

Compliance audit report

Licensing is a function of how the product is built. This report walks each technical design choice we observed in the audit and names the specific license or obligation it triggers in each target market.

The subject of this sample, the Lumenswap Protocol, is a fictional product invented for illustration. The regimes named are real; how they apply to a real product depends on facts and on local counsel. This document illustrates format and depth only and is not legal advice.

1. Target markets

The team plans to serve the European Union, the United Arab Emirates, Singapore and, later, the United States. Every finding below is mapped against those four.

C-01. Custodial wallets hold user assets

Technical observation

The platform generates and stores users' private keys server-side; deposited assets sit in pooled wallets the company controls. Users never hold their own keys.

What it triggers

UAE: this is Custody Services under VARA's VA Activities framework, a licensable activity in its own right, separate from exchange activity. EU: under MiCA this is the CASP service of custody and administration of crypto-assets on behalf of clients, requiring authorization plus segregation and safekeeping duties. Singapore: a digital payment token custody service under the PSA.

Action before launch

Either obtain the custody authorizations in each market, or re-architect to non-custodial (user-held keys or MPC where the user keeps a share), which removes this trigger entirely. The team chose to scope custody out of the EU launch and file with VARA first.

C-02. In-app swaps against the company's own matching engine

Technical observation

Trades execute against an order book the company operates, not peer-to-peer smart contracts alone.

What it triggers

UAE: Exchange Services license under VARA. EU: MiCA CASP service of operating a trading platform for crypto-assets. Singapore: PSA licensing for facilitating DPT exchange.

Action before launch

Sequence applications with the custody filings above; both target the same regulators. Until granted, geo-restrict the affected markets at onboarding, not just at the marketing layer.

C-03. Token carries fee sharing and voting

Technical observation

The protocol token distributes a share of platform fees and votes on treasury spending.

What it triggers

EU: fee flow makes pure utility-token treatment hard to sustain under MiCA; the whitepaper and notification duties attach either way. US: fee sharing is the classic profit-expectation limb of the Howey analysis, making the US the highest-risk market for this design.

Action before launch

Keep the US excluded at launch. If US access matters commercially, the fee-sharing mechanic, not the marketing, is what has to change.

C-04. Card on-ramp settles through the company account

Technical observation

Fiat from card purchases lands in the company's account before crypto is delivered, making the company an intermediary in the flow of customer funds.

What it triggers

US: state-by-state money transmission licensing. EU: e-money and payment services rules alongside MiCA. Everywhere: full AML/KYC program obligations attach to this flow.

Action before launch

Route the fiat leg through a licensed payments partner so funds never touch company accounts, and verify the partner's licenses actually cover this flow in writing.

2. Feature-to-license matrix

Technical feature	EU (MiCA)	UAE (VARA)	Singapore (PSA)	US
Custodial wallets	CASP custody	Custody Services	DPT custody	State-level
Own matching engine	Trading platform	Exchange Services	DPT exchange	High risk
Fee-sharing token	Whitepaper duties	Issuance review	Case-by-case	Howey exposure
Card on-ramp	PSD2, e-money	Via partner	Via partner	Money transmission

3. The engineering alternative

Half of these triggers are design choices, not destiny: non-custodial wallets remove C-01, routing swaps fully on-chain narrows C-02, and a partner-held fiat leg removes C-04. This is why the compliance review runs alongside the technical audit: the cheapest license is the one your architecture never needs.

4. Launch readiness

Item	Status
VARA custody and exchange filings prepared	In progress
EU launch scoped to non-custodial features	Complete
US access excluded at onboarding	Complete
Payments partner licenses verified in writing	Open