

CONSULTATION PAPER

No. 174



MISCELLANEOUS CHANGES

9 July 2026

PREFACE

Why are we issuing this Consultation Paper (CP)?

1. This Consultation Paper (CP) seeks public comment on proposals for amendments to (a) definitions in respect of certain Investment and Crypto Tokens, (b) requirements for Credit Rating Agencies; and (c) certain regulatory reporting requirements.

Who should read this CP?

2. The proposals in this Consultation Paper should be of interest to Authorised Firms, especially those carrying out Financial Services relating to Crypto Tokens and Credit Rating Agencies, Authorised Market Institutions and their Employees, applicants, professional advisers, and other industry participants.

Terminology

3. In this CP, defined terms have the initial letter of a word, or of each word in a phrase, capitalised and are defined in the Glossary Module (GLO). Unless the context otherwise requires, where capitalisation of the initial letter is not used, the expression has its natural meaning.

What are the next steps?

4. Please send any comments online by clicking [here](#). You will need to identify the organisation you represent in providing your comments. The DFSA reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise at the time of making comments. The deadline for providing comments is **24 August 2026**.
5. Following the public consultation, we will proceed to make changes to the DFSA Rulebook, having considered and reflected (where appropriate) on the points raised in response to the consultation. You should not act on the proposals until the relevant changes are made to the DFSA Rulebook. We will issue a notice on our website when this happens.

Structure of this CP

Part I – Proposals relating to certain Crypto and Investment Token definitions;

Part II – Proposals relating to the Credit Rating Agencies regime;

Part III – Proposals relating to regulatory reporting;

Appendix 1 – Draft amendments to the General (GEN) module;

Appendix 2 – Draft amendments to the Conduct of Business (COB) module;

Appendix 3 – Draft amendments to the Prudential – Investment, Insurance Intermediation and Banking (PIB) module;

Appendix 4 – Draft amendments to the Glossary (GLO) module;

Appendix 5 – Draft amendments to the Collective Investment Rules (CIR) module; and

Appendix 6 – Draft amendments to the Authorised Market Institutions (AMI) module.

Part I: Proposals relating to certain Crypto and Investment Token definitions

Introduction

6. The DFSA introduced the Investment Token regime in 2021 to provide a regulatory framework for Investments that are created, stored and transferred electronically using distributed ledger technology (DLT) or similar technology. The regime also captures instruments that confer rights and obligations which are similar in purpose or effect to Investments to ensure the DFSA's regime applies to any 'tokens' that have the feature of, or behave the same as, Investments as it does for 'traditional' Investments.
7. Separately, the DFSA introduced its Crypto Token regime in 2022 to provide a regulatory regime for the use of Crypto Tokens in or from the DIFC. The regime provided a definition of a Crypto Token alongside subcategories, for example, Fiat Crypto Token, and Privacy Token. Furthermore, the regime introduced a prohibition on the use of Privacy Tokens and the use of Privacy Devices by Authorised Firms in relation to Financial Services and certain related activities.
8. As part of ongoing work to ensure the DFSA's regulatory regime remains clear, effective and appropriately aligned with international standards and practices, we have revisited certain definitions relating to Investment and Crypto Tokens and set out the following proposals.

Fiat Crypto Tokens

9. GEN Rule A2.5.5 sets out the definition of a Fiat Crypto Token which provides that:

"A Crypto Token is a Fiat Crypto Token if, to stabilise its price or reduce volatility in its price, the value of the Crypto Token purports to be determined by reference to a single fiat currency."
10. This definition is broader than the approach adopted in a number of comparable jurisdictions, where regulators typically require that a person holds reserve assets to back the token and that those assets are denominated in the same fiat currency as the token's peg for that token to be deemed a "regulated stablecoin." This is intended to reduce foreign exchange risk and to support a clearer and more credible value stabilisation mechanism. Where the reserve assets are denominated in a different currency from the stated peg, the token may be exposed to currency mismatch risk, which can undermine the basis on which it is presented as maintaining a stable value.
11. On that basis, we propose to amend the definition in GEN Rule A2.5.5 so that only those Tokens that are backed exclusively by the fiat currency or financial

assets denominated in the same fiat currency as the peg fall within the definition. This proposed change would align the DFSA's approach more closely with international practice and provide a clearer basis for distinguishing Fiat Crypto Tokens from other Crypto Tokens whose value stabilisation arrangements do not provide the same safeguards.

12. Where a Token does not meet the proposed definition, it may still qualify as a Crypto Token. If it qualifies as a Crypto Token, firms will need to consider if it is suitable for use in relation to the relevant activity. Firms should also ensure that their marketing and promotions accurately reflect the Token's regulatory classification.

Please see draft amendments to GEN draft Rule A2.5.5 in Appendix 1.

Question 1: Do you agree with our proposal to amend the definition of a Fiat Crypto Token? If not, why not?

Definitions of Privacy Device and Privacy Token

13. Prohibitions on the use of Privacy Tokens or Privacy Devices are set out in GEN Rule 3A.2.2. These prohibitions were adopted because such features could facilitate money laundering, market abuse, fraud or other financial crime. However, we now consider that the current definitions of Privacy Token and Privacy Device in GEN Rule 3A.1.1(b) and (c) may unintentionally capture Crypto Tokens and devices that were not intended to fall within scope. In particular, some Crypto Tokens may include privacy features without preventing the tracing of transaction details, for example, where enough information is preserved that could be used to identify the participants in a transaction.
14. To address this, we propose to amend the definitions so that the prohibition continues to apply where anonymity features give rise to heightened financial crime concerns, while avoiding the capture of Tokens or devices that include more limited privacy-related functionality but do not impede identification.

Please see draft amendments to GEN Rule 3A.1.1 and 3A.2.2 in Appendix 1.

Question 2: Do you agree with our proposal in paragraph 14 to amend the definitions of a Privacy Device and Privacy Token? If not, why not?

Definition of Investment Token

15. The definition of an Investment Token is set out in GEN Rule A2.1.1(2)(b) and (c):
 - (b) *"a Security or Derivative in the form of a cryptographically secured digital representation of rights and obligations that is issued, transferred and stored using DLT or other similar technology"; and*
 - (c) *"a cryptographically secured digital representation of rights and obligations that is issued, transferred and stored using DLT or other similar technology and:*

(i) confers rights and obligations that are substantially similar in nature to those conferred by a Security or Derivative; or

(ii) has a substantially similar purpose or effect to a Security or Derivative.”

16. This definition was adopted in 2021, but we consider that certain amendments would improve clarity and better support its intended application.
17. First, we propose to refine the drafting by removing wording in GEN Rule A2.1.1(2)(b) and (c) that repeats, albeit with some nuance as explained below, the concept already captured by the definition of “Token” in GLO. This is, in any case, the understanding already set out in certain Guidance in the Rulebook. For example, item 5 of the Guidance in GEN Appendix 6 currently states that “[a]n *Investment Token* is a *Token* which falls within the definition of one or more types of *Investment*”.
18. Second, the proposed replacement also corrects an unintended effect of the wording used in the current definition of Investment Token. As currently drafted, this definition includes three cumulative requirements regarding the use of DLT where an instrument must be issued, transferred and stored using DLT or other similar technology to be an Investment Token. In our view, that may unintentionally exclude instruments that use DLT but, due to their technological architecture, do not satisfy all three elements strictly. This may arise, for example, in hybrid on-chain and off-chain structures, including tokenised Sukuk. Excluding such instruments could create unintended regulatory gaps and, in turn, may result in investors not receiving protections, disclosures or other regulatory outcomes that would otherwise be appropriate having regard to the nature and effect of the instrument.
19. By contrast, the definition of a Token in GLO is more flexible, referring to “[a] *cryptographically secured digital representation of value, rights or obligations, which may be issued, transferred and stored electronically, using DLT or other similar technology.*” Using the term Token in the definition of Investment Token removes the unintended requirement that all three elements must be met.
20. Third, we propose to remove from the definition those instruments that confer rights and obligations that are substantially similar in nature to those conferred by a Security or Derivative or have a substantially similar purpose or effect to a Security or Derivative. We understand that these were included because of a desire to capture potential innovative developments, but they introduce complexity and uncertainty. On reflection, the definition of Investment should only cover Securities or Derivatives, regardless of the form of representation. The DFSA still retains the power to declare any instrument to be a Security or Derivative pursuant to GEN Rule A2.4.1(1).

Please see draft amendments to GEN Rule A2.1.1(2) in Appendix 1, GLO in Appendix 4, and CIR Rule 13.11.2 in Appendix 5.

Question 3: Do you agree with our proposals to amend the definition of an Investment Token? If not, why not?

Part II: Proposals relating to the Credit Rating Agencies regime

Introduction

21. In July 2012, following Consultation Paper No.82 ([CP82](#)), the DFSA introduced a regime to regulate Credit Rating Agencies (CRAs) operating in or from the DIFC. The regime was aligned with IOSCO standards on the regulation of CRAs, relevant European Union legislation, and approaches adopted in Hong Kong and Singapore.
22. Since the regime was introduced, the market has raised concerns in relation to certain requirements, particularly where they may have been broader than necessary to address the relevant conflict, transparency or conduct risks. IOSCO has also revised parts of its Code of Conduct.¹ Against that background, we have reviewed various aspects of the CRA regime and are proposing targeted amendments intended to address those issues and to maintain appropriate alignment with international standards and practices.

Employee involvement in the rating process

23. COB Rule 8.8.2 establishes that a *“Credit Rating Agency must take all reasonable steps to ensure that its decisions relating to Credit Ratings are independent and free from political or economic pressures and not affected by conflicts of interest arising due to its ownership structure or business or other activities or conflicts of interest of its Employees”*.
24. COB Rule 8.6.3(1) further requires a CRA to ensure that its Employees who have a relevant material interest in a Rating Subject or its Related Party are not involved in the preparation or review of the relevant Credit Rating or able to influence that process.
25. COB Rule 8.6.3(2) states:

“For the purposes of Rule 8.6.3(1), an Employee of a Credit Rating Agency has a material interest in a Rating Subject if the Employee:

 - (a) owns a security or a derivative relating to a Rating Subject or its Related Party, other than holdings in diversified collective investment funds;*
 - (b) has had a recent employment or other significant business relationship with a Rating Subject or its Related Party which may cause, or may be perceived as causing, conflicts of interest; or*
 - (c) has a Close Relative² who is currently employed by a Rating Subject or its Related Party.”*
26. In our view, the scope of this Rule, particularly limb (c), is too broad and extends

¹ Revised in 2015, to align with G-20 commitments and combat new regulatory gaps. The updates aimed to address conflicts of interest, safeguard non-public information, and strengthen the governance, training, and risk management measures within rating firms.

² “Close Relatives” include (a) the employee’s spouse, (b) his children and stepchildren, his parents and stepparents, his brothers and sisters and his stepbrothers and stepsisters, and (c) the spouse of any individual within (b).

to situations where the probability that the independence and objectivity of the Employee is compromised is low. We think that a more calibrated rule, focusing on those situations that create or may be perceived as creating a conflict of interest, would be more appropriate and proportionate. At the same time, limiting the restriction to persons employed by the Rating Subject or its Related Party who are Close Relatives is too narrow and does not align with the broad scope of COB Rule 8.8.2.

27. We propose to amend the Rule so that restrictions on an Employee's involvement in the rating process apply only where the Employee has a relationship with a person employed by a Rating Subject or a Related Party that may cause, or may be perceived to cause, a conflict of interest.

Please see draft amendments to COB Rule 8.6.3(2) in Appendix 2.

Question 4: Do you agree with the proposal in paragraph 27? If not, why not?

Disclosure of information about fees and charges

28. COB Rule 8.8.2 requires a CRA to disclose information relating to fees and charges connected to a Rating Subject in all its announcements, as well as in its annual report. In addition, pursuant to COB Rule 8.8.1 (4), a CRA must make this information available on its website.³
29. Given these existing disclosure channels, the requirement to repeat the same information in every rating announcement is unnecessarily duplicative. This requirement also appears broader than the approach reflected in the IOSCO Code of Conduct and in comparable jurisdictions.
30. We propose to remove the requirement in COB Rule 8.8.2 to disclose information on fees and charges in every rating announcement, while retaining the existing annual report and website disclosure obligations.

Please see draft amendments to COB Rule 8.8.2 in Appendix 2.

Question 5: Do you agree with the DFSA's proposal to remove the requirement to disclose information on fees and charges in every announcement? If not, why not?

Obligation to disclose whether information used in a CRA's methodology is publicly available

31. [CP82](#) also introduced additional disclosure requirements for structured financial products, reflecting their complexity and the greater difficulty users may face in understanding the basis of a rating.
32. COB Rule 8.8.3 requires a CRA, where the Rating Subject is a structured financial product, to disclose in the Credit Rating whether the Relevant

³ COB Rule 8.8.1(4).

Information used in the rating is publicly available, or whether all or part of that information remains non-public. We do not consider that this requirement materially advances the underlying transparency objective. In particular, knowing whether information is public or non-public does not, in itself, provide meaningful insight into the robustness of the methodology, the quality of the analysis, or the basis on which the rating has been assigned.

33. The IOSCO Code of Conduct does not include an equivalent requirement, and it does not appear to be common practice more generally. We propose to remove COB Rule 8.8.3, as we do not consider it addresses a distinct material risk, and what we consider to be the necessary requirements for structured products are already included under other Rules.⁴

Please see draft amendments to COB Rule 8.8.3 in Appendix 2.

Question 6: Do you agree with the DFSA's proposal to remove the requirement on CRAs to disclose whether Relevant Information is publicly available, or whether all or some of it remains non-public? If not, why not?

Part III: Proposals relating to regulatory reporting

34. Following consultation on updated prudential requirements in [CP159](#), [CP161](#) and [CP164](#), the DFSA needs to collect additional data from firms to ensure we receive an accurate overview of relevant metrics and to monitor ongoing compliance with our Rulebook. The existing reporting framework needs to be updated to reflect the changes introduced through those consultations.
35. We are proposing to update Table 1 in PIB Rule A2.4 to reflect the changes made in those CPs. In due course, we intend to test the new and amended forms and firms will have an opportunity to provide feedback as part of that process.

Please see draft amendments to PIB Rule A2.4 in Appendix 3.

Question 7: Do you agree with the DFSA's proposal to update the reporting requirements in PIB? If not, why not?

⁴ COB Rule 8.3.2(d) requires a CRA to make public the adopted rating methodologies and models (including any changes made to them), and any key rating assumptions. Guidance 1 under COB Rule 8.3.3 requires a CRA to include information about the profit and loss statement and cash flow analysis as well as the degree to which the Credit Rating is sensitive to changes in market conditions with respect to structured financial products.