

# Swiss Bundesrat Digital Finance Strategy

DLT Act, FINMA, 12 SIF Pillars, and Legal Certainty as Competitive Advantage

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## Consider this sequence of facts:

- The Ethereum Foundation is registered in Zug, Switzerland
- The first regulated DLT securities exchange in the world (SDX) is in Zurich
- Over 1,749 blockchain companies operate across Switzerland (as of 2025)
- Two crypto-native full banks (Amina (formerly SEBA Bank, rebranded 2024), Sygnum) hold Swiss banking licences
- Switzerland has never FATF (Financial Action Task Force) grey-listed a crypto firm for AML (Anti-Money Laundering) failures

## None of this happened by accident.

It happened because Switzerland made an explicit, documented strategic choice about how to regulate digital finance, and then backed that choice with law.

DLT = Distributed Ledger Technology (the technology underlying blockchain networks); Source: SIF (State Secretariat for International Finance), "Digital Finance Strategy," 2022 (updated December 2025); Swiss DLT Act in force 1 February 2021

## The Question This Lecture Answers

*What did Switzerland decide, and why?*

And: what does it mean for you if you plan to build, invest in, or regulate digital finance?

### Central thesis:

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

**By the end of this lecture, you will be able to:**

1. **Explain** the three archetypes by which governments respond to disruptive technology. [Understand]
2. **Apply** the DLT Act 2021 to classify whether a token transfer is valid under Swiss law. [Apply]
3. **Describe** the SDX case as a worked example of how the DLT trading facility licence works. [Apply]
4. **Evaluate** the FINMA 3-tier proportional licensing framework against MiCA and the US Howey approach. [Evaluate]
5. **Summarise** the 12 SIF pillars and identify which five received deep analytical treatment. [Understand]
6. **Compare** Switzerland, EU, US, and Singapore on regulatory clarity vs openness. [Analyze]
7. **Argue** why legal certainty is a competitive advantage (not just a constraint) for digital finance. [Evaluate]

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**This lecture is the regulatory complement to Business Models for Digital Finance: regulation determines which moats are legally defensible**

### Day 9 established the business-layer foundations:

- **Revenue model layers:** which layers of the digital finance stack generate sustainable income
- **Platform economics:** network effects, multi-sided markets, and how platforms lock in users
- **Competitive moats:** what prevents incumbents from copying a digital finance product
- **Digital distribution channels:** how regulation shapes which channels are accessible

**Today we ask:** which of those business models are *legally defensible* in Switzerland? Swiss regulation does not just constrain business models: it certifies moats.

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Day 9 reference: Business Models for Digital Finance (revenue model layers, platform economics, moat analysis)

## New terms we introduce in this lecture:

- **MiCA** (Markets in Crypto-Assets): EU regulation fully in force Dec 30, 2024; CASP licence; ART/EMT classification: defined in full on the next slides
- **Howey Test** (US): 4 prongs for a token to be a “security” under US law: defined in full on the next slides
- **FATF** (Financial Action Task Force): sets global AML (Anti-Money Laundering) standards; grey-listing = enhanced due diligence required
- **DLT token taxonomy** (Swiss): payment tokens, utility tokens, asset tokens: from FINMA ICO guidelines 2018; see Appendix A1

## Economics concepts we introduce today:

- **Regulatory arbitrage**: choosing a jurisdiction to minimise compliance cost (last lecture: Binance)
- **Legal certainty**: the degree to which actors can predict the legal consequences of their actions
- **Proportionality**: regulatory burden proportional to risk (FINMA principle)
- **Sandbox**: a regulatory testing environment with relaxed rules for limited time/scale

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Students new to EU and US crypto regulation should read FINMA's 2018 ICO Guidelines and the MiCA summary before this lecture

## Archetype 1: Ban It

**Logic:** technology is a threat; the safest path is prohibition

**Examples:**

China (crypto trading ban 2021)  
Algeria, Morocco

**Result:**

Activity moves underground or offshore. Domestic firms are blocked from participating in global innovation.

## Archetype 2: Enforce First

**Logic:** apply existing law; let courts and enforcement define the boundary

**Examples:**

US (SEC under Gensler)  
India (tax without clear legal status)

**Result:**

Uncertainty drives innovation offshore. Firms face retroactive liability. Talent relocates.

## Archetype 3: Legislate First

**Logic:** create clear rules before enforcement; attract compliant firms

**Examples:**

**Switzerland (DLT Act 2021)**  
EU (MiCA 2024)  
Singapore (MAS)

**Result:**

Legal certainty attracts investment, talent, and compliant firms. Enforcement is predictable.

**The Clarity Dividend: what clear rules enable:**

- Hire compliance staff confidently (know what the job is)
- Raise institutional capital (investors require legal certainty)
- Engage traditional banking partners
- Price regulatory risk into business models

Unclear rules impose a **legal uncertainty tax**: every action requires a legal opinion, every product needs a no-action letter. **Switzerland eliminated this tax.**

Switzerland's choice: moderate speed (5 years, 2016–2021), moderate openness (proportional), very high clarity.

Switzerland's DLT Act was the first comprehensive digital asset legislation among G10 and major financial centres, preceding MiCA by three years;

Ethereum Foundation chose Zug in 2014 because Swiss civil law already allowed foundations to hold unusual assets

## MiCA (Markets in Crypto-Assets Regulation):

- Full name: Markets in Crypto-Assets Regulation (EU, 2023/1114)
- Scope: all 27 EU member states + EEA; fully in force **December 30, 2024**
- Who must comply: any entity offering crypto services to *EU clients*, regardless of where it is based

**CASP** (Crypto-Asset Service Provider): the licence required to offer exchange, custody, trading, or advisory crypto services in the EU. Requires: minimum capital, governance structure, AML compliance, and organisational rules.

**DeFi exclusion:** fully decentralised protocols with no identifiable issuer or intermediary are *explicitly excluded* from MiCA.

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MiCA is the world's first comprehensive crypto regulation covering 27 member states; Switzerland's DLT Act preceded it by 3 years (2021 vs 2024): you will see how they compare later in this lecture

## MiCA's three token categories:

### ART: Asset-Referenced Token

Backed by a *basket* of currencies, commodities, or other assets (e.g., a gold-backed token). Must hold 1:1 segregated reserves.

### EMT: E-Money Token

Backed by a *single fiat currency* (e.g., EUR). Must redeem at par on demand. Only licensed credit institutions and e-money firms may issue.

### Utility Token

Provides access to a service. Lighter-touch regulation. No reserve required.

# What is the Howey Test? The US Legal Standard

## From SEC v. Howey (US Supreme Court, 1946):

A financial instrument is a “security” (falling under SEC regulation) if ALL FOUR prongs are true:

1. **Investment of money:** someone pays
2. **In a common enterprise:** pooled with others
3. **Expectation of profit:** buyer expects a return
4. **From the efforts of others:** not from the buyer’s own work

**The problem for crypto:** the US has *no statutory crypto-asset categories*. Whether your token is a security is determined case-by-case, **after** the SEC acts or a court rules, not before you launch.

## Real examples:

### XRP (Ripple)

SEC sued in 2020 (all 4 Howey prongs apply). Consent order August 2024: \$125M. Court: institutional sales = securities; secondary exchange sales = not securities.

### ETH (Ethereum)

CFTC: commodity. SEC approved spot ETH ETFs (May 2024) and closed its securities investigation without charges (June 2024). Now operationally treated as a commodity.

## The decisive contrast:

US: legal status discovered *after* enforcement

CH/EU: legal category known *before* launch

The Howey Test was designed for 1940s agricultural investment contracts; its application to tokens is contested in every court case; this legal uncertainty is itself a competitive disadvantage for US-based crypto builders

What you just learned shows the contrast:

Question	US (Howey)	Switzerland (DLT Act)
Is my token a security?	Unclear; depends on facts and SEC interpretation	Yes/no based on DLT Act categories
When do I know?	After SEC action or court ruling	Before launch
What do I need?	No-action letter or lawyer opinion	Read the statute

This table is why Ethereum chose Zug.

## The Product Is Clarity

Switzerland does not let you do more.

You still need a FINMA licence to accept deposits.

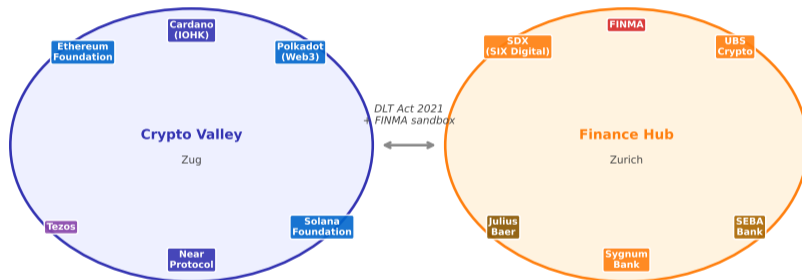
You still cannot sell an unregistered security.

But you know *before you start* whether what you are building is legal, what category it falls into, and what licence you need.

**This is the product Switzerland sells to the world.**

“Legal certainty” is not the same as “permissiveness”; Switzerland has rejected several crypto projects that did not meet its standards (e.g. Libra/Diem project in 2020)

## Switzerland's Digital Finance Ecosystem Crypto Valley (Zug) + Finance Hub (Zurich)



Switzerland hosts 1,749 blockchain companies (as of 2025), 10,000+ jobs, and \$728M in VC funding in 2025 (+37% year-on-year), representing 47% of all European blockchain VC (Source: CV VC Top 50 Report 2025). Crypto Valley (Zug/Zurich corridor) is the primary cluster.

## Swiss DLT Act 2021: Six Changes That Made the Difference

BEFORE DLT Act (pre-2021)	AFTER DLT Act (1 Feb 2021)
<b>DLT securities</b> <i>No legal category; treated as ordinary claims</i>	<b>DLT securities</b> <i>New legal category in Swiss Code of Obligations</i>
<b>Token transfer</b> <i>Required physical or notarised assignment</i>	<b>Token transfer</b> <i>Transfer by registration on DLT (like book-entry)</i>
<b>DLT trading venue</b> <i>No licence type; had to use banking licence</i>	<b>DLT trading venue</b> <i>New DLT Trading Facility licence (FINMA)</i>
<b>Bankruptcy protection</b> <i>Crypto assets mixed with creditor pool</i>	<b>Bankruptcy protection</b> <i>Segregated crypto assets protected from creditor claims</i>
<b>Smart contracts</b> <i>No legal certainty on enforceability</i>	<b>Smart contracts</b> <i>DLT-based agreements have full legal standing</i>
<b>Custody</b> <i>No specific rules; banks applied own policies</i>	<b>Custody</b> <i>Regulated: banks and crypto custodians treated equivalently</i>

The DLT Act amended nine existing federal laws (CO, Banking Act, FMIA, CISA, and others); it did not create a new standalone law but wove digital assets into existing Swiss legal fabric

*Worked Example*

## SDX (SIX Digital Exchange): the problem it solved

Before the DLT Act, SIX (Switzerland's stock exchange operator) could not settle securities on a blockchain because:

- Digital tokens had no legal status as “securities” under Swiss law
- A DLT transfer did not have legal finality (was not a valid “book entry”)
- No regulatory category existed for a blockchain-based exchange

## What the DLT Act enabled:

1. **DLT Security (DLT-Wertrechte)** category: a tokenised bond or share has the same legal standing as a paper certificate
2. **DLT Trading Facility (DLT Handelsplatz) licence** (new FINMA category): SDX applied and received it in 2021
3. **Transfer by registration:** moving a token on SDX's permissioned blockchain = legally valid settlement
4. **Bankruptcy protection:** SDX client assets are segregated, not mixed with exchange assets

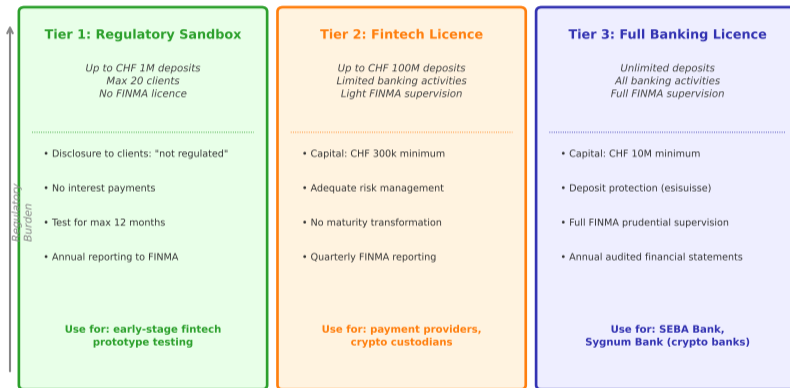
T+0 settlement means transactions clear instantly vs the 2-day standard (T+2) on traditional exchanges; this reduces counterparty risk and collateral requirements

## SDX by Numbers (2025)

- First regulated DLT securities exchange globally
- First DLT Trading Facility licence issued by FINMA (March 2025, BX Digital)
- Settled CHF 500M+ in tokenised bonds (as of 2024)
- Clients: UBS, Deutsche Bank, Goldman Sachs, Citi (joined as custodian, Q3 2025)
- Settlement time: T+0 (vs T+2 on traditional exchange)
- Products: tokenised bonds, digital structured products, CBDCs (Project Helvetia)

**Without the DLT Act, SDX cannot exist.** The law created the market.

## FINMA 3-Tier Risk-Based Licensing: Proportionality in Action Every firm finds its appropriate tier -- no forced over-regulation



FINMA's proportionality principle: a payment startup handling CHF 500k should not face the same capital requirements as a bank handling CHF 500B; tiered regulation scales compliance cost to actual risk. FINMA opened consultation on a new "Crypto Institution" licence category in October 2025 – a potential fourth tier for pure crypto-asset custodians and issuers.

## FINMA Sandbox (since 2017, codified in Banking Act):

- Accept deposits up to **CHF 1 million**
- Maximum **20 clients**
- Maximum **12-month** duration (renewable via re-application)
- **No FINMA licence required**
- Must disclose to clients: “not regulated by FINMA”
- Cannot pay interest on deposits
- Annual reporting to FINMA

**Why it matters:** A startup can test product-market fit, prove the technology works, and demonstrate compliance culture, *before* investing CHF 300k in a fintech licence application.

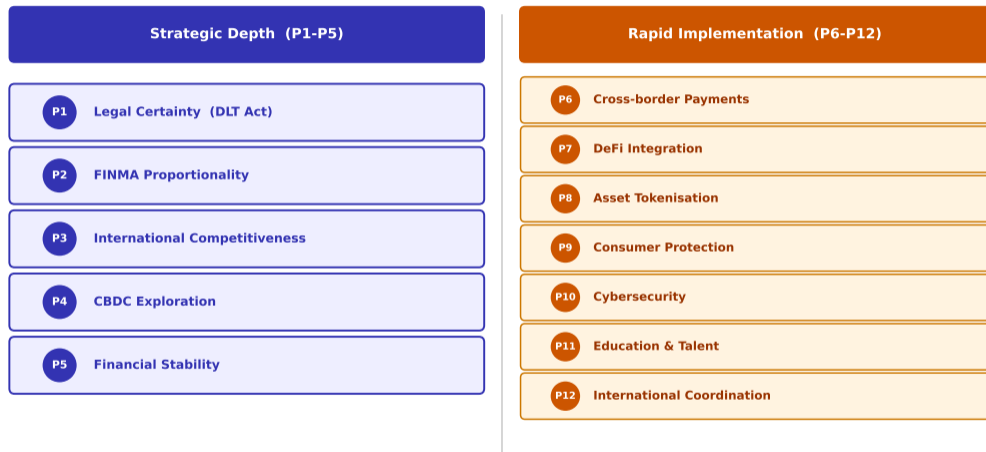
## Sandbox Journey: Typical Path

1. **Phase 1:** Sandbox. Test with 10–20 pilot clients. Max CHF 1M deposits.
2. **Phase 2:** Apply for Tier 2 Fintech Licence. Prepare CHF 300k capital, risk framework.
3. **Year 3+:** If growth warrants, apply for full banking licence (CHF 10M capital, deposit protection).

**Contrast with US:** in the US, you start with a cease-and-desist from the SEC; in Switzerland, you start with protected sandbox testing under defined deposit and client caps.

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FINMA has granted sandbox access to over 40 fintech/blockchain startups since 2017; the first crypto-native bank licences (Amina Bank, Sygnum) both used the sandbox as the starting point (Source: FINMA Annual Report 2023)



SIF = State Secretariat for International Finance; 2022 strategy document (updated December 2025) outlines 12 priority areas for Switzerland's digital finance positioning through 2030. Full document: [sif.admin.ch/digital-finance](https://sif.admin.ch/digital-finance)

**Core claim:** Legal certainty is a public good that attracts compliant firms and deters fraudulent ones. Switzerland's DLT Act delivers this by creating explicit statutory categories.

### Three key innovations:

1. **DLT Securities (DLT-Wertrechte):** tokens can now represent ownership rights with the same legal force as bearer certificates. No notary required for transfer.
2. **DLT Trading Facility (DLT Handelsplatz):** a new FINMA licence category enabling regulated blockchain-native exchanges. SDX was the first.
3. **Insolvency segregation:** crypto assets held by a Swiss custodian are legally segregated. If the custodian goes bankrupt, client crypto is returned, not absorbed into the creditor pool.

### Why Insolvency Segregation Matters

FTX (Bahamas, Nov 2022): customer crypto was mixed with company assets. In bankruptcy, customers became unsecured creditors; early estimates put recovery at \$0.18 on the dollar. A 2024 court-approved plan achieved near-par USD recovery, but only after a 2-year wait in which BTC rose \$40k, meaning customers received dollars, not the crypto appreciation.

Switzerland: customer crypto is never owned by the custodian. In insolvency, it is returned in full, like holding your suitcase in a cloakroom, not a bank deposit.

**This single provision made Swiss custody institutionally acceptable.**

The DLT Act was passed by Parliament in September 2020, entered into force in stages; final provisions (DLT trading facility) effective 1 February 2021

**The principle:** regulatory burden must be proportional to the actual risk posed. A CHF 500k startup should not face the same requirements as UBS.

### How FINMA implements this:

1. **Token taxonomy (2018):** payment/utility/asset tokens. Only asset tokens require full securities regulation. Utility tokens generally do not.
2. **Three-tier licensing:** sandbox (CHF 1M) → fintech (CHF 100M) → bank (unlimited). Each tier scales capital, AML, and governance requirements.
3. **No-action letters:** FINMA provides written guidance on whether a product requires a licence before you build it. Free. Binding.
4. **Innovation desk:** dedicated team typically responds to startup questions within 10 business days.

### FINMA No-Action Letter: How It Works

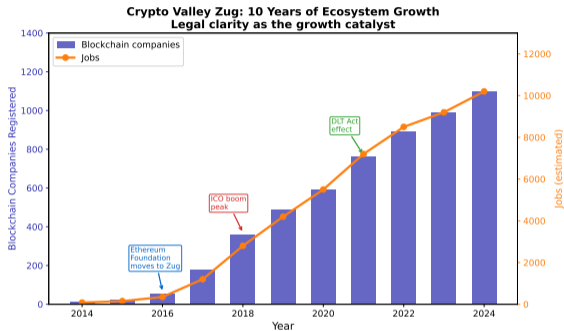
Step 1: Describe your product in a 2-page summary to FINMA.

Step 2: FINMA responds typically within 10 business days: "This is (or is not) a supervised activity. You (do/do not) need a licence."

Step 3: You build with certainty. If you follow FINMA's guidance, you cannot be prosecuted for that activity.

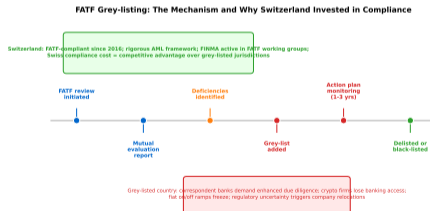
**US equivalent:** SEC no-action letter process takes 6–18 months, costs \$200k+ in legal fees, and is non-binding in court (Source: Cornerstone Research / practitioner estimates).

FINMA processed 100+ queries from crypto/DLT firms in 2023; the innovation desk is staffed by technologists, not only lawyers, a deliberate hiring policy to reduce response time (Source: FINMA Annual Report 2023)



**FATF compliance as competitive advantage:** Switzerland has been FATF-compliant since its 2016 mutual evaluation. This means:

- Swiss-regulated crypto firms can access global correspondent banking
- Institutional clients (pension funds, endowments) can engage without enhanced due diligence
- Swiss crypto companies do not trigger automatic “high-risk” flags in foreign banks



**UAE was FATF grey-listed 2022–2024; during that period, several Dubai-based crypto firms relocated to Switzerland and Singapore, confirming that FATF status directly affects company location decisions (Source: FATF Plenary outcomes 2022–2024)**

**Switzerland's CBDC (Central Bank Digital Currency) stance:** wholesale only (bank-to-bank), not retail (public-facing).

**Project Helvetia (SNB + BIS + SDX):**

1. Phase 1 (2020): proof-of-concept; SNB issued wholesale CBDC on SDX testnet
2. Phase 2 (2021–2022): legal analysis; confirmed wCBDC is lawful under Swiss law
3. Phase 3 (2023–2024): live issuance of Swiss franc wholesale CBDC on SDX production environment for real bond settlements

**Result:** Switzerland was among the first countries globally to settle real financial market transactions in a live wholesale CBDC.

**Project Helvetia Phase 3 (December 2023):** SNB issued wholesale CBDC on SDX to settle live digital bonds for the cantons of Basel-City and Zurich, among the first real-value wCBDC transactions globally

### Retail vs Wholesale CBDC: Switzerland's Choice

Feature	Wholesale	Retail
Users	Banks only	General public
Use case	Interbank settlement	Everyday payments
Privacy risk	Low	High
Bank risk	Low	High (disrupts banks)
Switzerland	<b>Active</b>	No plans

SNB's stated reason: retail CBDC poses too high a disintermediation risk to Swiss banks.

**The tension:** digital finance innovation can threaten systemic stability if not managed.

### Switzerland's four-part stability framework:

1. **Ring-fencing:** crypto-native banks (Amina Bank, Sygnum) are not allowed to engage in maturity transformation. They cannot lend out customer deposits to fund long-term assets.
2. **Contagion limits:** Swiss banks' DLT exposure must be reported to FINMA above certain thresholds. Early-warning system for concentration risk.
3. **No bail-out commitment:** FINMA has stated clearly it will not bail out a failed crypto firm. Moral hazard is contained.
4. **DLT insolvency hierarchy:** liquidation priority for crypto assets is legally specified in the Banking Act.

### Lesson from FTX Applied to Switzerland

FTX failed because:

- Customer crypto mixed with company assets
- Alameda Research had unlimited credit from FTX
- No insolvency ring-fence
- Offshore jurisdiction with no regulatory oversight

**Under Swiss law, all four failures are illegal.**

The DLT Act explicitly prohibits each one.

This is not coincidence: the Swiss framework was designed to prevent exactly these failure modes.

Amina Bank and Sygnum Bank both operate under the 2019 full banking licence granted by FINMA, the first crypto-native institutions to receive it globally

**Pillar 6: Cross-Border Payments** Switzerland (SNB) contributes to BIS cross-border payment research but is not a direct mBridge participant. The mBridge pilot demonstrated multi-CBDC corridors can compress interbank settlement from 3–5 days to near-real-time. Switzerland's own multi-currency CBDC initiative is **Project Agora** (2024, SNB + BIS + commercial banks).

**Pillar 7: DeFi Integration** FINMA issued guidance in 2024 on how decentralised protocols can operate in Switzerland. Key: if a Swiss legal entity controls a protocol, it needs a licence. Truly decentralised = unregulated.

**Pillar 8: Asset Tokenisation** Tokenisation = representing ownership of a real-world asset (bond, property, fund) as a digital token on a DLT network. SDX tokenised Swiss government bonds; UBS issued a tokenised structured product (2022). SIF target: CHF 100B in tokenised assets by 2030.

**Pillar 9: Consumer Protection** MiCA applies to Swiss firms selling into the EU. Domestically: FINMA requires full disclosure, cooling-off periods, and suitability tests for retail crypto products.

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BIS is the “central bank of central banks”: owned by 63 central banks. mBridge pilot participants: BIS Innovation Hub, PBOC, HKMA, Bank of Thailand, UAE Central Bank (Saudi Arabia added 2024); BIS exited governance 2024. Swiss multi-CBDC initiative: Project Agora (2024), targeting tokenised commercial bank deposits with wCBDC settlement.

**Pillar 10: Cybersecurity** FINMA Circular 2023/1: enhanced requirements for operational resilience in financial firms using DLT. Stress-testing DLT infrastructure is mandatory for all licensed firms.

**Pillar 11: Education and Talent** ETH Zurich + University of Zurich blockchain centres. Switzerland hosts 3 of Europe's top 10 fintech academic programs. Crypto Valley Association runs an annual talent pipeline into member companies.

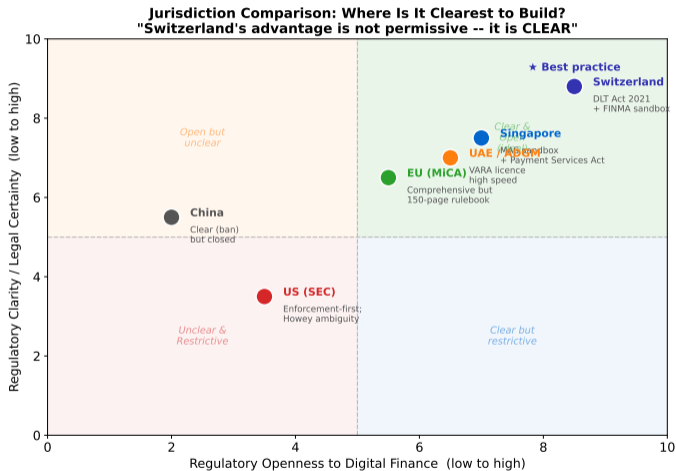
**Pillar 12: International Coordination** Switzerland actively participates in IOSCO, FATF, BIS Innovation Hub, and CPMI digital asset working groups. The DLT Act is designed to be interoperable with MiCA; Swiss licences are intended to be MiCA-equivalent.

**The 12-pillar framework covers Switzerland's digital finance strategy through 2030.** SIF updates the strategy document annually with progress metrics per pillar.

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**IOSCO = International Organization of Securities Commissions (global securities regulator coordination body); CPMI = Committee on Payments and Market Infrastructures (BIS working group for payment system standards); FATF defined earlier (Financial Action Task Force)**

# Comparative Analysis: Where Is It Clearest to Build?



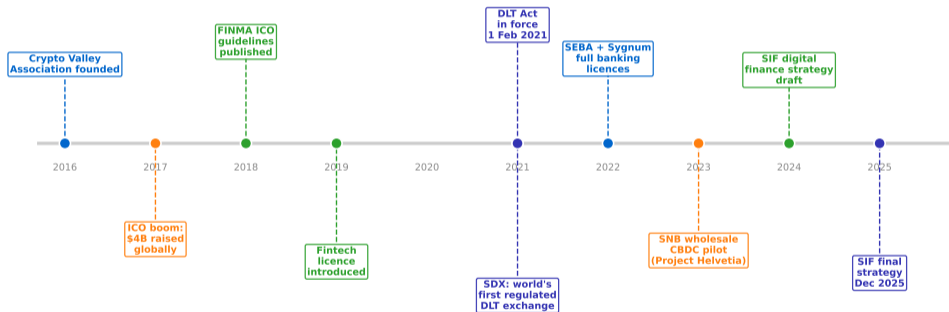
"Best practice" positioning requires both dimensions: clear rules AND openness to digital finance; Switzerland and Singapore lead; EU (MiCA) is comprehensive but burdensome; US remains the outlier on clarity

## Three Frameworks Compared: Switzerland, EU (MiCA), US

Dimension	Switzerland (DLT Act)	EU (MiCA, Dec 2024)	US (Howey Test)
Legal categories	DLT security, DLT trading facility, 3 token types	CASP, ART, EMT, utility	Securities, commodities, payment tokens (ambiguous)
When clarity arrives	Pre-launch (statute)	Pre-launch (MiCA categories)	Post-launch (enforcement/court)
DeFi coverage	Unregulated if truly decentralised	Excluded from MiCA if no issuer	Enforcement-first; unclear
Stablecoin rules	No specific stablecoin law (MiCA compatibility planned)	ART/EMT with 1:1 reserve	No federal stablecoin law (as of 2025)
Sandbox	Yes (CHF 1M cap, 12-month renewable, no licence)	Pilot regime (EU DLT Pilot)	Limited; state-level only
FATF status	Compliant since 2016	Varies by member state	Compliant but enforcement gaps
Time to know legal status	Hours (read statute)	Days (read MiCA categories)	Months–years (legal opinions)
First crypto bank licence	2019 (Amina Bank, Sygnum)	2024+ (CASP holders)	None federally chartered

**MiCA's greatest similarity to Switzerland: pre-launch category certainty; greatest difference: compliance cost (150-page regulation vs Swiss 3-tier proportionality)**

## Switzerland Digital Finance: A Decade of Deliberate Policy 2016 ecosystem foundation to 2025 national strategy



The DLT Act did not emerge overnight: five years of academic research (ETH Zurich), industry consultation (CVA), and parliamentary process preceded the 2021 implementation (Source: Swiss Federal Council, DLT Act parliamentary message, 2020)

## Reframing Switzerland's strategy:

Traditional view: *regulation is a constraint on innovation.*

Switzerland's view: *clear regulation is itself an innovation product that Switzerland exports.*

## Evidence for this framing:

1. Companies pay a **legal certainty premium** to operate in Switzerland (higher costs than offshore), and they choose it voluntarily
2. Institutional investors (pension funds, endowments) can only invest in Switzerland-domiciled crypto funds because of the clear legal framework
3. The DLT Act created CHF 500M+ in SDX transaction volume that did not exist before the law passed
4. Every CHF 300k fintech licence generates: compliance jobs, legal services, accounting, banking relationships: economic multiplier

## The Product Is Predictability

When you register a company in Zug, you buy:

- A statutory category for your asset
- A known licence pathway
- A FATF-compliant banking relationship
- Access to SDX infrastructure
- Institutional investor access
- A legal framework tested in court

No other jurisdiction sells this complete bundle for digital finance.

**This is what “legal certainty as product” means.**

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Ethereum Foundation has maintained its Zug registration since 2014; it has never publicly considered relocation despite operating globally: this is the revealed preference for Swiss legal certainty (Source: SIF Swiss FinTech Ecosystem Report)

# The 6-Question Cryptoeconomics Lens: Swiss Digital Finance Strategy

1. **Problem:** Digital assets need legal certainty to attract institutional capital. Without clear rules, only risk-tolerant (often non-compliant) actors participate, generating systemic risk.
2. **Incentives:** Switzerland earns tax revenue, high-skilled jobs, and global reputation from hosting compliant firms. Firms get legal certainty + banking access. A genuine mutual benefit, not a subsidy.
3. **Benefits/Costs:** Benefits: 1,749 companies, 10,000+ jobs (as of 2025), CHF 2B+ in capital (SIF/CVA estimate, approx. 2024), global regulatory leadership. Costs: parliamentary time (5 years to pass DLT Act), FINMA supervision costs, risk of being a test case for new failure modes.
4. **Failure mode:** FATF grey-listing (if AML standards slip), major fraud at a Swiss-licensed firm destroying trust (e.g. a Swiss-registered Ponzi scheme), or global coordination failure if MiCA and Swiss rules conflict.
5. **Design choices:** Chose wholesale CBDC over retail (reduces bank disintermediation). Chose 3-tier licensing over single licence (proportionality). Chose DLT Act amendments over new standalone law (reduces legal fragmentation).
6. **Alternatives:** Ban (China model): eliminates risk but forfeits the market. Enforce-first (US model): requires less legislative work but drives talent offshore. Permissive (early Bahamas/FTX model): attracts volume but creates systemic risk.

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The 6Q lens reveals that Switzerland's strategy is a coherent choice, not a lucky accident: each pillar solves a specific coordination problem identified in the failure modes column

## Student Exercise: Where Would You Locate Your Company? (10 Minutes)

**Scenario:** You are founding a company that issues a tokenised real estate fund (investors buy tokens representing fractional ownership of Swiss commercial properties). You plan to raise CHF 5M from 50 investors in Year 1.

**In groups of 3, decide:**

1. Under Swiss law (DLT Act), is your token a DLT security? Why?
2. Which FINMA licence tier do you need in Year 1?
3. What would happen to your company under the US Howey Test?
4. What would happen under MiCA?
5. What is the one biggest regulatory risk your company faces?

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**Debrief:**

1. **Yes, DLT security:** represents property ownership rights; asset token category
2. **Tier 2 fintech licence** (or full CIS licence under CISA (Collective Investment Schemes Act) if it qualifies as a collective investment scheme with CHF 5M; instructor note: this is the boundary case, deliberately chosen)
3. **Almost certainly a security** under Howey (investment + common enterprise + profit expectation + from others' efforts = 4/4). Must register with SEC or find an exemption (Reg D, Reg A+)
4. **MiCA: fund token is not a direct real-asset token.** MiCA's exclusion covers only unique, non-fungible real-asset tokens (e.g. a single property NFT). A fractional fund token (50 investors holding fund units) falls outside this exclusion and under MiFID II in most EU states. Distinction: direct property token (excluded) vs. fund token (not excluded).
5. **Biggest risk:** CISA classification as a collective investment scheme, which triggers higher requirements than a simple DLT security

This exercise is deliberately at a legal boundary: the CIS question (CISA vs DLT Act) is unresolved in Swiss case law; instructors should acknowledge this ambiguity explicitly

## Key Takeaways (Part 1)

1. **Three government archetypes:** ban (China), enforce-first (US), legislate-first (Switzerland, EU). Each produces a predictable outcome for innovation location.
2. **Legal certainty  $\neq$  permissiveness.** Switzerland requires licences, AML, capital, but tells you this *before* you launch, not after.
3. **DLT Act 2021** created three things: DLT security (legal category), DLT trading facility (FINMA licence), insolvency segregation (client protection). SDX exists because of all three.
4. **The SDX worked example:** T+0 settlement of real bonds using wholesale SNB CBDC, impossible before 2021, routine by 2024.
5. **FINMA proportionality:** three tiers (sandbox  $\rightarrow$  fintech  $\rightarrow$  bank). Amina Bank and Sygnum are the first crypto-native full banks globally. The path to their licences was 3 years via sandbox then fintech tier.
6. **Recall:** MiCA gives pre-launch category certainty; Howey requires post-launch court decisions. Switzerland did it first; EU followed three years later.
7. **12 SIF pillars:** five deep (legal certainty, proportionality, competitiveness, CBDC, stability) + seven rapid (payments, DeFi, tokenisation, consumer, cyber, education, coordination).

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Key formula to remember: DLT trading facility licence + DLT securities category + insolvency segregation = the three-part package that made SDX globally unique

- FATF compliance** is a competitive moat: grey-listed countries lose banking access; Swiss crypto firms retain global correspondent banking.
- Comparative conclusion:** Switzerland (clarity + proportionality), Singapore (speed + MAS sandbox), EU (comprehensive but burdensome), US (enforcement-first, talent emigrating).
- Legal certainty as product:** Switzerland earns the premium by selling predictability to the world's most compliance-sensitive investors. Ethereum Foundation has been in Zug since 2014: the revealed preference.

### Central Thesis Confirmed

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

When you need clarity before you invest, Switzerland has no equal in digital finance.

### Course Connection

This lecture completes the regulatory arc: Module G (global regulation) → regulation overview lecture (MiCA + Howey) → Swiss strategy.

The next step is the capstone: applying all 6 pillars of cryptoeconomics across the full course (Tag 11).

Further reading: SIF, "Digital Finance Strategy" 2022 (updated December 2025, free PDF at [sif.admin.ch](https://sif.admin.ch)); FINMA ICO Guidelines (2018); Swiss DLT Act text (English translation at [admin.ch](https://admin.ch))

### Payment Tokens

**Examples:** BTC, ETH (as currency)

**Characteristics:**

Means of payment / value transfer

**Regulation:**

AML/AMLA applies; no securities law

**FINMA treatment:**

Exchanges need VQF/FINMA registration;  
custody is Tier 1–3 depending on scale

### Utility Tokens

**Examples:** BAT, FIL, GRT

**Characteristics:**

Access to a service; non-transferable value  
in the ecosystem

**Regulation:**

If consumed immediately: no financial  
regulation. If tradeable: possible hybrid.

**FINMA treatment:**

Generally not securities; check for hybrid  
elements

### Asset Tokens

**Examples:** tokenised bonds, equity tokens,  
real estate tokens

**Characteristics:**

Represent ownership of assets or profit  
rights

**Regulation:**

**Full securities law applies:** CISA,  
prospectus, trading rules

**FINMA treatment:**

DLT security category (post-2021);  
prospectus required for public offers

Appendix: FINMA token taxonomy (2018) predated the DLT Act by 3 years; the taxonomy is guidance, not statute; the DLT Act codified it with stronger legal force

## Three phases:

1. **Phase 1 (Dec 2020):** Proof of concept. SNB issued synthetic wCBDC on SDX test environment. Tested DvP (delivery vs payment) for tokenised bonds. Result: technically feasible.
2. **Phase 2 (2021–2022):** Legal analysis. FINMA and Swiss National Bank confirmed wCBDC issuance is lawful under Swiss law without new legislation.
3. **Phase 3 (2023–2024):** Production. SNB issued real Swiss franc wCBDC for real bond settlements on SDX. Among the first countries globally to settle live financial transactions in a wholesale CBDC.

## What Project Helvetia Proved

- wCBDC reduces counterparty risk in interbank settlement (removes 2-day exposure window)
- T+0 settlement is technically and legally achievable today
- Existing Swiss law (DLT Act + Banking Act) does not need amendment for wCBDC
- SNB can issue wCBDC while maintaining monetary policy independence

**Next:** “Project Promissa” (2024+) extends wCBDC to tokenised promissory notes, enabling CHF wCBDC settlement for private credit markets.

Appendix: Project Helvetia is a joint initiative of BIS Innovation Hub (Swiss Centre), SNB, and SIX/SDX; full technical reports available at [bis.org/publ/work850.htm](https://bis.org/publ/work850.htm)