

# RASMANDATE

A MONTHLY COMPILATION OF ARTICLES AND LEGISLATIVE & REGULATORY UPDATES CURATED BY RASMA LEGAL

## COVER STORY

### Understanding Closed Loop and Open Loop Payment Systems: Regulatory Implications Under UAE Law

Payment systems have evolved into two main categories: Closed Loop and Open Loop, each offering distinct functionalities and regulatory requirements.



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Closed Loop systems create a direct relationship between the end user and the service provider, often for specific merchants or locations, while Open Loop systems allow broader transaction capabilities across multiple networks.

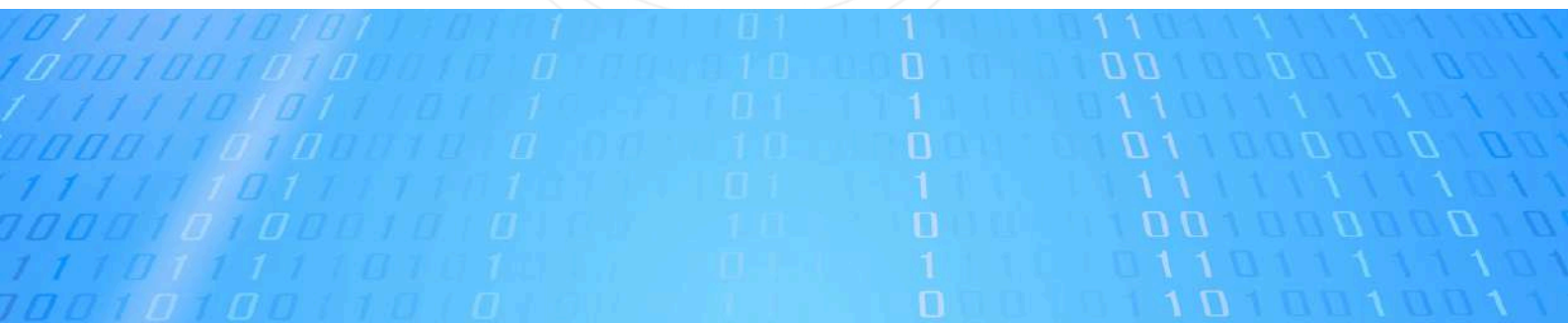
Understanding the differences between these two systems is crucial, especially within the regulatory framework of the UAE. Open Loop systems are regulated and require licensing from the Central Bank of UAE (CBUAE), while Closed Loop systems, due to their minimal risk, are exempt.

This article explores both payment systems and examines their legal treatment under UAE law, focusing on the regulatory implications of the CBUAE's Retail Payment Services and Card Scheme (RPSCS), Stored Value Facility (SVF), and Open Finance regulations.

### **Closed Loop payment system:**

A Closed Loop payment system operates without intermediaries, establishing a direct relationship between the end parties and the payment system. This system provides prepaid access to funds that can only be used for transactions involving a specific merchant or location, such as a particular retailer, transit passes or store gift cards. Closed loop cards are restricted to purchasing goods or services from designated merchants, and funds cannot be withdrawn or converted into cash, only stored credit is provided for returns.

Similar to Open Loop payment processing, a Closed Loop systems integrate software, hardware, and financial infrastructure to facilitate transactions within a specific ecosystem. The process begins when a customer initiates a payment – whether through a physical card, mobile app, or another authorized method. The system verifies the customer's payment information, and checks for sufficient funds in the closed loop account. If verification and fund availability are confirmed, the transaction is authorized, and funds are transferred from the customer's account to the merchant's account within the closed loop ecosystem.



Closed loop cards are commonly used for branding, increasing sales, and engaging customers. For example, airline loyalty points that can be redeemed for flights or upgrades but not for cash, and reward points that can be used in specific stores.

### **Open Loop payment system:**

Open loop payment systems support a wide range of transactions and involve intermediaries such as banks and licensed financial institutions, enabling payments across various networks for broader merchant acceptance.

When a purchase is made, the payment gateway encrypts the cardholder's information, and the processor submits it to the card network (e.g., Visa, Mastercard) for authorization, transferring funds from the customer's account to the merchant's bank.

Open loop prepaid cards, typically branded by major networks like Visa, Mastercard, or American Express, can be used universally for payments.

Unlike closed loop cards, open loop cards allow cash withdrawals, and refunds can be issued as cash or other forms of payment, not restricted to store credit.

### **Closed Loop and Open Loop under UAE law:**

Open Loop payment systems whether under Retail Payment Services and Card Scheme Regulations (RPSCS) or Stored Value Facility (SVF) or Open Finance Regulations require a license from the Central Bank of UAE (CBUAE)

However, whenever a payment system is operating as a Closed Loop, it is exempted from obtaining any license from the CBUAE since it poses nearly no risk on customers or their funds and the financial system. For example:

Read more on [LinkedIn](#).



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## THOUGHT LEADERSHIP

# Artificial Intelligence (AI) in different jurisdictions within the United Arab Emirates (UAE)

## 1. Federal UAE Government

### 1.1 UAE National Strategy for AI 2031 and the National Program for AI

Overview: The UAE Cabinet launched the National Artificial Intelligence Strategy for AI 2031 in 2017 which outlines the country's long-term vision to make the UAE a global leader in AI by 2031. This initiative has included eight objectives, which are as follows: (a) to build a reputation as an AI destination, (b) to increase the UAE competitive assets in priority sectors through deployment of AI, (c) to attract and train talent for future jobs enabled by AI, (d) to provide the data and supporting infrastructure essential to become a test bed for AI, (e) to ensure strong governance and effective regulation, (f) to adopt AI across government services to improve lives, (g) to bring world-leading research capability to work with target industries, (h) to develop a fertile ecosystem for AI.

Read more on [LinkedIn](#).



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## ASK THE EXPERTS

# New DFSA Explainer: Regulation of Crypto Tokens

### 1. What is the DFSA's new explainer about?

The Dubai Financial Services Authority (DFSA) has released a new explainer on the regulation of Crypto Tokens, aimed at firms seeking to obtain a license to offer financial services involving crypto tokens within or from the Dubai International Financial Centre (DIFC). It outlines the regulatory framework designed to promote innovation while ensuring financial stability and protecting consumers.

### 2. What are Crypto Tokens according to the DFSA?

First, a token is a type of cryptographically secured digital representation of value, rights, or obligations. It can be issued, transferred, and stored electronically, typically using distributed ledger technology. Crypto Tokens are intended to be used as a medium of exchange, for payment, or for investment purposes. However, only Crypto Tokens recognized by the DFSA can be used in the DIFC, with limited exceptions.

Read more on [LinkedIn](#).



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## WHAT KEPT US BUSY

Rasma Legal, has entered into a strategic partnership with Stobox, a globally recognized pioneer in tokenization solutions. This visionary collaboration aims to transform the digital asset landscape in the UAE, creating a clear, compliant pathway for businesses to embrace tokenization within the region's advanced regulatory framework. By combining RASMA Legal's regulatory expertise with Stobox's cutting-edge technology, this partnership seeks to not only accelerate the adoption of tokenization but also establish the UAE as a leading hub for secure, fully compliant digital asset initiatives. Together, RASMA Legal and Stobox are setting a new standard for how tokenization can be effectively and responsibly implemented in the region, empowering businesses to unlock the potential of digital assets with confidence.



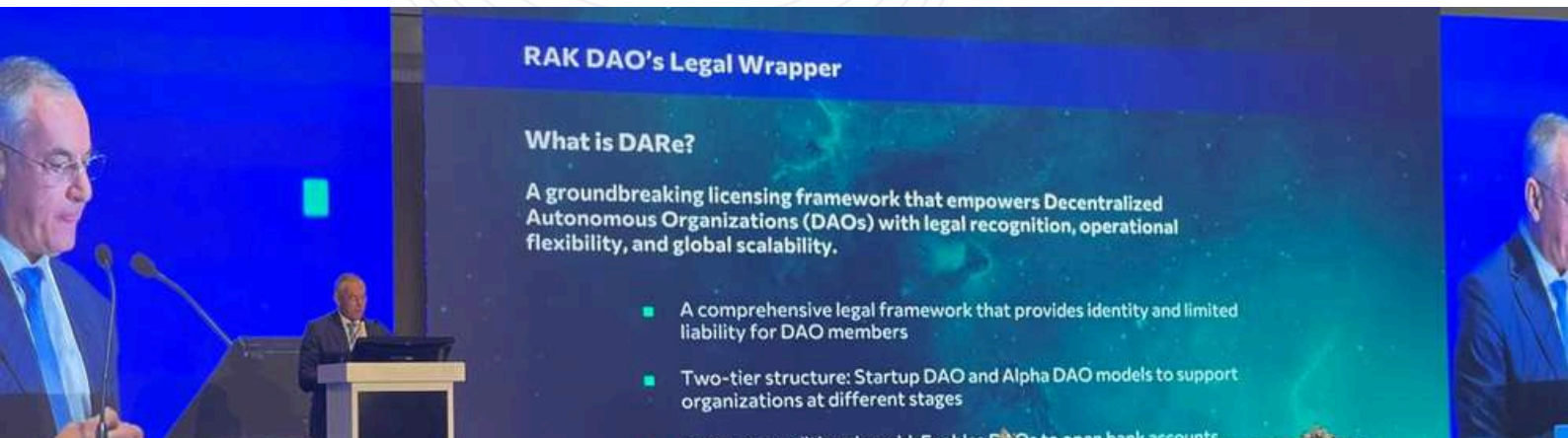
**stobox**

## WHAT KEPT US BUSY

# Building the Future

## RAK DAO Conference

We had the privilege of attending the RAK DAO Conference on 25th October 2024 in Ras Al Khaimah, UAE—a premier gathering of industry leaders, visionaries, and policymakers shaping the Web3 revolution. The sessions were invaluable and highlighted the transformative power of decentralized technologies.



## What We Achieved



We are delighted to share the exciting news that Rasma Legal has been named as a finalist in the **Legal Era Middle East Law Awards 2024**, competing in several key categories:

- **Corporate & M&A Law Firm of the Year**
- **Fintech Law Firm of the Year**
- **Digital Assets Law Firm of the Year**
- **TMT Law Firm of the Year**
- **Law Firm of the Year – UAE**
- **Law Firm of the Year – Lebanon**

This recognition also extends to the Managing Partner of Rasma Legal, Mazen Rasamny, who has earned finalist positions in various individual categories. Mazen has been shortlisted for:

- **Managing Partner of the Year**
- **Lawyer of the Year (Technology)**
- **Lawyer of the Year (TMT & AI)**
- **Lawyer of the Year (Corporate)**

These nominations are a testament to the hard work, dedication, and relentless pursuit of excellence demonstrated by our team. They underscore our ongoing commitment to providing the highest quality legal services across diverse sectors and emerging fields.

We are deeply grateful to our clients, whose trust and partnership inspire us to reach new heights and expand our expertise.

Thank you for your continued support!

## What We Achieved



We are delighted to share that Rasma Legal has been named a finalist in the prestigious Oath Middle East Law Awards 2024!

We're honored to be recognized in the following categories:

- **TMT Team of the Year**
- **Regional Law Firm of the Year**
- **Corporate Team of the Year**
- **Law Firm of the Year - UAE**

This recognition reflects our team's dedication to delivering excellence and innovative legal solutions across the Middle East. We're grateful for the opportunity to stand alongside some of the best in the industry and are excited for what lies ahead.

Thank you to The Oath Middle East for this acknowledgment, and congratulations to all the other nominees!

## Team Spotlight

Rasma Legal is thrilled to announce the well-deserved promotions of Yassine Abd El Maksoud and Sara Khaddaj! Their hard work, dedication, and commitment to excellence have greatly contributed to our firm's success.

### YASSINE ABD EL MAKSOU D

Senior Associate



### SARA KHADDAJ

Associate



## UNITED ARAB EMIRATES | SAUDI ARABIA | LEBANON

Rasma Legal is a multi-service law firm catering to the innovation economy. The firm is headquartered in the United Arab Emirates (UAE) and has branches in Saudi Arabia (KSA) and Lebanon. Led by the expertise and leadership of Mazen Rasamny, Rasma Legal stands as a beacon of legal excellence, equipped to guide clients through their diverse legal undertakings. Having an extensive legal background spanning over 23+ years, Mazen Rasamny brings a wealth of knowledge and experience to the table.

The firm is focused on innovation and growth and has been instrumental in providing comprehensive legal services to entrepreneurs and start-ups in areas such as M&A, Corporate and Commercial laws, Debt & Equity Capital Markets, Banking & Finance (including Project Finance), Corporate & Financial Restructuring, Energy, Infrastructure, and Project Development.

The firm has also been recognized by several leading legal publications such as Asian Legal Business, IFLR1000, The Legal 500, Legal Era, The Law and more.

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