

diffusetap
Virtual Event Series

Is the UAE Our Best Crypto Haven?

Guest Speakers:



V. Gowribalan
CEO
GRIP (DIFC) Ltd.

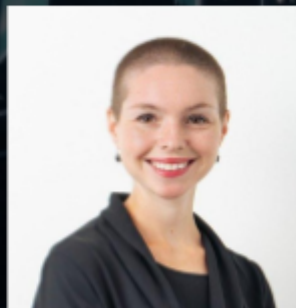


Tony Pettipiece
Chairman of the Board
GRIP (DIFC) Ltd.

Hosts:



Kenny Estes
CEO & Founder
Diffuse



Ayla Kremb
COO & Co-Founder
Diffuse



DiffuseTap: Is the UAE Our Best Crypto Haven?

Last time on DiffuseTap, V. Gowribalan, CEO at GRIP (DIFC) Ltd., and Tony Pettipiece, Chairman of the Board at GRIP (DIFC) Ltd., talked to us about why the UAE is perceived as a “crypto haven” by outsiders, how crypto is regulated in the region, and common misconceptions that crypto startup founders and investors have coming into the UAE.

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DiffuseTap

This networking session is part of our weekly virtual events series. Networking (you’ll bump into at least a dozen high caliber fund managers) meets purposeful (you’ll tap into brand-new sources of ideas)... straight from your armchair like a boss.

Meet the Speakers



V. Gowribalan is CEO of [GRIP \(DIFC\) Ltd.](#), Gowri has launched multiple funds, structured wealth management products, and raised capital of over USD 1.5 billion across multiple asset classes.

Linkedin: [@gowribalan](#)



Tony Pettipiece is the Chairman of GRIP (DIFC) Ltd. and GRIP Horizon Sàrl. In over 35 years in finance, Tony has held leadership roles in electronic trading across global markets, including design and development of trading platform software, exchange protocols, and infrastructure at major international exchanges and broker-dealers.

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About Diffuse

We are an alternative fund platform offering differentiated investment products. From digital assets, to VC funds, and beyond, we identify green field investment opportunities we feel will have market beating returns and turn them into professionally managed funds. For more information visit www.diffusefunds.com.



KENNY ESTES: Mr. Gowribalan, maybe we'll start with you. Do you want to tell the good folks briefly about your background and what you're up to over at GRIP?

V. GOWRIBALAN: Yeah, thank you. In terms of background, I started off trading bonds and then moved into equities, managing portfolios for pension funds and insurance companies here in the GCC region. And then, in late 2017 early 2018 me and my colleagues Nic and Tony set up GRIP Investments.

Today in GRIP investments, we work across investment banking services, wealth Management, and private funds. Out of the DIFC, or the Dubai International Financial Center, we are a fully regulated firm. We are regulated by the Dubai Financial Services Authority, and we were within the investment banking and wealth management, as it's more popularly known. In Luxembourg, we are an alternative investment fund manager.

In addition to being able to launch and manage funds out of Luxembourg, we also have a fund of funds out of BVI and the Cayman Islands, for which the Lux fund manager operates as the investment manager on all these structures as well.

We were the first, and as of today, the only firm out of the DIFC to have conducted a digital securities offering.

We did this for a Japanese real estate firm that issued preferred equity on the digital front. Given Tony and Nic are much more tech savvy than I am, we have been fortunate enough to have expertise and an understanding of this space. Since 2016, we've been tracking how things are moving, and we are on course to secure required authorizations from the DIFC to be able to conduct license regulated activities within the digital asset space in the future.

We are waiting for the right time to launch those operations because we want to make sure that the regulator has gotten familiar with it. Not to undermine their credibility by any chance, but we want to make sure that the laws and the regulations have matured enough for us to be able to conduct these operations.

KENNY: Awesome. We will go into a little bit more detail on that. Tony, I want to give you the floor a little bit to tell the folks about your background, and how you're engaged with GRIP. You are certainly not a new face around here.

TONY PETTIPIECE: Thank you. I'm going to give Gowri all the talking because he is in the region. I'm in Chicago. But I am 100% about everything he said so far. I would just point out that my background is in IT, in trading, and then electronic trading with UBS. And in more recent years, many aspects of digital assets including regulation and building new exchanges, etc.

I would point out that I think Dubai is very interesting because the DIFC in the financial center, has 4,200 firms. These are banks, asset managers, fintechs, top global banks, asset managers, etc. There are a



number of different entities regulating the crypto space in Dubai, and they are signing up and issuing licenses. There are not too many active firms. I know [Binance](#) is there and a handful of others. I think Binance has 13 clients. They are all approved investors, so it is not an area of growing interest. And I want V to speak to that for people who are interested.

KENNY: All right. Thank you very much. Gowri, let's pick that up. Dubai is seen as a little bit of a crypto haven. People go there, and it's kind of, I don't know, at least in America, it feels a little bit like the Wild West, where if you want to get things done quickly, you just go to Dubai and you snap your fingers and stuff happens. Is that right? Or is it a little bit more involved in that?

GOWRIBALAN: In terms of perceptions, yes. [Dubai](#), and broadly the UAE in general, is viewed as a jurisdiction which is friendly towards digital assets. I believe you can extend it to a jurisdiction that is welcoming and accepting of new developments within technology. That is the spirit in which the UAE approaches things. The digital asset space is no different.

They have embraced it wholeheartedly in terms of being a jurisdiction that is able to facilitate market participants who are coming forward. So, how have they gone about it? We have the financial center here where we are based, which is the DIFC or the Dubai International Financial Center, the regulator, which is Dubai and the Financial Services Authority, has already issued regulations. If you want to be within the digital asset space, you have two options.

One, you can go the crypto route. Fifteen different tokens and currencies are currently approved. You can be anything from an advisor to a full fledged exchange or a custodial services provider. The legislation is there to operate from the DIFC. If you want to operate in Dubai, excluding the Dubai International Financial Center, then you would be coming under the remit, in terms of the regulator, which is the [Virtual Assets Regulatory Authority](#) or VARA, as it's known, where entities such as Binance or Kraken have come about to obtain their licenses.

Then, there is also the broader UAE region, because the UAE is a federal state constituting seven emirates. In Abu Dhabi, you have the Abu Dhabi global market, where the [Financial Services Regulatory Authority](#) is the regulator. The FSRA, beginning in 2019, has been one of the forefront leaders in terms of being able to issue out regulatory frameworks and issuing licenses. You can have exchanges, advisors, and custodial entities licensed out of FSRA to operate from the ADGM.

Ras Al Khaimah, which is another emirate, has recently established what they call the [RAK DAO](#), or the crypto oasis, which is again, like a free zone where any entity who wishes to operate within the digital asset space can get themselves licensed and regulated out of that.

Then, we have the [Dubai Multi Commodities Authority](#), or the DMCC, which for the past five to seven years has been ranked the world's number one free zone. It comes under the Virtual Assets Regulatory Authority. But in addition to the licenses you can receive from VARA, DMCC also allows proprietary trading firms.



Some of the technology infrastructure allows operators to operate certain services, which may not come under the remit of existing regulators. DMCC can facilitate that. In addition to that, DMCC also has a venture capital ecosystem. I think they were originally a Swiss entity CVVC.

KENNY: I'm going to jump in a little bit because there's a lot of acronyms, and I don't think the audience is probably going to be able to track all that. So maybe, how about from a super practical point of view? If I am a, let's say, a US-based individual, and I want to spin up, say, an on-chain company or some flavor of crypto company, what are the clear pros to doing it in Dubai? And what are the clear cons? Not necessarily what the agencies are, but what does it have going for it, and what are the things I should watch out for?

GOWRIBALAN: Right. Pardon my ignorance there, but when you say on-chain company, do you mean that you will not have a legal registration?

KENNY: We can definitely do it that way, like if I want to have a decentralized company or a DAO. Or are you saying this just applies for proprietary trading firms? Is this more appealing for prop trading firms generally? What is the ideal company profile to go into Dubai? And what are the pros and cons for them to consider?

GOWRIBALAN: Okay. So, you mean in terms of legislation which is already available, and where you can apply for licenses. Let's begin with DAOs. DAOs are possible. And in addition to DAOs, you have the more centralized things like advisory functions, asset managers, fund managers, custodial services, providers, wallet services, providers, and payment services providers.

All these activities are possible to be conducted from various jurisdictions or a combination of a few, in case you want to have group-level operations. You can pick and choose which jurisdiction is a bit more advanced in terms of their legislative processes. Is there any particular company that can be cited as the main focus? I mean, it's probably payment services and people who are building infrastructure to enable faster processing of payments, be it on the remittance corridor.

That's because the UAE is home to 200 nationalities. And here in the GCC region, we are probably one of the largest remittance corridors that exist in this region. There are a number of firms going down that space. That is a market pool-based move that's happening there.

Is this one of the cons? This is not a jurisdiction where you should come expecting buckets of capital available for startups to stand up. No, that's not the thing here. If you are an established entity coming in here, you would have better traction in terms of attracting capital. But if you are a startup, and you're unknown as a brand, you will struggle to raise capital here. But if you have the requisite infrastructure, and if you can bring in the technology and the capital, the Dubai and the UAE region is an excellent platform.



KENNY: So, remittances is a big play there with a lot of companies, and that makes sense from a geographic perspective, too. Dubai is between Europe and Asia. It is a good spot for remittance companies, and it sounds like the regulatory environment is also conducive to that type of play. It's something that people understand.

With DAOs, similarly, it sounds like there is a bit of a sandbox for them at the moment, but not so much with the capital. Which, by the way, is a little bit surprising considering how bloody wealthy Dubai and the UAE really is.

What you are saying is that the venture model has not really taken off in a big way there. It's more of the established brands looking to expand to get the most success. Is that a reasonable summary of what you said?

GOWRIBALAN: There is a venture capital ecosystem, it's just that it has not extended enough to accommodate digital assets or virtual assets as it's more commonly known here. I believe it could be owing to the perceived risk of being in that space. With the venture capital funds that we have here, we do not have a venture capital ecosystem that is comparable to, say, the West Coast of the US.

We are way behind that kind of ecosystem. But even the nascent infrastructure we have for venture capital funds predominantly would be having either sovereign wealth capital, or family office capital, which they are then, as a VC firm, able to extend out. But they don't necessarily come with those mandates.

Having said that, one of the sovereign wealth funds, probably one of the largest in the world, Mubadala, comes from Abu Dhabi. The emirate of Abu Dhabi controls this fund, and they control it at the federal level as well. Mubadala has made significant investments utilizing venture capital vehicles and their own funds within the digital asset space.

But if you see the kinds of investments they've made, it has been within firms who can trace transactions, and can provide master infrastructure for exchanges to operate in terms of technology, or the exchanges themselves. And more recently, in the Abu Dhabi Stock Exchange, Phoenix had their IPO, and has had a big pop in its price of more than 50%. They are a blockchain mining firm and technology solutions provider.



KENNY: Even with the examples, even with the VCs that are going into it, you can still see the unit economics of mining. You can understand that you can do discounted cash flow. We're not talking about "the valley, crazy ideas, no revenue, get a bunch of users" type of model. It's still a little bit closer to the private equity side of the house of venture capital versus the "crazy ideas and hope they work" type of strategy.

GOWRIBALAN: Totally. And if you see them, you will not be able to pitch that kind of idea to someone. You would not be able to pitch them on the number of revenues, or "X times sales is my valuation". Those kinds of ideas do not easily sell. If you have "revenue and times", bottom line, people understand. If you have an asset, "X times your net value", people understand. But anything a bit more exotic than that, it's a bit harder to digest for the majority of investors here.

KENNY: I'll pick up some questions from the chat. I see lots of news articles about companies moving to Dubai. Hedge funds, in particular. Lots of them are plowing in there. In our prep call, you made it sound like there might be a little bit more fluff to those press releases than in reality. Do you want to expand on that a little bit? And then also, with the hedge funds, are we talking traditional finance hedge funds? Crypto finance hedge funds? What does that environment look like?

GOWRIBALAN: Sure. So, the first part of your question is whether there are some embellishments in how the UAE or any of the emirates such as Dubai portrays itself in terms of the available infrastructure for companies coming in. If you look at the UAE in general, and broadly, this region, the population is growing very fast. It's three to four times the traditional average of any other comparable region.

Why is that? It's because a lot of people are moving into this region to make it their home, and to build out of here now. In the UAE in particular, the entire GDP is built on where the state goes and establishes the infrastructure. That is roads, lights, hospitals, schools, etc. And then, the private capital comes to build around it, which means you need people to come in and live here.

Dubai in particular, and the UAE in general, has gotten very good at making the right noises or sound bites to make sure that anything, anywhere that is happening that would be beneficial either now or into the future is drawn into the region. For an untrained eye, maybe while looking at some of the headlines that come out of the region, they may think that, "Okay, I can come tomorrow and I can launch a crypto exchange and it will be so fast. And I would have the banking fiat rails." This is not true.

It's not as easy, as it is not the Wild West. If you come here, you have to do KYC. And when it comes to KYC, it's an extensive process. That is, if you want to be by the book and play by the rules, you would have to follow standards, which are common in any other top end jurisdiction. One needs to be conscious of that, because there are no shortcuts in that sense. If you do take those shortcuts, you won't last long.



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Dennis Chookaszian

Corporate Director, CME Group

DiffuseTap: Institutional Grade Governance

Sharing his decades-long expertise on corporate governance, Dennis talked about how to avoid a co-partnership going sour, the problem with overly idealistic CEOs, and the importance of keeping your board in check. [Read on](#)



Susan Brazer

CEO & Founder, LionShare Media

DiffuseTap: Media Metaverse 2022

Susan described the 2020 digital media landscape; the evolution of media distribution; how converging, emerging technology points to the metaverse; and the prospect of having an open, decentralized, and free Web 3.0 marketplace. [Read on](#)



Raj Mukherjee J.D.

VP/Global Head of Tax, Binance.US

DiffuseTap: Crypto Taxes Decoded with Binance.US

Raj explained the complexities of the US crypto tax landscape, how he built a dynamic tax information system for [Coinbase](#) and [Binance](#) from scratch, and how investors can profit from crypto without getting caught in a taxation mess. [Read on](#)

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