A Glimpse Into Crypto Valley Zug
Important New Developments

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Agenda

1. Welcome to Crypto Valley
2. Finma ICO-Guidelines (Feb 2018)
4. Opening Corporate Accounts for Blockchain Companies (Sep 2018)
5. New Fintech License (Jan 2019)
6. Outlook
Welcome to Crypto Valley
Why Switzerland?

- Legal certainty – protection of property
- Deep-seated culture of privacy protection
- State of the art infrastructure
- Ability to attract top talents
- Multi-lingual
- Low taxes
- Friendly regulatory environment
- High quality of life
754 Blockchain Companies
Registered Companies in the Crypto Valley by Canton (incl. Liechtenstein)

- 383 blockchain related companies are domiciled in the Canton of Zug
- Other hot spots: Zurich, Lake Geneva Area and Liechtenstein
The Crypto Valley’s Top 50 (10 October 2018)
The Crypto Valley’s Top 50 (10 October 2018)

Top 50
Funding total: $ 2.2 billion
Valuation total: $ 44 billion
Employees total: 443
Unicorns: 5
Crypto Valley total
Blockchain related companies: +750
Employees: >3000
Crypto Winter

Surviving the Crypto Winter!
BTC-USD Exchange Rate
The Crypto Valley’s Top 50 (24 January 2019)
The Crypto Valley’s Top 50 (24 January 2019)

Top 50
Funding total: $3 billion
Valuation total: $20 billion
Employees total: 480
#Unicorns: 4
Crypto Valley total
Blockchain related companies: 750
Employees: >3300
Market Capitalization for Crypto Valley’s Top 50
The Coming Crypto Spring
On 16 February 2018, FINMA published ICO-Guidelines on how to apply Swiss financial markets laws in the context of Swiss ICOs.
2. FINMA ICO-Guidelines

- The ICO-Guidelines cover inter alia the following topics:
  - how to seek no-action comfort from FINMA
  - scope of securities laws; and
  - scope of the Swiss anti-money laundering laws
  - categorization of tokens
- Each case must be decided on its individual merits
- Focus on anti-money laundering and securities regulation
- FINMA's principles focus on the function and transferability of tokens
2. FINMA ICO-Guidelines

- FINMA distinguishes the following categories of tokens:
  - **Payment tokens** (or cryptocurrencies)
  - Utility tokens
  - Asset tokens
- Tokens may also take a **hybrid form** including elements of more than one category
- The moment of the token issuance is relevant
- Classification of a token may change over time
2. FINMA ICO-Guidelines - Token Classification

Utility Token
- Very versatile / customizable
- Digital access rights to applications or services;
- “fuel” of platform

Equity-like
- Equity of issuer
- Profit based (dividends)
- Shares / participation certificates

Debt-like
- Liability of issuer
- Repayment obligation
- Loans / derivatives / structured products

Participation Right
- Revenue based (turnover of issuer, not dividends)
- No equity of issuer

Payment Token
- No claims / rights against issuer
- Means of payment
- Exchange into other currencies

Asset Token
- Various functions and characteristics based on the specific token type.

Bern, 7 December 2018

Legal framework for distributed ledger technology and blockchain in Switzerland
An overview with a focus on the financial sector

1. Transfer of tokens
2. Segregation of digital assets in insolvency
3. Financial market laws
   - Banking Act
   - Financial Market Infrastructure Act
   - Collective Investment Schemes Act
4. Combating money laundering

1. Policymakers should provide an optimal framework conducive to innovation.

2. Switzerland should swiftly make targeted adjustments with regard to DLT/blockchain applications.

3. Switzerland should continue to pursue a principle-based and technology-neutral legislative and regulatory approach.

4. Switzerland should position itself as an attractive location for DLT/blockchain companies.

5. Swiss authorities should position themselves as open towards new technologies.

“[The Federal Council] wants to create the best possible framework conditions so that Switzerland can establish itself and evolve as a leading, innovative and sustainable location for fintech and blockchain companies.”
"The preferences of the market and society should decide which technologies prevail, while policy should ensure optimal and innovation-friendly framework conditions."
4. Opening Corporate Accounts for Blockchain Companies
4. Opening Corporate Accounts for Blockchain Companies – Swiss Bankers Association (SBA) Guidelines
4. Opening Corporate Accounts for Blockchain Companies – Swiss Bankers Association (SBA) Guidelines

- Blockchain ecosystem requires corporate accounts
- No right to open a corporate account
- The SBA wants to make it easier for its members to deal with crypto startups
- The SBA has divided Blockchain firms into two categories:
  - Blockchain companies **without** ICOs
  - Blockchain companies **with** ICOs (stricter rules - Swiss AML and KYC laws)
    - FIAT
    - Crypto currencies
- Each bank bears responsibility for its business activities
5. New Fintech License

Swiss Regulator’s ‘Relaxed’ Fintech License Covers Blockchain Firms
5. New Fintech License - Switzerland's FinTech Model

Switzerland's FinTech model is based on three complementary elements:

1. An extended period of 60 days for **holding funds on settlement accounts**. In particular, this could be relevant for providers of crowdfunding services.

2. A so-called "**sandbox**" innovation room in which companies can accept an unlimited number of public deposits (liabilities to customers) up to a total value of CHF 1 million. However, they may not engage in interest margin business and they have to inform depositors that they are not under the supervision of FINMA. This new regulation also allows funds to be received for private purposes (i.e. crowdfunding).

3. **FinTech License**
5. New Fintech License - allows FinTech Firms to accept CHF $100 Million from Public

- A FinTech license for companies which limit their activities to the deposit-taking business (acceptance of deposits from the public) and do not conduct any lending business with maturity transformation resp. interest payments;
- The conditions to be fulfilled for obtaining a FinTech license are lower than for traditional banks;
- Deposits may not exceed a value of CHF 100 million;
- the deposits will not be reinvested, no interest payments;
- the minimum capital must always be 3% of the total amount of deposits held, but not less than CHF 300,000;
- Supervision by FINMA;
- Audit requirements.
5. New Fintech License - Guidelines for the application process

- General information, such as the reasons and intentions for obtaining a license;
- Participations in the applicant, e.g. share capital and persons holding a qualified participation;
- Information about persons entrusted with the administration and management of the business;
- Business activity and adequate internal organization;
- Meeting of financial requirements;
- Regulatory audit firm.
MLL Blockchain team