



Current developments from the heart of the Swiss Crypto Valley

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Agenda

1. Crypto Valley
2. Finma ICO-Guidelines
 - 2.1 Overview
 - 2.2 Asset tokens
 - ☐ Equity-like Tokens
 - ☐ Debt-like Tokens
 - ☐ Participation Right Tokens
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3. Recent challenges
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1. Welcome to the Crypto Valley (1/7)



1. Swiss Map of 400+ Blockchain-Companies (2/7)



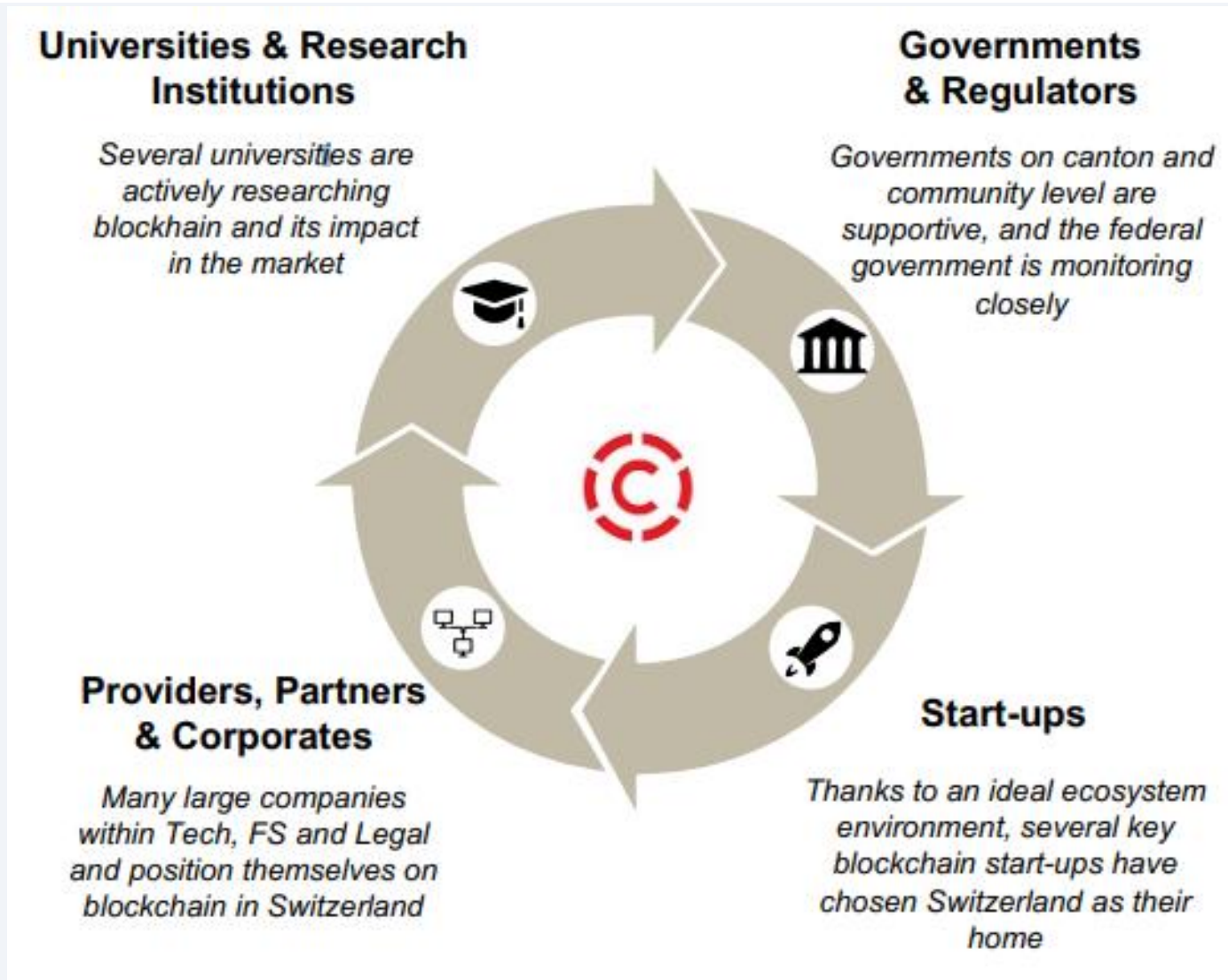
(Screenshot: www.cryptovalley.directory)

1. Why Switzerland? (3/7)

- ☐ 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



1. Crypto Ecosystem (4/7)



1. Dual system (5/7)

- Self Regulating System (e. g. Crypto Valley Association)
- Taskforce Blockchain (spearheaded by Finance Minister Ueli Maurer and Economics and Education Minister Johann Schneider-Ammann)



1. Pay Your Taxes in Crypto (6/7)



1. Digital identity on blockchain (7/7)



2. Finma ICO-Guidelines (1/3)

On 16 February 2018, FINMA published [ICO-Guidelines](#) on how to apply Swiss financial markets laws in the context of Swiss ICOs.



2. Why is does it matter? (2/3)

- Number of ICOs increased substantially in 2017 and investment amounts **still grow exponentially**
- In total, in 2017 alone a volume of **4.6bn USD** has been raised through ICOs (up from 0.2bn USD in 2016)
- Sme of the larger ICOs have also **run into roadblocks**, be it dysfunctional governance, cybersecurity issues or capacity limits



2. Swiss ICOs (3/3)

Overview: 10 biggest ICOs

Date: 29.11.2017		Total raised amount (USDmn)	Status	End of ICO	Duration (days)	Industry	Focus	Country
1	Filecoin	257.0	Past	07.09.2017	28	Technology	Data storage network	USA
2	Tezos	238.1	Past	14.07.2017	13	Fintech	Smart contract platform	Switzerland
3	EOS	159.2	Past	01.07.2017	5	Technology	IT Infrastructure	USA
4	Bancor	156.6	Past	12.06.2017	<1	Fintech	Trading platform	Switzerland
5	Polkadot [new]	145.2	Past	27.10.2017	12	Technology	Completely decentralized web	Germany
6	The DAO	142.5	Past	27.05.2016	28	Fintech	Venture capital	Switzerland
7	QASH [new]	106.4	Past	08.11.2017	2	Fintech	Accessible financial services	Singapore
8	Kin Kik [Corporate]	97.5	Past	26.09.2017	14	Social Media	Ecosystem for digital services	Canada
9	Comsa [new]	95.4	Past	06.11.2017	35	Fintech	One-stop ICO platform	Japan
10	Status	95.0	Past	20.06.2017	<1	Technology	Messaging platform	Switzerland

2.1 Finma – Guidance (1/3)

- ☐ The ICO-Guidelines cover inter alia the following topics
 - ☐ how to seek no-action comfort from FINMA in connection with a Swiss ICO
 - ☐ 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



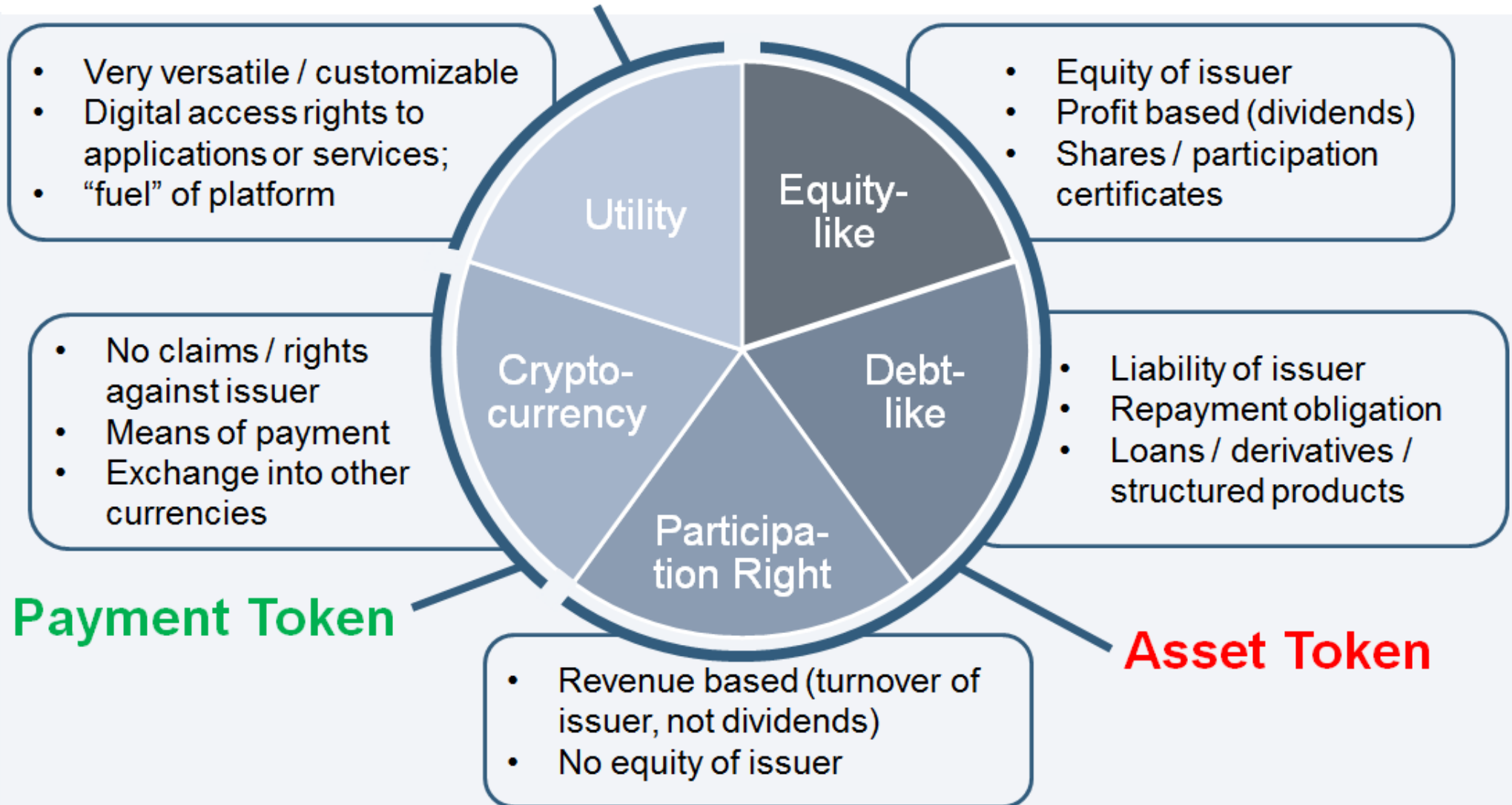
2. Finma – Guidance (2/3)

- ☐ 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. Token Classification (3/3)

Utility Token



2.2. Asset Tokens In General (1/4)

☐ **Corporate / Commercial law:**

- ☐ **Securities, i.e. prospectus requirements**, if the tokens are standardised and suitable for mass standardised trading

☐ **Pre-financing:**

- ☐ Investors will receive tokens in the future against payment now and the tokens or the underlying blockchain remain to be developed
- ☐ Claim to acquire tokens in the future qualifies as **security** if standardised and suitable for mass standardised trading

☐ **Pre-sale:**

- ☐ Investors receive tokens which entitle them to acquire other different tokens at a later date
- ☐ Claim to acquire tokens in the future qualifies as **security** if standardised and suitable for mass standardised trading

☐ **Additionally for equity tokens:**

- ☐ Mandatory capital increase/decrease proceedings

2.2 Asset Tokens: **Equity-like** Tokens (2/4)

☐ Financial markets regulations:

AML

- Generally **not applicable**
- KYC recommended

Banking

- Generally **not applicable**

Financial Market Infrastructure

- Token usually qualifies as **security** (operating an exchange)

Collective Investment Scheme

- Economic view: pooling of funds
- Sole purpose of issuer: investment of funds in other projects

2.2 Asset Tokens: Debt-like Tokens (3/4)

☐ Financial markets regulations:

AML

- Generally **not applicable** (if issuer is on the borrower side)
- Generally **yes** (if issuer is on the lender side)
- KYC recommended

Banking

- If **repayment obligation**
- Exemption: **indirect prospectus requirement** (notes and other (uncertificated) rights suitable for mass standardized trading)

Financial Market Infrastructure

- Tokens often qualify as **security** (operating an exchange)

Collective Investment Scheme

- Pooling of funds and sole purpose of issuer to invest funds in other projects
- **Structured product**: simplified prospectus and issuing bank/securities dealer required if distributed to retail investors

2.2 Asset Tokens: **Participation Right** Tokens (4/4)

☐ Financial markets regulations:

AML	• Generally not applicable • KYC recommended
Banking	• Generally not applicable
Financial Market Infrastructure	• Token usually qualifies as security (operating an exchange)
Collective Investment Scheme	• Economic view: pooling of funds • Sole purpose of issuer: investment of funds in other projects

2.3 Payment Tokens (Cryptocurrencies)

☐ Corporate / Commercial law:

- ☐ Qualification as asset with no specific consequences

☐ Financial markets regulations:

AML	• Generally yes (issuance of means of payment / money exchange / money transmitting / remitting) • Membership in SRO / direct supervision by FINMA required
Banking	• Generally not applicable (provided that private keys of payment tokens are never being hold by the issuer for third persons)
Financial Market Infrastructure	• Generally not applicable (exception: operating an exchange for cryptocurrencies)
Collective Investment Scheme	• Generally not applicable

2.4 Utility Tokens (1/2)

☐ **Corporate / Commercial law:**

- ☐ **No security, i.e. no prospectus obligation**, if only digital access right to application or services and if platform is already fully functioning at the point of issue
- ☐ **Security, i.e. prospectus requirements** if
 - ☐ Additionally or only investment purpose at point of issue
 - ☐ Token is not (fully) functional at the point of issue

2.4 Utility Tokens (2/2)

☐ Financial markets regulations:

AML

- Generally **not applicable**
- KYC recommended

Banking

- Generally **not applicable**

Financial Market Infrastructure

- Depending on the specific features of the utility token, it **may qualify as security** (☐ operating an exchange)

Collective Investment Scheme

- Generally **not applicable**, but depends on the specific features of the utility token

3. Recent challenges – bank account (1/2)



3. Bank account (2/2)

...The good news is that the Taskforce Blockchain is working on it



4. Outlook

- ❑ Best-in-class ICOs are setting up **new standards**; teams behind those have a long-term business building mindset & work together with top tier partners, advisers & service providers.
 - ❑ Key areas like **governance** will gather more attention
 - ❑ **KYC** and **AML** are important focus areas
 - ❑ **Cybersecurity** will continue to remain high on priority list
- ❑ Further **regulatory clarity**, the media buzz around Bitcoin and the entry of more traditional players in the crypto space should encourage more **institutional investors**.
- ❑ We expect to see more tax issues. Do not forget your **tax ruling**.
- ❑ Open issues regarding **data protection law**.



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