ALDERLUX

THE INSIDER · FREE TO READ AND SHARE

AN ALDERLUX GUIDE

Your Coins Carry a History

8 SEPTEMBER 2026 · CUSTODY · #0014

When you send Bitcoin to an exchange, you are not only sending a balance. You are sending a transaction history, and the exchange is going to read it.

IN BRIEF

- Exchanges screen every incoming deposit against the path it took to reach them, not only the balance.
- A flag can attach to coins for something a previous owner did years earlier. It lands on whoever holds them now.
- Sanctions designations change, and screening is applied to history — so assets can become flagged where they sit.
- An exchange balance is a claim on a company. An exchange is somewhere assets pass through, not somewhere they sit.

An exchange can freeze an account for something the account holder did. It can also freeze an account for something a previous owner of the coins did, years before those coins arrived — and in our advisory work, the second is the one that surprises people.

This is not a malfunction. It is how the system is built, and it is worth understanding before it applies to you.

What actually happens when you deposit

Every incoming transfer is screened. Exchanges run blockchain analytics, sanctions checks and source-of-funds review against the deposit and against the path it took to reach them. That path is public. It always was — the transparency of the ledger is the point of it.

If a wallet somewhere in that history has touched a sanctioned address, a mixing service, a hacked platform or a route the exchange's systems treat as high risk, the receiving account can be flagged. The flag lands on whoever holds the coins now.

Two features of this matter more than the fact of it.

The screening is automated and the explanation is not. Systems make the decision; people write the response, later, if at all. An account can be restricted before anyone at the exchange has looked at it, and the holder is told a review is under way without being told what is being reviewed.

The rules move. Sanctions designations change. A platform that was ordinary last year can be designated this year, and screening is applied to history, not only to transfers made after the designation. Assets that were unremarkable when they arrived can become flagged where they sit.

Why this is expanding rather than contracting

Sanctions regimes covering digital assets have widened, and exchanges screen against them because the alternative is their own regulatory exposure. Every venue operating under a licence has the same incentive, so this is not a matter of choosing a better exchange. It is a property of custodial platforms operating in a regulated environment, and the direction of travel is toward more screening rather than less.

That is not an argument that screening is wrong. Sanctions exist for reasons and exchanges are obliged to apply them. It is an argument about where that leaves the holder.

What it means if you hold on an exchange

An exchange balance is a claim on a company, subject to that company's compliance processes. That is a different thing from holding an asset. The difference stays out of sight until the moment you need access.

Three consequences worth being clear about.

You are exposed to the history of coins you did not buy from anyone you know. Coins acquired through peer-to-peer trades, from small venues, or from anyone whose own history you cannot see, carry whatever came before.

A review has no deadline you control. The holder does not set the timeline, has no entitlement to be told what triggered it, and has limited recourse while it runs.

The exposure is not proportional to the amount. A small transfer can restrict an entire balance, because the restriction attaches to the account rather than to the transfer.

What to do about it

Nothing here requires panic, and none of it is an argument against ever using an exchange. Exchanges do a job that self-custody does not: they convert, they provide liquidity, they handle fiat.

The practical position is simply this. An exchange is somewhere assets pass through. It is not somewhere they sit.

- **Decide deliberately how much is on a platform at any time**, rather than arriving at the answer by never moving it.
- **Know where your coins came from.** If you cannot account for the history, that is a fact about your risk, not a reason to avoid thinking about it.
- **Do not keep everything in one place**, including everything in one exchange.
- **If you would be materially harmed by a thirty-day loss of access**, the amount on the platform is too high for you.

The View From The Edge

There is an argument that runs: the ledger is public, so nothing about a coin's history is hidden, so this is not a surprise. That is true and it misses the point. The ledger being public is what makes the screening possible. The transparency people describe as Bitcoin's strength is the same property that lets a third party decide your assets look wrong.

That is not a flaw in the design. It is the design, seen from the other side.

What follows from it is not that transparency is bad, but that where an asset sits determines who gets to act on what the ledger shows. Held on a platform, the reading is done by somebody else, on their timetable, under obligations that have nothing to do with you. Held yourself, the same history exists and nobody is positioned to act on it.

The question is not whether your coins have a history. Every coin does. The question is who is entitled to draw conclusions from it, and what they can do to you when they disagree.

Holding your own Bitcoin removes the platform from the question. It does not answer the next one: what happens to it when you are not there to reach it. That is what Succession is for.

Coming for members, Friday 11 September. The next issue goes further into the mechanics — how designations propagate through transaction history, what a review actually consists of, and how to structure holdings so that a single flag cannot reach everything. Members read it on the day it publishes. Everyone else a month later.

Basis and limits

This issue describes how deposit screening and sanctions compliance work at custodial exchanges, drawn from published compliance practice and the public record of sanctions designations. It is not a study, it names no platform, and it makes no claim about how often accounts are restricted or for how long — those figures are not published and we have not measured them.

Sanctions designations and the obligations that follow from them change. Anything specific to a jurisdiction or a platform should be checked at the time it matters.

Alderlux advises families and businesses on Bitcoin custody and succession, so we have a commercial interest in this problem being taken seriously. Everything above you can act on without us.

ALDERLUX

The Future Favours The Informed