

Swiss Government Says Existing Finance Laws Can Apply to Crypto

The Swiss government believes its existing finance laws, with some modification, are suited for regulating crypto assets, according to a [report](#) issued by the country's Federal Council.

In addition to showcasing the Swiss government's positions on cryptocurrency regulation, the report also offered some interesting perspectives on issues like blockchain security and privacy.

Major Finding: Switzerland Is Truly Crypto-Friendly

The report's purpose was to provide guidance to Switzerland Bundesrat, or the Federal Council, on which legal actions the country should take to integrate crypto assets into mainstream finance legal frameworks. The Federal Council is a seven-member body that serves as the executive branch of the Swiss national government.

The government commissioned the report in the interest of helping Switzerland to “establish and develop itself as a leading, innovative and sustainable location for fintech and blockchain companies,” according to the document (which was published in German but is available in HTML format [here](#), in case you want to translate it using an online service).

Given the government's interest in promoting Switzerland as a haven for blockchain companies, it is perhaps unsurprising that the report came to the conclusion that “the Swiss legal framework is already compatible with DLT [distributed ledger technology] and Blockchain-based business models” and that the country need “not fundamentally question its well-established and balanced legal framework” in order to accommodate

crypto assets.

Proposed Legal Changes to Support Crypto

The report does, however, make a few notable recommendations for changes of limited scope to Switzerland's existing legal framework in the interests of accommodating crypto assets.

Among them is a change that would make it easier to manage securities trades that are made by a decentralized party. While the report doesn't go into much detail on this point, it appears that regulators are concerned with handling situations in which the identity of the party responsible for a crypto asset cannot be traced to a single person or group. The report doesn't explain how the laws should be updated to address this scenario; it only recommends that they be changed.

A second question that the report raises is how to manage crypto assets during bankruptcy proceedings. It seems that the issue here has to do, in part, with whether crypto assets held by a debtor could be effectively recovered or appropriated as part of a bankruptcy settlement. The report recommends drawing a legal distinction between crypto assets and other assets during bankruptcy proceedings.

The report points to several other areas of the law that it said do not currently need to be adjusted to accommodate crypto assets or businesses, but that the government should watch in case changes become necessary in the future. Examples include how the law defines what constitutes a bank, as well as its definition of financial derivatives.

The report's core findings — that Swiss law is mostly fit in its current form to accommodate the crypto industry and that only minor changes to the law are necessary — are not exactly surprising.

Switzerland has long been a crypto-friendly country. The Swiss Parliament

began studying how it might work with bitcoin as early as 2013, before many governments were taking cryptocurrency seriously, and a [2014 government report](#) expressed optimism about crypto and suggested little need to regulate the industry heavily. The Swiss national rail network also [accepts payment in bitcoin](#).

Other Insights

But what is also notable about the report is what it reveals about government attitudes toward particular debates within the blockchain community. For example, the report emphasizes that Bitcoin is not as anonymous as it may at first seem, since transactions can be traced and possibly associated with real-world identities. It also calls Bitcoin a blockchain with a “very narrow” scope and suggests that Ethereum is more useful because it can be adapted to support a much wider range of applications.

You might conclude, then, that the Swiss government is positioned to look more favorably on Ethereum and other alternatives to Bitcoin, and that it doesn't buy into the notion that bitcoin transactions are fully private and anonymous.

It remains far too early at this point to say how the report might translate into government action. It's also unclear to what extent, if any, the report might impact how other governments approach crypto regulation.

If the history of the famously secretive Swiss banking industry as a whole is any sign, Swiss financial policies regarding crypto are unlikely to be closely emulated in other countries, which for the most part have instituted financial laws that afford much less secrecy to institutions and their customers than those of Switzerland.

Still, if nothing else, the conclusions suggest that Switzerland is close to a full embrace of the crypto industry — a move that could inspire more

crypto companies to move their operations to the country, which would be one of the first to integrate crypto assets and businesses completely into its financial legal framework.