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Bitcoin Association
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Crypto Valley

TWELVE POINTS FOR STRENGTHENING INNOVATION OF THE SWISS FINANCIAL CENTRE

This paper presents the signatory organisations' common understanding of the current state of Switzerland as a financial technology location, its strengths and its weaknesses. It derives action points and recommendations for Parliament, the authorities (Federal Council, SIF, FINMA) as well as the industry and its associations.

INTRODUCTION

The financial industry is in the midst of an epochal innovation surge. It is based on disruptive technologies, in particular distributed ledger technology (DLT), artificial intelligence (AI), cloud computing and quantum computing. The use of these technologies promises massive efficiency gains, enables new products and services and will shape the future of the financial industry and its infrastructure.

As one of the world's most innovative countries, Switzerland is ideally placed to actively shape and benefit from this development. It is an important location for AI and technology companies, fintechs and DLT applications. Well-developed legal and regulatory frameworks and an innovation-friendly attitude on the part of the authorities have contributed significantly to this leadership. For example, the Swiss Financial Market Supervisory Authority (FINMA) clarified the applicability of supervisory law to innovative business models earlier than any other regulator and granted licences for crypto-specific business models. In 2017, the Federal Council also launched a programme to promote innovation, which moderately expanded the scope for business models that do not require a licence and introduced the fintech licence (Art. 1b Banking Act). Finally, in 2020, Parliament passed by unanimous vote the DLT Act, which removed obstacles to blockchain applications and created a licence for DLT trading systems. All these measures played a key role in establishing Switzerland as a leading location for innovative technologies, particularly in the financial sector.

Today, the effect of these measures has largely fizzled out and Switzerland risks being left behind. Unlike in 2018/19, FINMA is now taking a decidedly innovation-critical stance that primarily emphasises risks. Added to this are lengthy authorisation procedures, e.g. for DLT trading systems or fintechs. The innovation objective previously included in FINMA's strategy has been dropped when the Federal Council approved the latest four-year strategy last year, a completely wrong signal. Other regulatory projects such as the adoption of the Basel Crypto Standard or the Crypto Asset Reporting Standard (CARF) are also likely to weaken Switzerland's position as a fintech and blockchain centre in the long term. As a result, Switzerland has recently dropped significantly in international rankings of blockchain jurisdictions. A survey conducted by the Swiss Financial Innovation Desk (FIND) in spring 2025 also shows that for these reasons numerous companies have refrained from locating in Switzerland or are even considering moving away.

At the same time, other countries are catching up at a rapid pace. This has long been the case for countries in Asia and the Middle East such as Hong Kong, Singapore and the United Arab Emirates, which are constantly improving the framework conditions for DLT-based business models. In the European Union the Markets in Crypto Assets Regulation (MiCA) has become effective at the end of 2024, which creates a single internal market for crypto assets and crypto-asset services with 450 million inhabitants, but is hermetically sealed off from third countries such as Switzerland. The Trump administration's radical change in policy, which aims to turn the USA into a crypto nation, is a real beacon.

Despite everything, Switzerland still has many strong points.

Switzerland not only has a number of highly specialised crypto banks and other service providers. More than 40 traditional banks are currently involved in the crypto business or DLT projects in one way or another, more than in any other jurisdiction. With the introduction of register securities by the DLT Act and technical standards such as those of the CMTA, a unique framework for the tokenisation of all types of financial and non-financial assets has been established. Although the Confederation's trust infrastructure in connection with the eID comes comparatively late, it offers great development potential and is also of utmost importance for the financial sector. There is also a critical mass of talent, companies, associations and service providers that are making fundamental contributions to the further development of the technology and its framework conditions. Finally, the close and trusting cooperation between politics, authorities and civil society is also one of Switzerland's strengths.

We do not question the need for financial market regulation and effective and credible financial market supervision.

Regulation can promote innovation if it creates legal and planning certainty. If regulation results in excessively high barriers to entry, if it is overly complex or if authorisation procedures take too long, it has an inhibiting effect on innovation. Excessive regulation can stifle innovation. Innovation is necessarily associated with risks (creative destruction). Failure is permitted in a social market economy and is a necessary part of any innovation processes. Therefore, only unacceptable risks (especially for financial stability, the integrity of the financial system and the protection of customers) should be avoided, while other risks are acceptable in principle. For these reasons, the proven principles of technological neutrality, economic freedom and proportionality are fundamental to the regulation of innovative financial technologies and applications.

The signatory associations and individuals are committed to ensuring that Switzerland can build on these strengths and realise its potential as a globally recognised and competitive location for business models based on innovative technologies.

This paper formulates a twelve-point programme with concrete measures to improve the framework conditions and remove obstacles. These are aimed at politicians (Parliament, Federal Council), the authorities and FINMA, as well as the industry, its associations and other stakeholders. The problem analysis and the fields of action are largely in line with the results of the FIND survey.

FIELDS OF ACTION AND RECOMMENDATIONS

The following fields of action and recommendations address what we consider to be the most important problems and formulate recommendations on how to solve them. The examples are provided for illustrative purposes.

1 Strengthen innovation-friendly framework conditions (Federal Council, FINMA). Strengthening the innovative power of the Swiss financial centre is of paramount importance. The Federal Council's Digital Finance Report has provided an excellent outline for achieving this goal; now words must be followed by action. The intention formulated in the report to strengthen leadership in DLT and other relevant digital finance topics and thus drive forward the digitalisation of the economy is extremely topical. The decision not to promote innovation as a strategic objective of FINMA is therefore a negative signal and is not compatible with either the intentions formulated in the Digital Finance Report or FINMA's legal mandate (Art. 4 FINMASA: „It thereby contributes to strengthening the reputation, competitiveness and future viability of the Swiss financial centre“). The Federal Council should correct this mistake without delay. In doing so, it should oblige FINMA to formulate concrete strategic implementation initiatives with measurable objectives and to provide regular progress reports. Furthermore, structures that promote innovation (such as the FIND) should be strengthened and supported

Example: This paper presents the signatory organisations' common understanding of the current state of Switzerland as a financial technology location, its strengths and its weaknesses. It derives action points and recommendations for Parliament, the authorities (Federal Council, SIF, FINMA) as well as the industry and its associations.

2 Technology-neutral and proportionate regulation for crypto service providers, fintechs and stablecoins (SIF, Federal Council). We welcome the ongoing work of the State Secretariat for International Finance (SIF) on a regulatory framework for crypto service providers, fintechs and stablecoins and appreciate the open and constructive dialogue. As with all regulatory projects, the need for regulation must be demonstrated using empirical methods; this also applies to the technological neutrality and proportionality of such regulation. Prudential requirements must be differentiated according to the type of service and the associated risks. The decisive factor in assessing a proposal will be whether it contributes to maintaining and strengthening Switzerland's competitiveness as a business location or further weakens it.

Example: In autumn 2024, SIF sent a standardisation concept for the regulation of crypto and payment service providers to an informal hearing with experts, in which various representatives of the signatory associations also took part. In a second round, the State Secretariat has analysed the results of the informal consultation in greater depth and clarified them. This approach is to be welcomed, even if the formation of an official group of experts (as with the DLT legislation) would have been more transparent and significantly more effective.

3 Binding deadlines for FINMA authorisation procedures (Parliament; FINMA). FINMA's licensing processes currently take far too long, in some cases several years, without the status and duration of the process being made transparent. This is a serious competitive disadvantage compared to foreign jurisdictions, which provide clarity on the authorisation requirements and binding deadlines for the granting of licenses or the processing of applications. In Switzerland, too, licensing processes can easily be streamlined if FINMA communicates its requirements clearly and bindingly from the outset, identifies gaps and unresolved issues promptly and processes applications swiftly. Following the example of MiCA, we therefore call for statutory requirements for authorisation procedures so that these can generally be completed within six months of a complete authorisation application being submitted (see Art. 63 MiCA). Furthermore, the principle that a licence must be granted if all statutory requirements are met must be enforced.

Examples: The legal basis for DLT trading systems (Art. 73a ff. FMIA) entered into force on 1 August 2021. The first licence was only granted in March 2025. Applications for fintech licences (Art. 1b Banking Act) have also been stuck for well over a year in some cases.

4 The digital economy needs digital money (Federal Council, Parliament, industry, National Bank). The efficiency gains and scaling effects made possible by innovative technologies can only be realised if transactions can be processed on-chain with digital money. We therefore support all initiatives for the digitalisation of payment methods and consider it essential to supplement the payment infrastructure with stable Swiss franc stablecoins. It is of paramount importance to remove the regulatory obstacles that currently make the issuance of stablecoins in Switzerland so onerous. The SIF's ongoing legislative work on an internationally competitive legal framework for stablecoins is therefore a top priority. We also welcome the Swiss banks' work on the tokenisation of bank deposits (Deposit Token PoC) and the SNB's work on a digital central bank currency for the settlement of transactions between financial institutions (wholesale CBDC). Stablecoins, tokenised bank deposits and wholesale CBDC complement each other to form an overall concept that will also strengthen Switzerland's monetary sovereignty

Example: Under current law, the issue of a stablecoin that is linked to the anchor value through repayment obligations generally requires a bank licence or a guarantee from a bank. It is not possible to recoup the substantial costs associated with a bank authorisation with a pure stablecoin model. According to FINMA's plans, the bank guarantee as an exception to the concept of deposits is to be restricted. In addition, FINMA's money laundering requirements go far beyond those of comparable legal systems and are neither required by international standards nor covered by the applicable Swiss legal basis. These framework conditions are not internationally competitive.

5 Use technology for compliance (SIF, FINMA, associations, industry). Protecting the financial system against abuse through money laundering, terrorist financing and the circumvention of sanctions is of paramount importance, especially for the Swiss financial centre. Compliance is associated with high costs for the industry and its customers, too often without effectively preventing abuse. The systematic use of innovative technologies can make a significant contribution to improving compliance processes and making them more efficient, thereby reducing the burden on clients and financial intermediaries. We are committed to ensuring that the authorities create the necessary legal conditions for this. Industry and associations support these efforts by developing best practice recommendations and through collaborations and research projects.

Example: Blockchain technology not only enables transactions to be tracked but can also prevent transfers from or to addresses that are sanctioned or pose excessively high money laundering risks. Innovative cryptoanalysis tools also allow timely risk assessment.

6 Maintaining and strengthening self-regulation (Parliament, Federal Council). Regulation and supervision by self-regulatory organisations (SROs) is more agile and closer to market participants than direct supervision by FINMA. It should therefore be supported politically. The SROs' room for manoeuvre must be protected and strengthened in the process; a levelling down by binding requirements imposed by FINMA undermines the essence of self-regulation. The project for a crypto SRO, which has specialised knowledge and could systematically harness innovative technologies, should be pursued with high priority.

Example: FINMA, as the supervisory authority for SROs in the area of money laundering, has been issuing more and more guidelines on the necessary content of the regulations for years. The supervisory organisations (SOs), which are responsible for the supervision of asset managers and trustees (Art. 17 FinIA), also have hardly any effective scope for decision-making. The potential of self-regulation for regulation that is closer to the market and more agile is therefore not being utilised. There is also scope to authorise more activities under SRO supervision (cf. proposal 24.480).

7 Transparent supervisory practice and safeguarding of participation rights (FINMA, Associations). Transparency in FINMA's supervisory activities can make a significant contribution to legally compliant and predictable framework conditions; FINMA's ICO guidelines are a prime example. We therefore welcome FINMA's intention to further strengthen transparency, e.g. in the context of semi-annual fintech roundtables. We also call for the industry and associations to be able to effectively exercise their legally guaranteed consultation rights (Art. 7 FINMA). These must also be followed in particular if an existing practice is tightened by means of supervisory notifications. The associations can contribute to better transparency by means of structured monitoring and should examine the establishment of a joint clearing centre for developments relevant to supervisory practice (e.g. non-action letters from FINMA or other information on developments in FINMA's practice).

Example: With the stablecoin supervisory communication of July 2024, FINMA tightened the money laundering requirements for stablecoin issuers and demanded that not only the buyer and redeemer of a stablecoin be identified in accordance with the provisions of the Anti-Money Laundering Act, but also each intermediate holder. Until then, FINMA had only stated this interpretation in annual reports and only addressed banks that issued stablecoins. This is therefore a clear tightening of practice. Nevertheless, FINMA published the supervisory notice without prior consultation with the parties concerned.

8 Removal of technical barriers to investment in Switzerland (Federal Council, associations). The Swiss financial centre is traditionally very open to cross-border services and is rightly maintaining this openness in the face of increasing protectionist tendencies in the EU and other countries. However, investments by foreign financial service providers in Switzerland repeatedly faced technical obstacles. These include requirements for consolidated supervision, which are handled very restrictively by FINMA. The increasingly intrusive auditing of qualified participants, which goes beyond the legal requirements, also creates planning uncertainty and hinders investments. This weakens the international dimension of the Swiss financial centre. We are therefore in favour of making these obstacles transparent and removing them.

Example: Between 2020 and 2022, a significant number of foreign platforms (including global leaders) looked into onshoring in Switzerland. These efforts all came to nothing. There are various reasons for this, but FINMA's requirements for consolidated supervision (which crypto service providers are generally unable to fulfil) were a recurring theme

9 More precise regulation (Parliament, Federal Council, associations). One of Switzerland's strengths is its principle-based regulation. This leads to problems when open or imprecise formulations in laws or ordinances give FINMA excessive discretion. This is another reason why it is important for FINMA to have a clear innovation objective (point 1). If uncertainties arise regarding the correct application of open regulation, these must be discussed and resolved in a dialogue between the authorities, supervisors, industry and associations. Draft regulations must also be subject to quality control, which should systematically be checked against the relevant use cases in order to test whether it yields the intended results.

Example: The legal definition of central securities depository or payment system in the FMIA is so broad and vague that it applies to every bank and every fintech that maintains securities or cash accounts. This has repeatedly led to uncertainties about the potential applicability of the FMIA, resulting in long delays in the implementation of projects. Similar questions arise with regard to the regulations on trading venues.

10 International standards are important; however, their adoption must be based on Swiss interests and involve Parliament (Federal Council, Parliament). In principle, Switzerland has a great interest in a level playing field and in international standards. However, these are often characterised by the particular interests of large states and are not simply an expression of greater wisdom. Switzerland's involvement in international standards should therefore not be left exclusively to the specialised authorities, but should be closely monitored politically early on. Adoption of standards into Swiss law should be an open-ended, structured process. The benchmark for this examination is Swiss interests, which is why the examination must be carried out with the involvement of Parliament. A Swiss finish should generally be avoided.

Example: The Basel crypto standard, which imposes prohibitive capital requirements for the holding of crypto assets by banks, aims to erect a firewall between the banking system and the crypto industry. This purpose is not compatible with Switzerland's strategy, which has authorised crypto banks and where more than 40 traditional banks are providing crypto services. Moreover, the capital requirements of the Basel crypto standard have nothing to do with the actual risks.

11 The crypto and financial industries can also play their part in improving the framework conditions (associations, industry). The fact that the potential of new technologies is not being utilised faster and better is partly due to a lack of interest and a lack of technical and operational prerequisites on the part of the industry. Associations and industry should proactively identify and effectively address such weaknesses. A key prerequisite for realising the potential of innovative technologies is the development and implementation of suitable standards, particularly for recording financial instruments and crypto assets. Switzerland is a leader in this area and could utilise this potential to a greater extent. The associations should identify the most important problems and develop an action programme to address them.

Examples: The mass tokenisation of financial instruments is not only failing due to a lack of digital money (point 4), but also due to insufficient custody options. Start-ups, especially those with a crypto connection, still have considerable problems accessing basic banking services.

12 Strengthen financing for start-ups and SMEs (Federal Council, associations). The financing of start-ups, but also of companies in the growth phase, is difficult in Switzerland and in Europe in general. Although there is an active venture capital market, the percentage share of venture capital investments in gross domestic product (GDP) is significantly lower than that of leading countries such as Israel or the USA. Financing the growth phase is particularly difficult in Switzerland. Although there are government funding programmes (BRIDGE, Innosuisse), less than 1 percent of the companies funded by the Innosuisse innovation agency, for example, are in the fintech/financial innovation sector. The Federal Council should therefore commission Innosuisse with a special funding mandate (based on Art. 7 para. 3 RIPA). In addition, work should continue on removing the tax hurdles (withholding tax; issue and turnover tax as well as income tax treatment of business angels or in the case of conversions).