

Swiss Digital Finance Strategy

30-Minute Mini-Lecture

Prof. Dr. Jörg Osterrieder

Blockchain, Crypto Economy & NFTs

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Central thesis:

*"Switzerland's advantage is not permissive. It is CLEAR.
Legal certainty is the product."*

You will learn:

- Three government archetypes for digital asset regulation
- What the DLT Act 2021 changed (six key provisions)
- The SDX worked example: first regulated DLT exchange
- FINMA 3-tier proportional licensing
- 12 SIF pillars (5 deep + 7 rapid)
- How Switzerland compares to EU and US

Key numbers to remember:

- **1 Feb 2021**: DLT Act in force
- **CHF 1M**: sandbox deposit limit
- **CHF 300k**: Fintech licence capital
- **CHF 10M**: Full banking licence capital
- **1,100+**: Blockchain companies in Crypto Valley
- **10,000+**: Jobs in Zug/Zurich corridor
- **Dec 2025**: SIF strategy document

Time: 30 min content + 5 min quiz

Full 4-hour lecture: `swiss_digital_finance_strategy.tex` with 29 frames + student exercises + appendix

Three Ways Governments Respond to Disruptive Technology

Archetype 1: Ban

China, Algeria

Prohibit crypto trading/mining.

Outcome: Activity moves offshore.
Domestic firms locked out of global market.

Archetype 2: Enforce-First

US (SEC)

Apply existing law; let courts define the boundary.

Outcome: Retroactive liability risk. Talent emigrates. Companies choose Singapore or Zug.

Archetype 3: Legislate-First

Switzerland, EU (MiCA)

Write the rules first; enforce predictably.

Outcome: Compliant firms choose this jurisdiction. Tax revenue. Jobs. Global credibility.

The key question: Which archetype is Switzerland, and what did it cost to get there?

Answer: Archetype 3. Cost: 5 years of parliamentary process (2016–2021) and ongoing FINMA supervision investment.

Switzerland chose Archetype 3 five years before MiCA, the EU's implementation was partly inspired by the Swiss model

Before 1 February 2021:

- No legal category for “DLT securities”: a tokenised bond was legally uncertain
- Token transfers required physical or notarised assignment
- No licence category for a blockchain-based exchange
- Client crypto mixed with custodian assets in bankruptcy
- Smart contracts had no legal standing as agreements
- No specific custody rules for digital assets

After 1 February 2021:

- **DLT security** = new legal category in Swiss Code of Obligations
- **Transfer by DLT registration** = legally valid (like book entry)
- **DLT trading facility** = new FINMA licence (SDX is first holder)
- **Insolvency segregation** = client crypto returned in full if custodian fails
- **Smart contract enforceability** = DLT agreements have legal standing
- **Regulated custody** = banks and crypto custodians treated equivalently

The DLT Act amended nine existing Swiss federal laws rather than creating a new standalone statute, weaving digital assets into existing legal fabric

SIX Digital Exchange (SDX): the world's first regulated DLT securities exchange.

Without DLT Act (pre-2021): SDX could not exist.

- Tokenised bonds had no legal status
- No DLT trading facility licence existed
- Blockchain settlement had no legal finality

With DLT Act (post-2021):

- SDX received the first DLT trading facility licence
- Token transfer on SDX = legally valid settlement
- Settlement time: **T+0** (vs T+2 on traditional exchange)
- CHF 500M+ in tokenised bonds settled by 2024
- Clients: UBS, Deutsche Bank, Goldman Sachs

T+0 settlement eliminates the 2-day counterparty risk window that caused \$billions in losses during the 2008 financial crisis; Switzerland demonstrated this is technically and legally feasible

Project Helvetia (SNB + SDX)

SNB issued **wholesale Swiss franc CBDC** on SDX for real bond settlements.

Phase 3 (2023–2024): First country globally to settle live financial transactions in a central bank digital currency.

What this proved: T+0 atomic delivery-vs-payment is possible today under existing Swiss law. No new legislation required.

The law created the market. The market did not create the law.

Tier 1: Sandbox

No licence required

Max CHF 1M deposits

Max 20 clients

Max 12 months

No interest payments

Disclose "not regulated"

Use for: early-stage fintech testing

Tier 2: Fintech Licence

Light FINMA supervision

Up to CHF 100M deposits

Capital: CHF 300k

No maturity transformation

Quarterly FINMA reporting

Use for: payment providers, crypto custodians

Tier 3: Full Bank

Full FINMA supervision

Unlimited deposits

Capital: CHF 10M

Deposit protection

Annual audited statements

Use for: Amina Bank, Sygnum Bank (crypto banks)

The FINMA No-Action Letter: send a 2-page product description; FINMA responds within 10 business days (typically) with a binding written statement on whether a licence is required. Free.

Contrast: US no-action letters cost \$200k+ in legal fees, take 6–18 months, and are non-binding in court, Switzerland eliminates this entire cost

12 SIF Pillars: Five Deep, Seven Rapid

Five Deep Pillars (20 min each):

1. **Legal Certainty:** DLT Act, DLT securities, SDX case
2. **FINMA Proportionality:** 3-tier licensing, no-action letters, token taxonomy
3. **International Competitiveness:** FATF compliance, Crypto Valley, talent attraction
4. **CBDC Exploration:** Wholesale CBDC only; Project Helvetia; retail: no plans
5. **Financial Stability:** Ring-fencing, no bail-out commitment, insolvency hierarchy

Seven Rapid Pillars (2 min each):

6. Cross-border payments (BIS mBridge multi-CBDC)
7. DeFi integration (FINMA 2024 guidance: licensed if Swiss entity controls)
8. Asset tokenisation (target: CHF 100B by 2030)
9. Consumer protection (MiCA compatibility, suitability tests)
10. Cybersecurity (FINMA Circular 2023/1 operational resilience)
11. Education and talent (ETH Zurich, CVA talent pipeline)
12. International coordination (IOSCO, FATF, BIS; MiCA-compatible licensing)

SIF published the final 12-pillar strategy in December 2025; annual progress reports track metrics per pillar through 2030

Switzerland vs EU vs US: Key Differences

Dimension	Switzerland	EU (MiCA)	US (Howey)
When you know legal status	Before launch (statute)	Before launch (MiCA categories)	After enforcement / court ruling
DeFi coverage	Unregulated if truly decentralised	Excluded from MiCA if no issuer	Case-by-case SEC action
Sandbox	Yes (CHF 1M, no licence)	EU DLT Pilot (limited)	State-level only
First crypto bank	2019 (Amina Bank, Sygnum)	2024+ (CASP holders)	None federally
FATF status	Compliant since 2016	Varies by member state	Compliant
Regulation speed	5 yrs (2016–2021)	10 yrs (2014–2024)	No comprehensive law (2025)

Key takeaway: Switzerland and EU MiCA both provide pre-launch certainty. The US does not. Switzerland's advantage over MiCA is scale-proportional enforcement and FINMA's fast no-action process.

Singapore (not shown) is the closest competitor: MAS sandbox + Payment Services Act provide similar pre-launch certainty but without the DLT securities innovation of the Swiss DLT Act

The 6-Question Cryptoeconomics Lens: Swiss Strategy

1. **Problem:** Without legal certainty, only risk-tolerant (often non-compliant) actors participate. Institutional capital cannot enter. Switzerland solves the institutional participation problem.
2. **Incentives:** Switzerland earns tax + jobs + reputation. Firms get legal certainty + banking access. Mutual benefit, not a subsidy to crypto.
3. **Benefits/Costs:** Benefits: 1,100+ companies, 10,000+ jobs, CHF 2B+ raised. Costs: 5 years of legislative work, ongoing FINMA supervision, risk of being a test case for new failure modes.
4. **Failure mode:** FATF grey-listing (if AML slips), major fraud at a Swiss-licensed firm (destroys trust), MiCA/Swiss rules conflict (fragments market).
5. **Design choices:** Wholesale CBDC (not retail) to protect banks. 3-tier licensing (not one-size-fits-all). DLT Act amendments to existing law (not new standalone statute).
6. **Alternatives:** Ban (China) = forfeit market. Enforce-first (US) = talent emigrates. Permissive (FTX's Bahamas) = systemic risk. Switzerland chose the sustainable middle path.

The 6Q lens confirms that Swiss strategy is internally consistent: each design choice in pillar 5 directly addresses a failure mode visible in pillar 4

Key Takeaways

1. Switzerland chose **Archetype 3** (legislate-first), not ban or enforce-first.
2. **DLT Act 2021** created: DLT security (legal category), DLT trading facility (FINMA licence), insolvency segregation (FTX-proof client protection).
3. **SDX**: first regulated DLT exchange globally. T+0 settlement. CHF 500M+ bonds. Powered by Project Helvetia wholesale CBDC.
4. **FINMA 3-tier**: sandbox (CHF 1M, free) → fintech licence (CHF 300k capital) → full bank (CHF 10M). Amina Bank and Sygnum are the end state.
5. **FINMA no-action letter**: 10 days, free, binding. The single most practical tool for reducing legal uncertainty.
6. **12 pillars**: 5 deep (legal certainty, proportionality, competitiveness, CBDC, stability) + 7 rapid (payments through coordination).
7. **Comparison**: Switzerland + Singapore lead on clarity. EU MiCA is comprehensive but slower. US has no equivalent as of 2025.
8. **Thesis confirmed**: legal certainty is the product Switzerland sells; Ethereum Foundation's 10-year Zug presence is the proof.

The next lecture (Tag 11) completes the course synthesis: apply all 6 cryptoeconomics pillars across Modules A–G, then project showcase

Mini-Quiz: Part 1 (Questions 1–5)

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- A) 1 Jan 2020 B) 1 Feb 2021 C) 30 Dec 2024 D) 1 Jan 2025

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C) SNB's stated position: retail CBDC would disintermediate commercial banks

5/5 correct = excellent; review DLT Act sections if below 3/5

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A) Crypto firms must hold 100% reserves at all times B) Client crypto assets are returned in full if the custodian goes bankrupt C) The SNB guarantees all crypto deposits D) Crypto is insured by the deposit protection scheme

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Q9. How many SIF strategy pillars receive “deep” treatment (20 min each)?

A) 3 B) 5 C) 7 D) 12

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A) Archetype 1: Ban B) Archetype 2: Enforce-first C) Archetype 3: Legislate-first D) None of the three archetypes

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B) Archetype 2: Enforce-first: apply 1946 case law; let courts define digital asset categories

10/10 correct = ready for Tag 11 course synthesis; below 7/10 = review DLT Act and FINMA 3-tier framework