

Regulatory environment in Crypto Valley

Regulatory Framework – Switzerland and Liechtenstein continue to lead globally

Switzerland and Liechtenstein achieved pivotal milestones in regulations during the second half of 2019 which advance their leading position as blockchain and cryptofinance hubs. On October 3, 2019, the Parliament of Liechtenstein approved the Blockchain Act which created legal certainty for all token market economy participants. The Act has entered into force on January 1, 2020. On November 27, 2019, the Swiss Federal Council adopted the dispatch on the framework conditions for DLT/blockchain that aims to increase legal certainty, remove barriers to entry for DLT/blockchain businesses, and reduce the risk of abuse. Both jurisdictions have created regulatory environments that allow for blockchain and crypto projects to flourish, with both frameworks providing their own respective advantages.

Switzerland

Parliamentary discussion on the legislation start in early 2020. Once adopted, Switzerland will enjoy a comprehensive legal framework for DLT/blockchain businesses, achieved by adapting existing laws in a pragmatic, flexible, and principle-based way instead of introducing a technology specific law. This legal framework allows Switzerland to continue to evolve as a leading, innovative, and sustainable location for blockchain companies active in capital markets and

other applications. Rather than a single event, this is the culmination of a federal level strategy which has brought relevant government authorities and trade associations together to work towards the implementation of “crypto nation” Switzerland.

Swiss authorities began to remove barriers to entry for fintech back in 2016, introducing a sandbox regime on September 1, 2017. In 2018, the Swiss President called for Switzerland to become a “crypto nation”.

FINMA (the Swiss Financial Market Supervisory Authority) issued its ICO guidance in 2017, updating them in 2018, and then again in 2019 to include oversight on stablecoins. The Federal Parliament also introduced a fintech license on January 1, 2019, with the stated goal to enable innovation within fintech and cryptocurrencies. Switzerland issued prudential rules for crypto banks in October 2018, supporting the first crypto banks and securities dealer projects.

The Swiss Federal Government, FINMA, cantonal governments, tax authorities, self-regulatory organizations and industry associations such as the Swiss Blockchain Federation, together with leading law firms and private companies, continue to enable the most advanced regulatory framework for digital financial assets and cryptocurrencies in the world.

Liechtenstein

Liechtenstein has taken a different approach towards regulating the token economy. The Blockchain Act provides entrepreneurs and consumers alike with a token-specific regulatory foundation.

Having started the working group for the Blockchain Act in 2016, Liechtenstein has created legislation focused on equipping innovators with legal certainty and providing a basis for allowing the general public to

trust in these new technologies. Ultimately, the piece of legislation allows token-based projects to flourish in Liechtenstein.

Focused not only on bridging the gap between technology and the law, the offline and online worlds, the Liechtenstein regulatory approach puts forth minimal regulation, avoiding the need for new requirements where technology already does the job. The Blockchain Act tackles digitalization of the financial center and achieves integration into the legal framework of both Liechtenstein and the European Union. This proactive approach recognizes that the object of these decentralized systems is to omit unneeded intermediaries, but at the same time, recognizes that certain intermediaries are necessary to ease the transition from traditionally centralized and regulated intermediaries, to a peer-to-peer technological world.

With its history as a financial center and membership in the European Economic Area, Liechtenstein serves as a doorway to the European Single Market. These advantages, combined with a new comprehensive legislative framework geared towards token-based projects, provide an excellent basis for the future development of this sector in Liechtenstein.