

ADGM Regulatory Strategy



Compute for Equity — investor memo

Status: strategy memo. Not legal advice. Prepared for the data room, June 2026.

1. Why regulation is the moat, not the obstacle

Most people read "regulated marketplace" as friction — a tax on speed. We read it as the defensible core of the business. The instrument we are standardizing, the **Compute-SAFE**, is a

security: a contract whose consideration is metered compute and whose payoff is equity. The

moment an instrument like that is offered, custodied, cleared, and made tradable, it sits squarely

inside securities law. There are only two ways to build this company. The first is to ignore that

fact and hope to outrun enforcement — the path of almost every "tokenized X" project that has since

died. The second is to choose, deliberately and early, the one jurisdiction on earth that has already written the rulebook for exactly this instrument, and to build inside it. We choose the



second. The Abu Dhabi Global Market (ADGM) and its regulator, the Financial Services Regulatory

Authority (FSRA), are that jurisdiction.

The thesis in one line: **the regulatory wedge is the slowest asset for a competitor to copy, and

it is precisely the asset that unlocks the deepest pool of capital — sovereign and institutional —

that cannot transact on an unregulated venue.** A vertically integrated GPU provider can

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UI in a quarter. It cannot copy a multi-year regulatory relationship and a live licence.

2. The ADGM/FSRA framework, and why it fits

ADGM is an international financial centre with its own civil and commercial law, applying English

common law directly. The FSRA has, since 2018, built one of the most complete digital-asset

regimes in the world — and, critically for us, it draws the right distinction. The FSRA treats any

digital token that exhibits the characteristics of a **Security** as a security, regulated under the Financial Services and Markets Regulations (FSMR), not as a loosely defined "virtual asset."

Activities such as operating a primary or secondary market in, dealing in, advising on, or managing

investments in **Digital Securities** are named, licensable Regulated Activities. Through 2024–2025

the FSRA repeatedly enhanced this framework — refining the process by which assets are accepted,

recalibrating capital requirements, and introducing a separate regime for Fiat-Referenced Tokens.

That is the rare regulator that has already answered our hardest question: *what is a tokenized

equity-linked instrument, and who may operate a market in it?* In most jurisdictions the answer is

"unclear, litigate it." In ADGM the answer is a written rulebook. Our Compute-SAFE — tokenized or

not — is designed to be characterized as a Digital Security and operated under that rulebook, not

around it.



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3. The licensing path

We pursue ADGM authorization in deliberate stages, matched to the product roadmap so that we are

never operating ahead of our permissions:

Stage 0 — Incorporation and engagement (now). Incorporate the operating entity in ADGM.

Open a pre-application dialogue with the FSRA's authorization and innovation teams. ADGM's

RegLab — its regulatory sandbox — is the designed on-ramp: it grants a restricted Financial Services Permission (FSP) so an early company can test a real product with real (but limited)

participants under tailored, lighter-touch conditions and direct supervisory contact. This is the

correct vehicle for Phase 1 of the business (manual single-pair deals), and it signals good faith.

Stage 1 — RegLab FSP (Q3–Q4 2026). Operate the first Compute-SAFE deals inside the RegLab

perimeter. The restricted permission lets us *arrange deals in investments* and *advise* for a defined cohort while we evidence the model, the controls, and the instrument's enforceability. We

collect the supervisory track record that a full licence requires.

Stage 2 — Full FSP (2027). Graduate from RegLab to a full Financial Services Permission for the

Regulated Activities the platform actually performs: *Operating a Multilateral Trading Facility* or

the appropriate market-operation permission for the secondary market; *Dealing in Investments as

Agent; Arranging; Advising; *and* Providing Custody* for the Digital Securities (or appointing a

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licensed third-party custodian — see §5). Capital, governance, and compliance staffing scale to the

full-licence thresholds at this point, funded by the round this memo supports.

Stage 3 — Scale (2028+). With a full licence, open the clearing platform and the secondary market to vetted participants beyond the initial cohort, including regulated institutions that can only transact inside a recognized regime.

4. How the Compute-SAFE is characterized

The Compute-SAFE is engineered to be boringly classifiable. It is a contract under which a compute

provider commits a capped amount of metered compute (the consideration), drawn over a window, that

converts to equity at the issuer's next priced round subject to a valuation cap, a discount, and an

SLA-suspension clause. Economically it behaves like a SAFE; legally it carries the characteristics

of a Security (an investment, a common enterprise, an expectation of profit derived from the issuer). We therefore do **not** argue it is "not a security." We accept that it is a Digital

Security and operate the market for it under FSMR. Tokenization, when introduced, is a representation and settlement layer on top of a security that is already compliantly issued — never

a device to escape the securities characterization. This is the single most important design decision in the company, because it is the one that makes the regulator a partner instead of an

adversary.

5. Custody and investor protection

Custody is where retail-grade "crypto" projects die and institutional venues are built. Our design

keeps client assets segregated and bankruptcy-remote, held either under our own custody permission

or with an FSRA-licensed third-party custodian. Client money rules, segregation, reconciliation,

and independent audit apply from day one of live deals, not after an incident. For investors this

is not a compliance line item — it is the reason a sovereign fund or a regulated institution can

hold a Compute-SAFE at all. The protection regime *is* the product for that buyer.

6. Professional clients only, by design

We restrict participation to **Professional Clients** (and market counterparties) as defined under

FSMR — accredited startups, qualified investors, licensed datacenters and energy producers. We do

not solicit retail. This narrows the regulatory surface dramatically: the most onerous conduct and

disclosure obligations attach to retail business, and we avoid them by construction. It also matches

reality — the buyers and sellers of compute-for-equity instruments are sophisticated institutions,

not consumers. The professional-client perimeter is both a compliance simplification and an honest

description of the market.

7. Risks and how we manage them

- ▶ **Characterization drift.** If a regulator in another jurisdiction views the instrument

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differently, cross-border marketing could create exposure. *Mitigation:* ADGM-anchored issuance,

professional-client-only, jurisdiction-aware onboarding, and conservative cross-border conduct.

- ▶ **Licensing timeline slips.** Authorization can take longer than planned. *Mitigation:* the RegLab on-ramp lets us operate compliantly at small scale *while* the full licence is in flight, so revenue and learning are not gated on the final permission.
- ▶ **Custody failure.** *Mitigation:* segregation, third-party custodian option, independent audit, and conservative treasury policy.
- ▶ **Regulatory change.** The framework is young and evolving (it changed several times in 2024–25).

Mitigation: an FSRA-experienced regulatory advisor on the bench, and a direct supervisory relationship that gives us early sight of change rather than surprise.

8. Why this is hard to copy

A competitor can replicate the marketplace mechanics quickly. What it cannot replicate quickly is:

a live ADGM entity; a RegLab track record; a full FSP across market-operation, dealing, arranging,

advising and custody; a segregated-custody architecture that has passed audit; and a supervisory

relationship measured in years. Each of those is a gate, and the gates are sequential. By the time

a fast follower starts, our clock has been running for two years. In a market where the deepest

capital is also the most compliance-bound, **being the regulated venue is the business.**

9. Why ADGM over the alternatives

We did not default to ADGM; we chose it against a real shortlist. **DIFC/DFSA** (Dubai) is a strong financial centre but its digital-asset and tokenized-securities regime is less directly mapped to an equity-linked compute instrument, and our supply-side relationships and energy economics sit in Abu Dhabi. **Singapore (MAS)** has a mature regime but a more conservative posture toward novel tokenized securities and no comparable proximity to sovereign, energy-rich compute capital. **Switzerland and the EU (MiCA)** regulate crypto-assets well but treat security tokens through legacy securities directives that are slower and less purpose-built for our instrument. The **US** is the deepest capital market and the worst regulatory fit — characterization is contested and enforcement-led. ADGM wins on the intersection that matters to *this* company: (1) a written, security-token-aware rulebook under English common law; (2) a designed sandbox (RegLab) that lets us operate compliantly at small scale immediately; (3) physical proximity to the cheapest energy, the largest planned compute clusters, and the deepest pool of patient sovereign capital on earth; and (4) a regulator that has demonstrably *iterated* its digital-asset framework in 2024–2025 rather than freezing it. No other jurisdiction scores on all four. The regulatory choice and the commercial choice point to the same place — which is how you know it is the right one.

10. The ask, in regulatory terms

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This round funds the path from RegLab restricted permission to full FSP: the legal and compliance

build, the regulatory-capital cushion, the custody architecture, and the senior regulatory hires

(an FSRA-experienced advisor and a head of compliance). The deliverable is not "a website that is

live" — it is **a licensed clearing venue for compute-for-equity in the one jurisdiction that has

already written the rules for it.** That is the asset.

*Human TODOs before external circulation: confirm exact Regulated Activity permissions with ADGM

counsel; name the regulatory advisor; finalize the custodian decision (own permission vs. third

party).*