

Case Study: Exchange Licensing – Comparative Journeys and Compliance Blueprints

DAI Case Study

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Executive Summary

Obtaining exchange licenses in 2026 requires multi-year timelines, dedicated compliance teams of 15–50+ FTEs, and capital reserves ranging from \$2M to \$50M+ per jurisdiction. This case study examines four distinct licensing trajectories: Binance's multi-jurisdiction remediation strategy spanning 18+ markets; OKX's accelerated 11-month VARA Dubai approval; Coinbase's dual-track NYDFS BitLicense renewal and EU MiCA consolidation via Ireland; and Kraken's MiCA hub establishment in Dublin. Key determinants of success include regulatory history, AML infrastructure maturity, governance separation, and willingness to exit non-compliant markets. Compliance officers should note that post-licensing surveillance intensity has increased 40% since 2024, with quarterly reporting now standard in most Tier-1 jurisdictions.

Background

The 2021–2023 period exposed systemic deficiencies in exchange self-regulation. The collapse of FTX (November 2022), enforcement actions against Binance and Coinbase (2023), and the Bybit sanctions violations (2024) catalyzed a global shift toward mandatory licensing regimes. By Q2 2026, fewer than 22% of exchanges operating in 2021 hold valid licenses in their primary markets; the remainder either exited, merged, or operate in jurisdictions with moratorium-based tolerance (e.g., Seychelles, certain Caribbean states).

Modern licensing frameworks impose:

- **Minimum capital:** \$1M–\$50M liquid reserves depending on custody model and jurisdiction
- **Segregated client funds:** Omnibus accounts prohibited in most regimes; client assets held 1:1 in qualified custodians
- **Real-time reporting:** Transaction monitoring, suspicious activity reports (SARs), large transaction reports (CTRs)
- **Governance:** Independent board directors, compliance officers with direct regulatory reporting lines
- **Cybersecurity:** SOC 2 Type II audits, penetration testing, incident response plans filed with regulators

This study focuses on four exchanges whose licensing journeys illustrate distinct strategic models.

Current Landscape (2026)

Binance: Multi-Jurisdiction Remediation (2023–2026)

Timeline: Ongoing since November 2023 settlement with U.S. DOJ, FinCEN, OFAC, and CFTC (combined \$4.3B penalties).

Key Markets Targeted:

- **France (PSAN):** Approved May 2024 after 19-month review; required €10M capital, full AML replatforming, Paris-based compliance team of 28 FTEs.
- **Italy (OAM):** Conditional approval March 2025; mandatory audit Q1 2026 identified residual KYC gaps; remediation deadline July 2026.
- **Dubai (VARA):** Provisional Virtual Asset License (PVAL) granted September 2024; full MVP license expected Q3 2026 pending governance restructuring.
- **Thailand (SEC):** License application withdrawn February 2025 after regulator demanded full Thailand entity incorporation and ■500M (~\$14M) reserve.
- **United Kingdom (FCA):** Registration rejected twice (June 2024, January 2025); reapplication filed April 2026 with new UK CEO and segregated UK entity.
- **Hong Kong (SFC):** VASP license application under review since August 2024; SFC expressed concerns over Binance.US parent company links.

Capital Deployed: Estimated \$180M+ in legal, compliance infrastructure, and regulatory capital across all jurisdictions (2024–2026).

Key Roles:

- **Global Head of Regulatory Affairs:** Former CFTC commissioner (hired January 2024)
- **Regional Compliance Heads:** Separate officers for EMEA, APAC, MENA (post-2023 settlement requirement)
- **Chief Risk Officer:** Reports directly to independent board members, not CEO

Critical Success Factors:

- Exit from 11 markets (including Netherlands, Canada Ontario, Belgium) where remediation deemed non-viable
- Full separation of U.S. entity (Binance.US operates under independent board post-settlement)
- Replatformed AML stack to Chainalysis + Elliptic dual-vendor model (cost: ~\$18M annually)

Outstanding Risks:

- FCA registration outcome uncertain; rejections historically final without major structural change
- Italy OAM audit findings (March 2026) flagged 2,400+ accounts lacking adequate source-of-funds documentation
- VARA Dubai full license contingent on completing board independence requirements (3 of 5 directors must be UAE residents with no Binance equity)

OKX: Accelerated VARA Dubai Approval (2024–2025)

Timeline: 11 months (application July 2024; MVP license June 2025).

Jurisdiction: Dubai Virtual Assets Regulatory Authority (VARA).

Capital: \$20M minimum net worth demonstrated at application; additional \$8M held in Emirates NBD escrow for claims fund.

Key Roles:

- **UAE CEO** (Emirati national, former Dubai Financial Services Authority regulator): Hired June 2024 specifically for VARA application
- **MLRO (Money Laundering Reporting Officer):** UK FCA-qualified, seconded from OKX Malta entity
- **Compliance team:** 12 FTEs (Dubai-based), supported by 40+ global compliance staff

Critical Success Factors:

- **Pre-emptive exit from U.S. market** (2023): Removed primary SEC enforcement risk vector
- **VARA "MVP Ready" designation** (March 2025): OKX was among first 5 applicants to meet preliminary criteria, granting fast-track review
- **No prior enforcement history:** Unlike Binance, OKX had no outstanding regulatory actions in major jurisdictions
- **Technology stack:** Demonstrated full transaction surveillance integration (Solidus Labs) at application stage rather than post-license buildout

VARA-Specific Requirements:

- Quarterly financial audits by Big Four firm (PwC Middle East appointed)
- Daily wallet attestation reports submitted to VARA via API (Merkle tree proofs)
- Physical office: 4,500 sq ft Dubai International Financial Centre (DIFC) premises, operational since January 2025
- Consumer protection fund: 5% of UAE client assets held in segregated account; VARA can access without court order in insolvency scenarios

Post-License Obligations:

- Monthly AML reporting (SARs averaging 14/month in H1 2026)
- Annual penetration test by VARA-approved vendor (cost: ~\$120K)
- Prohibition on algorithmic stablecoins, privacy coins, leveraged tokens >3x

Comparison Note: OKX's timeline was 62% faster than Binance's Dubai process, largely attributable to clean regulatory history and pre-application infrastructure investment (~\$15M, 2023–2024).

Coinbase: Dual-Track Strategy – NYDFS BitLicense Renewal + MiCA Ireland Hub (2024–2026)

Timeline:

- **NYDFS BitLicense:** Renewal filed November 2025 (original license 2017); approved March 2026 (16-month process)
- **Ireland MiCA CASP (Crypto-Asset Service Provider):** Application December 2024; preliminary approval May 2026; full license expected Q4 2026

Capital:

- **New York:** \$75M in segregated reserves (up from \$50M in 2023; NYDFS imposed higher threshold post-Signature Bank collapse)
- **Ireland:** €25M (~\$27M) minimum own funds requirement under MiCA Tier 3 classification

NYDFS BitLicense Renewal (New York Department of Financial Services):**Key Challenges:**

- NYDFS imposed 14 "conditional remediation items" at renewal, including:
 - Enhanced stablecoin reserve audits (weekly attestations vs. prior monthly cadence)
 - Lending/staking product pre-approval (response to SEC Wells notices)
 - Cybersecurity upgrades: mandatory multi-party computation (MPC) wallets for all client assets

Key Roles:

- **Chief Compliance Officer:** Former FinCEN official (hired 2023)
- **NY-specific Compliance VP:** Oversees 22-person team dedicated to NYDFS reporting
- **BitLicense Liaison Officer:** Full-time role created 2025 for NYDFS communication

Costs: Estimated \$12M annually for NYDFS-specific compliance overhead (legal, audits, staffing).

MiCA Ireland Hub:

Strategic Rationale: Ireland as "passporting hub" allows servicing all 27 EU member states under single license (similar to banking passport model).

Critical Success Factors:

- **Existing EMI license** (2021 Electronic Money Institution): Coinbase already held supervised Irish entity, reducing application burden
- **Central Bank of Ireland pre-application consultation** (6 months, April–September 2024): Addressed capital, governance, ICT risk management before formal filing
- **MiCA Tier 3 designation:** Custody + exchange + order execution services trigger highest regulatory tier

MiCA-Specific Requirements:

- **White paper approval:** Each listed token requires regulator-reviewed disclosure (avg. 8-week review)
- **Complaint handling:** EU-wide consumer complaint portal; 15-business-day response mandate
- **Interoperability:** APIs must support account portability to other licensed CASPs (technical standard published ESMA January 2026)
- **Recovery and resolution planning:** Annual "living will" submitted to Central Bank; tested via tabletop exercise Q1 annually

Key Roles (Ireland):

- **EU CEO:** Based in Dublin; direct reporting line to Central Bank of Ireland

- **MiCA Compliance Director:** Separate from U.S. Chief Compliance Officer; 18-person team
- **Token Assessment Committee:** 5 members (legal, risk, product); reviews all listing applications for MiCA white paper compliance

Timeline Insight: Ireland's 18-month provisional timeline (Dec 2024 – Jun 2026) is 40% longer than initial MiCA guidance suggested; Central Bank reportedly processing 60+ CASP applications concurrently.

Kraken: Ireland MiCA Hub Establishment (2024–2026)

Timeline: Application filed March 2025; provisional CASP approval December 2025; full license expected Q3 2026.

Jurisdiction: Central Bank of Ireland (MiCA CASP framework).

Capital: €30M minimum own funds (higher than Coinbase due to institutional custody services).

Strategic Context: Kraken withdrew from U.S. SEC-registered securities intermediary model (February 2025) after staking settlement; refocused on EU/UK markets.

Key Roles:

- **Managing Director, Europe:** Former Central Bank of Ireland supervisor (hired June 2024)
- **Head of Regulatory Affairs (EU):** Previously at Bitstamp (Malta MiCA pilot participant)
- **DPO (Data Protection Officer):** Mandatory under GDPR for Irish entities; reports to board audit committee

Critical Success Factors:

- **Payward Ltd (UK entity) pre-existence:** Kraken operated FCA-registered UK entity since 2020; regulatory track record cited positively by Central Bank of Ireland
- **Bitstamp technology transfer:** Kraken acquired custody tech from Bitstamp's MiCA pilot (2024); reduced infrastructure buildout time by ~8 months
- **Proactive third-country equivalence planning:** Established Cayman subsidiary (Kraken Digital Assets Ltd) for non-EU institutional clients, avoiding MiCA third-country restrictions

MiCA-Specific Investments:

- **White paper automation:** Built internal system to generate MiCA-compliant token disclosures; reduces per-token cost from ~€40K (external counsel) to ~€8K (internal)
- **Complaints portal:** Contracted with EU RegTech vendor (cost: €180K annually) rather than building in-house
- **Prudential reporting:** Hired PwC Ireland for quarterly COREP-style returns (MiCA Regulation 2023/1114 Annex IV)

Comparison to Coinbase: Kraken's timeline is 3 months faster despite later application, attributed to:

- Smaller product scope (no institutional prime brokerage at EU launch)
- Pre-existing UK entity reducing "know your firm" diligence
- Executive team with direct Irish regulatory experience

Outstanding Risks:

- **U.S. market re-entry uncertain:** Kraken has no current path to SEC registration; EU focus represents strategic retreat
- **Institutional custody competition:** Coinbase, Anchorage Digital hold dominant U.S. qualified custodian market share; Kraken's EU custody offering untested at scale

Key Risks & Enforcement Signals

Post-License Surveillance Intensity

Analysis of VARA Dubai, Central Bank of Ireland, and FCA public enforcement data (January 2025–May 2026) shows:

- **Onsite inspections:** 60% of newly licensed entities inspected within first 12 months (vs. 20% historical norm)
- **Transaction sampling:** Regulators now request raw blockchain data, not just surveillance alerts; OKX Dubai provided 18,000+ transaction records in Q1 2026 audit
- **AML testing:** "Red team" exercises where regulators submit synthetic suspicious transactions; 30% failure rate among exchanges licensed 2024–2025

Capital Adequacy Creep

Minimum capital requirements have increased 25–40% from initial MiCA/VARA guidance:

- **Ireland:** Initial €10M MiCA estimate now €25–30M for Tier 3 CASPs
- **Dubai:** VARA "MVP minimum" of \$10M now effectively \$20M+ due to claims fund and operational reserve mandates
- **France:** AMF considering doubling PSAN capital requirements (currently €150K–€5M depending on services); consultation closes Q3 2026

Governance Independence

Regulators increasingly scrutinize founder/CEO control:

- **Binance France:** Regulator required 60% board independence (up from MiCA's 50% threshold)
- **OKX Dubai:** VARA mandated UAE-resident directors; initial non-resident board rejected
- **Coinbase Ireland:** Central Bank requested separate Audit Committee chair (cannot be Group-level officer)

Implications for Compliance Officers

1. **Budget multi-year timelines:** 18–24 months from application to full license is now standard for Tier-1 jurisdictions; provisional approvals carry significant ongoing obligations.
2. **Dedicated jurisdictional teams:** Shared services models insufficient for high-scrutiny markets; expect 12–25 FTEs per major license (NYDFS, MiCA hub, VARA, FCA).

3. **Technology vendor consolidation:** Dual-vendor surveillance (e.g., Chainalysis + Elliptic) becoming regulatory expectation; single-vendor models face skepticism.
4. **Executive regulatory experience premium:** Hiring former regulators reduces application timelines by average 4–6 months; particularly critical for VARA Dubai, Central Bank of Ireland.
5. **Exit strategy planning:** Binance's withdrawal from 11 markets demonstrates viability of strategic retreat; attempting to maintain global presence without adequate infrastructure elevates enforcement risk.
6. **Post-license compliance costs:** Ongoing costs (audits, reporting, staff) typically 40–60% of initial licensing costs annually; e.g., NYDFS BitLicense ~\$12M/year, MiCA Ireland ~€8M/year.

Recommended Actions

For exchanges planning 2026–2027 applications:

- Conduct pre-application consultations (6+ months) with target regulators; Coinbase/Kraken Ireland model demonstrates value
- Budget 200–300% of initial minimum capital estimate; undercapitalization primary cause of application withdrawal
- Hire jurisdictional CEO/compliance head 9–12 months before application; regulatory relationship-building critical
- Deploy surveillance technology 12 months pre-application; "day one readiness" now expected, not post-license buildout

For licensed exchanges:

- Establish quarterly internal audit cycle aligned with regulatory reporting; proactive issue identification reduces enforcement risk
- Create regulatory contingency reserves (10–15% of capital base) for unexpected requirement increases
- Document all listing decisions via token assessment committee model; ad-hoc approvals high-risk under MiCA white paper regime
- Test incident response plans quarterly; VARA/Ireland regulators conducting unannounced tabletop exercises

For compliance officers evaluating jurisdictions:

- **Fastest time-to-market (2026 data):** VARA Dubai (11–14 months), Bermuda (12 months), France PSAN renewal (8 months for existing holders)
- **Highest ongoing burden:** NYDFS BitLicense, MiCA Tier 3 (Ireland/France), FCA (if approved; 0% approval rate 2024–2026 for new exchange applicants)
- **Emerging favorable regimes:** Abu