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DIGITAL MONEY, MARKETS & PAYMENTS SERIES

#4: UAE DIGITAL DIRHAM AND STABLECOINS[1][2]

What is the Digital Dirham?

The Digital Dirham is the **UAE's central bank digital currency (CBDC) – a digital form of the national currency issued and fully backed** by the Central Bank of the UAE (CBUAE)

It is recognized in law as legal tender alongside cash and bank deposits and is being rolled out for domestic and cross-border use, including via the mBridge multi-CBDC platform, with a **focus on improving payment efficiency and remittances in an expatriate-heavy economy**

How It Works

Architecture & Technology

- **Two-tier, intermediated model** – CBUAE issues; regulated intermediaries distribute
- Built on **R3's Corda** enterprise DLT
- Supports **programmable payments, tokenization,** and **smart contracts**

Access & Wallets

- Wallets offered by **licensed banks, exchange houses, payment service providers,** and **SVF-licensed fintechs**
- Non-resident and tourist wallets supported, with configurable limits and rules

Use Cases Tested

- Fractional ownership of **tokenised real-estate**
- **Smart social payments** (programmable government benefits)
- **Parent–child wallets** with spending controls and financial-literacy features
- **Tourist wallets** with instant **VAT refunds** and pre-set spending parameters

Cross-Border Payments (mBridge)

- UAE is a founding member of the **mBridge multi-CBDC platform**
- Enables **real-time cross-border payments and FX with near-instant settlement**
- Digital Dirham has already been used for **live government-to-government payments**, including transactions with China

POLICY & REGULATORY CONTEXT

Legal Tender Basis

- Digital currency recognized under Federal Law No. 54 of 2023
- Federal Decree-Law No. 6 of 2025 confirms CBUAE's mandate over CBDC, virtual assets, stablecoins, DeFi and tokenized assets

Stablecoins

- Payment Token Services Regulation (PTSR) sets rules for fiat-referenced "payment tokens"
- AED-pegged tokens require a full CBUAE issuer licence and 100% reserves at UAE-licensed banks
- AE Coin is the first fully regulated AED stablecoin under this framework

MULTI-REGULATOR ECOSYSTEM

CBDC, BANKING, PAYMENT TOKENS, SYSTEMIC INFRASTRUCTURE

- CBUAE

DIGITAL SECURITIES, VIRTUAL ASSETS, AND FIAT-REFERENCED TOKENS IN FINANCIAL FREE ZONES

- Abu Dhabi Global Market (ADGM)
- Financial Services Regulatory Authority of ADGM (FSRA)
- Dubai Financial Services Authority (DFSA)
- Dubai International Financial Centre (DIFC)

VIRTUAL-ASSET AND VASP REGIMES AT FEDERAL AND DUBAI LEVELS

- Securities and Commodities Authority (SCA)
- Virtual Assets Regulatory Authority (VARA)

Why It Matters

The UAE is using the Digital Dirham and a coordinated virtual-asset and stablecoin regime to:

- Strengthen monetary sovereignty and payment resilience
- Improve remittances, cross-border flows and financial inclusion
- Provide a regulated alternative to unlicensed crypto and offshore stablecoins
- Position the UAE as a global hub for CBDC, tokenisation and regulated digital money

Market Snapshot & Live Pilots

- **51% of UAE crypto activity** is in stablecoins (vs Bitcoin 19%, ETH 9%)
- UAE received **~$34bn in digital assets** in the year to June 2024 (3rd in MENA)
- **~49% of UAE financial institutions** already **use stablecoins**; a further 41% are piloting
- **AED 50m cross-border CBDC payment sent** over mBridge in Jan 2024
- **AE Coin** is **live for retail use** (Abu Dhabi taxis, Air Arabia flights); Zand AED targets multi-chain institutional and DeFi use

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1. https://www.centralbank.ae/media/lczb23l4/cbdc-short-report_july.pdf
2. https://www.pwc.com/m1/en/publications/2025/docs/unlocking-the-future-of-finance-with-stablecoins.pdf