

## Legal Opinion.

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Regulatory and Banking Risk Assessment of USDT Acceptance  
and Conversion Structure Adopted by ABC Solutions (Dubai).



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## CURRENT STRUCTURE OF ACCEPTING USDT

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### Regulatory and Banking Risk Assessment of USDT Acceptance Structure

This legal opinion evaluates the regulatory and banking implications arising from ABC Solutions' current mechanism of accepting client payments in USDT through a decentralized, non-custodial wallet, followed by conversion into AED via an OTC broker and onward transfer to its UAE bank account.

### Current Structure Overview

ABC Solutions receives USDT from clients into a self-hosted, non-custodial wallet that is not subject to corporate KYC. The virtual assets are subsequently converted to AED through a VARA-licensed OTC broker, and fiat proceeds are credited to ABC's UAE bank account. While technologically functional, this structure presents material compliance vulnerabilities from a UAE banking and regulatory perspective.

### Legal & Regulatory View (UAE Context):

There are legal and compliance risk associated with using a self-custody wallet. Accepting crypto directly into a self-custodied wallet that is not KYC-linked is considered a high-risk structure. UAE regulators (VARA and Central Bank) expect clear traceability of source of funds. Receiving client funds outside a regulated exchange or licensed custodian may raise anti money laundering ("AML") red flags.

## KEY REGULATORY AND BANKING RISKS

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- 1. Absence of Wallet-Level Corporate KYC:** Non-custodial wallets do not perform identity verification or onboarding. As a result, UAE banks are unable to independently confirm

ownership or legal attribution of the wallet to ABC Solutions, creating uncertainty regarding the true beneficiary of inbound funds.

2. **Source-of-Funds and Traceability Deficiencies:** Transactions originating from self-hosted wallets lack institutional transaction monitoring, sanctions screening, and counterparty due diligence. This impairs the bank's ability to satisfy AML obligations relating to source-of-funds verification and transaction traceability.
3. **Third-Party Funds Perception:** Without verifiable wallet ownership, inbound funds may be treated as third-party or pass-through receipts rather than legitimate business revenue, increasing the likelihood of enhanced due diligence, suspicious transaction reporting, and account restrictions.
4. **Deemed Intermediary / VASP Exposure:** The operational flow may be interpreted as facilitating virtual asset transmission on behalf of clients, creating risk of perceived unlicensed virtual asset service activity under UAE regulatory standards.
5. **Direct Link to Banking Restrictions:** The conversion of crypto received through a non-KYC wallet into fiat materially elevates AML risk from the bank's perspective and constitutes a proximate cause for account freezes, pending regulatory clarification.

## PREFERRED REGULATORY COMPLIANT STRUCTURE

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Based on the foregoing analysis, the current mechanism adopted for acceptance of USDT, namely receipt of virtual assets into a decentralized, non-custodial wallet without corporate KYC, followed by conversion into AED and onward transfer to a UAE bank account does not represent the preferred or compliant method of accepting cryptocurrency in the UAE from a

banking and regulatory standpoint. This structure may present risks relating to traceability of funds, verification of wallet ownership, and alignment with the expectations of UAE-regulated financial institutions. In order to mitigate regulatory exposure, it is advisable that the acceptance and conversion of USDT be undertaken via custodial wallets held in the legal name of ABC with due KYC or corporate custodial wallets offered by licensed exchanges, where the wallet is legally attributed to ABC Solutions, the custodian retains control and oversight of private keys, all inflows are subject to compliance screening and conversion from USDT to AED occurs within the regulated platform. This model ensures clear attribution of ownership and auditability of fund flows.

#### LEGAL IMPLICATIONS OF USING NON-CUSTODIAL WALLET

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From a banking and regulatory perspective, non-custodial wallet is treated as an anonymous, self-hosted wallet, notwithstanding the fact that access to the wallet may be controlled by the company. A non-custodial wallet operates as a decentralized, non-custodial wallet, meaning that it does not conduct customer onboarding, does not perform KYC or AML checks, and does not independently verify or record the legal identity of the wallet holder. As a result, ownership of the wallet cannot be independently validated by a financial institution, nor can the bank obtain reliable confirmation that the wallet is legally attributable to the corporate entity receiving funds. Furthermore, a non-custodial wallet does not provide transaction monitoring, sanctions screening, or counterparty due diligence, nor does it assume any regulatory accountability for the flow of virtual assets through the wallet. Consequently, from a bank's perspective, transactions received through such a wallet are effectively treated as originating from unidentified or third-party sources, creating heightened AML related risks. While a non-custodial wallet is technologically decentralized and non-custodial in nature, these very characteristics render it unsuitable for the corporate receipt of client funds in regulated jurisdictions such as the UAE, where banks are required to establish clear

ownership, source-of-funds traceability, and regulatory accountability for all inbound transactions.

### **NON - CUSTODIAL WALLET'S LACK OF CORPORATE KYC**

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The absence of corporate KYC and formal onboarding of ABC Solutions, in respect of the non-custodial wallet used to receive USDT constitutes a material compliance deficiency and represents one of the most significant risk factors from a banking and regulatory standpoint. As a non-custodial wallet is a decentralized, non-custodial wallet provider that does not perform customer identification, verification, or ongoing due diligence, the bank is unable to independently confirm that the wallet is legally owned or controlled by Antier. Consequently, the bank cannot conclusively establish that client payments received into the wallet were made directly to ABC as the intended beneficiary. In the absence of such verification, inbound funds may be characterised by the bank as third-party funds or pass-through transactions, rather than legitimate business receipts of the account holder. This creates a perception that ABC may be receiving, holding, and transmitting virtual assets on behalf of unidentified persons, which can resemble the conduct of unlicensed money services or virtual asset intermediary activities. From a regulatory perspective, this structure may be viewed as inconsistent with applicable AML obligations, including requirements relating to customer due diligence, source-of-funds verification, and transaction traceability. The disconnect between the declared business profile of ABC and the actual flow of funds, originating from unidentified wallet addresses and passing through a non-KYC'd wallet may further be interpreted as a misalignment between stated commercial activities and transactional behaviour, thereby triggering enhanced scrutiny, filing of suspicious transaction reports, and potential restriction or suspension of banking services.

### **LINK BETWEEN WALLET KYC AND BANK ACCOUNT FREEZE**

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The absence of corporate KYC and verifiable ownership in respect of the non-custodial wallet used to receive USDT is a factor that is directly capable of triggering restrictive measures by a UAE bank, including the temporary freezing of the related bank account. Where inbound fiat funds are derived from the conversion of virtual assets received through a non-KYC'd, self-hosted wallet, the bank is unable to satisfactorily complete its obligations relating to source-of-funds verification, beneficial ownership confirmation, and transaction traceability. In such circumstances, the bank may be compelled, as a matter of regulatory compliance, to suspend account activity pending enhanced due diligence or internal investigation. Moreover, the inability to demonstrate a clear and documented linkage between ABC Solutions and the wallet receiving client payments materially increases the likelihood that the transactions are classified as suspicious or inconsistent with the customer's stated risk profile. This, in turn, may result in the filing of a suspicious transaction report and the imposition of account restrictions, during which the bank is legally constrained from disclosing the specific basis for its actions. Accordingly, the use of a non-KYC'd decentralized wallet for corporate receipts constitutes a proximate and plausible cause of the account freeze, rather than a remote or incidental factor.

#### **Practical Legal and Compliance Recommendations (Way Forward)**

To mitigate regulatory risk and support the resolution of the ongoing banking review, ABC should promptly implement a combination of immediate remedial actions and structural corrections. As an initial step, the company should prepare a comprehensive transaction flow explanation, supported by both a visual diagram and a detailed narrative, clearly linking client payments, on-chain transactions, conversion events, and subsequent fiat credits to the UAE bank account. Supporting documentation should include demonstrable proof of control over the wallet previously used (such as cryptographic message signing), copies of client contracts expressly permitting payment in virtual assets, and invoices mapped to corresponding on-chain transactions. In parallel, proactive engagement with the bank's compliance team is recommended to address information gaps and demonstrate cooperation. From a structural standpoint, the company should immediately discontinue the receipt of client funds through

decentralized, non-custodial wallets such as non-custodial wallet and transition to a regulated payment framework. Future acceptance of USDT should be conducted exclusively through a regulated virtual asset exchange or a licensed custodial wallet that has completed full corporate KYC and is acceptable to the relationship bank.

### **Remedial Measures to Facilitate Review Closure and Account Unfreezing**

In order to facilitate the conclusion of the bank's compliance review and support the lifting of the account restrictions, it is advisable that ABC Solutions promptly implement corrective measures aimed at addressing the identified risk factors. Such measures may include the immediate cessation of receipt of virtual assets through decentralized, non-custodial wallets; migration of all future virtual asset transactions to a regulated and licensed custodial platform that has completed full corporate KYC; submission to the bank of a comprehensive transaction flow explanation linking client payments, on-chain activity, conversion events, and fiat credits; and a formal undertaking to align the virtual asset payment framework with the bank's risk appetite and applicable UAE AML/CFT requirements. Adoption of these steps materially enhances transparency, reduces residual compliance risk, and increases the likelihood of the account review being concluded and normal banking operations being restored.

### **CONCLUSION**

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Based on the foregoing regulatory and banking risk assessment, it is our considered legal view that ABC Solutions' existing structure for accepting USDT through a decentralized, non-custodial wallet, followed by OTC conversion and transfer to a UAE bank account, presents material compliance vulnerabilities under UAE AML/CFT expectations and prevailing banking risk frameworks. The absence of corporate KYC at the wallet level, coupled with limited traceability of source of funds, materially impairs the ability of financial institutions to establish beneficial ownership, transaction lineage, and regulatory accountability. This structure reasonably exposes ABC to heightened scrutiny, potential classification as a virtual

asset intermediary, filing of suspicious transaction reports, and restriction or suspension of banking services.

To mitigate ongoing regulatory exposure and support restoration of normal banking operations, ABC should immediately discontinue receipt of client funds through self-hosted wallets and migrate to a regulated custodial framework with full corporate onboarding. Future virtual asset acceptance should occur exclusively through VARA-licensed platforms or approved custodians, supported by documented transaction flows, client agreements permitting crypto payments, internal AML procedures, and blockchain monitoring tools.

Crypto acceptance in regulated jurisdictions such as the UAE must be architected with banking compatibility as a primary design principle. Substance, traceability, and institutional accountability now define compliance, not technological decentralization. Proper structural alignment at this stage will materially reduce enforcement risk, protect business continuity, and ensure long-term operational stability.



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