 July).
August	Oman inaugurates the first phase of Exahertz's mining centre in Salalah (13 August).
September	Chainalysis reports $389.8 billion received in the region over the year to June.
November	Binance settles with US authorities. ADGM introduces its DLT foundations framework.

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Outlook: what to watch in 2024

Entering 2024, the region's licensing hubs are moving from writing rules to supervising them, and digital money is moving from pilots to real payments. Six questions will matter.

- **Spot bitcoin ETFs.** A US decision is expected in January. Approval would bring new institutional investors into the market, including Gulf wealth managers.
- **The bitcoin halving.** The reduction of mining rewards expected in April will test the economics of the new mining projects in Abu Dhabi and Oman.
- **The Digital Dirham in action.** Whether the UAE carries out its first real cross-border payments with its central bank digital currency.
- **Payment tokens and stablecoins.** Rules for dirham-denominated tokens and for foreign stablecoins used in the UAE are expected from the central bank.
- **Supervision in Dubai.** How actively VARA enforces its rules against unlicensed firms and misleading marketing.
- **North Africa.** Whether Morocco's framework turns into a draft law, and whether Tunisia's planned new exchange code includes rules for crypto-assets.

> **Our view: in 2024, the region's most important digital-asset story may not be crypto trading at all, but central bank and commercial bank money moving on blockchain rails.**

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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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