

# The end of self custody

Case studies how compliance-industrial complex seeks to ban us

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# Crypto's most important challenge

The ban of self custodial will be the bad ending



# Why self-custodial wallets

Aligns with classical Western values

**No counterparty risk:** bank or exchange cannot misappropriate your assets

**No vendor lock in:** changing wallets is as easy as changing pants

**More cost efficient:** no parasitic intermediaries

Customer acquisition cost:

**Banking / fintech:**  
**\$20/customer**

**Self-custodial wallet: 0.20\$**

# Political infeasibility of outright bans

Boil the frog slowly

👤 ~~Ban Bitcoin~~

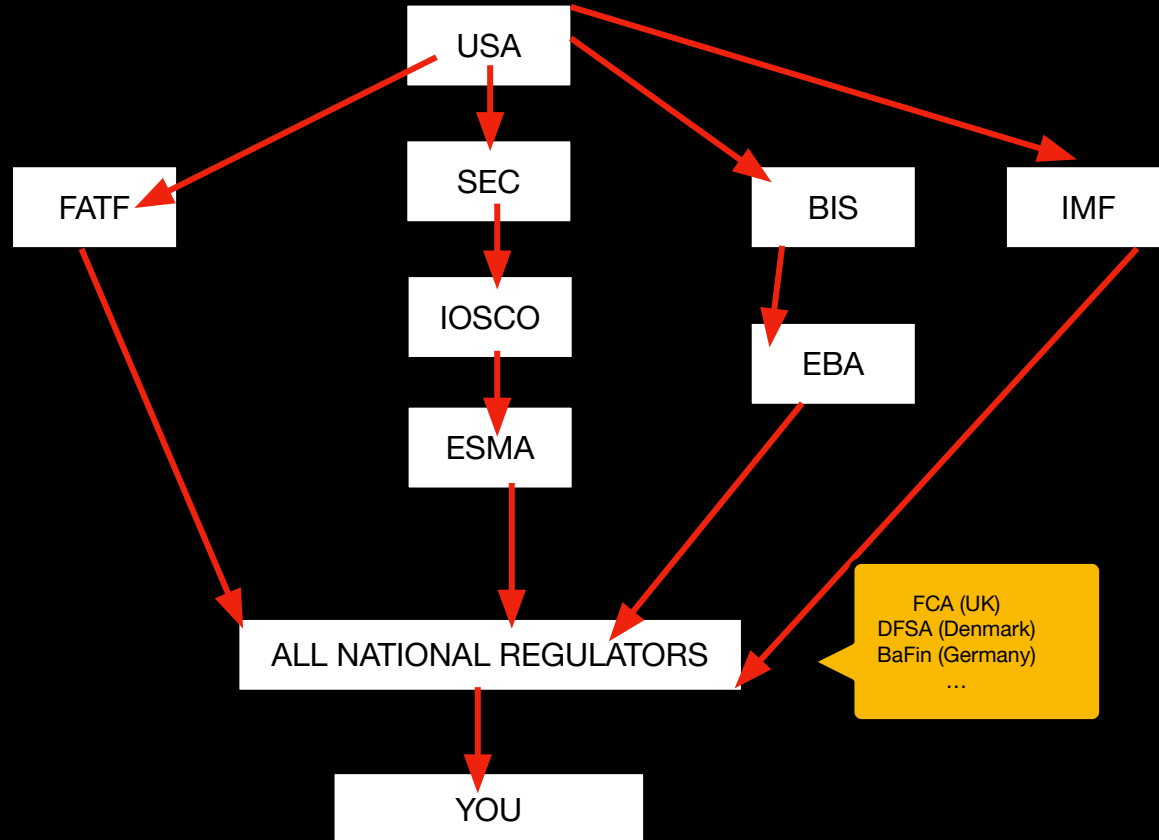
👉 Restrict transfers in and out

👉 Regulate developers

👉 Regulate interactions (“frontends”)



# The path of toxic regulation





# Compliance-industrial complex

If a person's salary depends of not understanding it

**Lawyers:** Employers holds regulatory licenses, self-custodial business model is a threat to this investment

**Compliance companies:** Forcing wallets doing KYCs means more business

**Regulators:** No one has been ever fired by enforcing stricter policies



## CONSULTING

IF YOU'RE NOT A PART OF THE SOLUTION,  
THERE'S GOOD MONEY TO BE MADE IN PROLONGING THE PROBLEM.

# Case Estonia

2021

Compliance company SumSub lobbies the Estonian legislators to make P2P and wallet developers regulated

After public stir SumSub quickly took down the text on their website

Stil went to final legislation (later overruled by MiCA?)

- Decentralized platforms, such as P2P or DeFi platforms. In cases where there's no legal entity, the individual who set up or developed the platform, or who has any additional rights or controls over the platform will be considered a VASP;

# Case EU

2022

Politicians lobby for banning interactions with self-hosted wallets

Partial success, this will make the life of EU crypto users hell in few years

- The EU is taking aim at privacy coins and self-custody wallets under new anti-money laundering regime.
- The changes, including a ban on crypto mixers, are expected this week.
- DeFi, DAOs, NFT platforms, among others, will need to increase their due diligence on users.

Restricting self-custody wallet payments. Increasing the tracking of crypto transfers. Banning privacy coins.

These are three critical changes Europe Union lawmakers are expected to make this week as they complete a three-year-process of updating the bloc's rules on money laundering and terrorist organisation funding in the financial sector.



# Case Seychelles

## 2024

- First attempt to outright ban self-custodial wallets by making them subject to VASP rules in law, not just by guidance
- By the request from FATF
- The non-custodial category was removed from the final legal text

FIRST SCHEDULE		
VIRTUAL ASSET SERVICES		
The list below shall constitute of the types of virtual asset services, their functions and description of services.		
Types		Description
A. Virtual Asset Wallet Provider		Undertake the transfer of virtual assets, initial coin offering and non-fungible tokens for and on behalf of clients, which may include individuals, institutional investors, or funds.
	2. Non-Custodial Services	

[12<sup>th</sup> July 2024]

REPUBLIC OF SEYCHELLES

Virtual Asset Service Providers

SUPPLEMENT TO OFFICIAL GAZETTE

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BILL

VIRTUAL ASSET SERVICE PROVIDERS BILL, 2024

(Bill No. 12 of 2024)

EXPLANATORY STATEMENT OF THE OBJECTS OF AND REASONS FOR THE BILL

This Bill seeks to provide a legislative framework to regulate virtual asset service providers and address potential financial crime risks associated with the misuse of virtual asset products and virtual asset service provider services.

As a matter of best practice, jurisdictions are expected under Recommendation 15 (“New Technologies”), of the Financial Action Task Force (FATF) to evaluate the financial crime risks to which their country could be exposed. This includes assessing the money laundering and terrorist financing (ML/TF) risks associated with virtual asset products and virtual asset service provider services. Closer scrutiny has also been applied by international organizations of how jurisdictions are addressing these risks as part of their broader national strategies to address financial crime. The Seychelles undertook an assessment of virtual asset products and virtual asset service provider services in 2021. The Overall National Risk Assessment’s (ONRA) results indicated that Seychelles has a very high ML/TF risk exposure concerning virtual asset products and virtual asset service providers. The ONRA identified how some of these risks arose and the vulnerabilities that may impede the jurisdiction’s ability to effectively mitigate these risks.

# Case Denmark

## 2024

- DFSA wants to make wallet and website developers VASPs because they can be identified
- Driven by FATF guidance
- DFSA is leftish regulator, feels like FATF laboratory to test the waters

### 4.2 An example of making available a regulated decentralised service

Users typically access the crypto-asset markets via a mobile app that can be downloaded from an app store or website. Such interfaces are the usual way to access decentralised services. Therefore, it is generally also possible to identify a person behind the offering of an

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interface as either the publisher of the app in the app store or the owner of the domain where the interface can be accessed.

Under these new guidelines, crypto exchanges and trading platforms would be required to obtain regulatory approval in Denmark before offering Bitcoin wallets, decentralized exchange interfaces, or any other crypto-related products to Danish customers.

# What can you do

Political fights cannot be won by developing code

- 😊 Donate to pro crypto political organisations
- 😊 Contact media and connect them with pro-privacy credible authors like University professors
- 😊 Spread awareness - retweet, share

