

Crypto-assets and digital assets

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Crypto-assets and digital assets present the anti-money laundering regime with a new kind of challenge. Transfers can take place across borders within minutes, without a bank in between, between parties who may be identified only by addresses on a blockchain. At the same time, the transparency of public blockchains allows transactions to be traced in a way that cash never permitted. Switzerland, which has attracted many crypto businesses to the canton of Zug and elsewhere, has applied its existing regime to these businesses from an early stage.¹

Under the Swiss approach, providers that exchange crypto-assets for money or other crypto-assets, transfer them on behalf of clients or hold them in custody generally qualify as financial intermediaries. They must either join a self-regulatory organisation or be supervised directly by FINMA. In 2019, FINMA issued guidance on payments on the blockchain, which applied the so-called travel rule to crypto transfers. Swiss institutions may send crypto-assets to external wallets or receive them from such wallets only if they can establish who controls the wallet. This application of the rule, which allowed no general exemption for small amounts, was stricter than the international standard at the time.²

FINMA also lowered the threshold above which crypto exchange transactions require the identification of the client, in order to reduce the risk that transactions are split into small amounts. The Federal Act on the Adaptation of Federal Law to Developments in Distributed Ledger Technology, in force since 2021, created a legal basis for tokenised securities and a new category of trading facility for digital assets. It did not create a separate anti-money laundering regime for these assets. The general rules of the Anti-Money Laundering Act continue to apply, as interpreted by FINMA and the self-regulatory organisations.³

Basel contributes to this field in its own way. The Basel Committee on Banking Supervision adopted a prudential standard for the exposures of

banks to crypto-assets. The Innovation Hub of the Bank for International Settlements has explored how data analysis and privacy-enhancing technologies could improve the detection of money laundering across institutions and borders. For clients who hold crypto-assets and digital assets and wish to bring them into a traditional bank, the practical challenge is often the documentation of their origin. The bank will ask how the assets were acquired, through which exchanges they passed and whether they can be linked to addresses associated with illicit activity. Clients who cannot answer these questions will often find that the bank declines the relationship.⁴

1 Notes

1. On the application of the AMLA to service providers in the field of crypto-assets and digital assets and the concentration of such businesses in the canton of Zug ("Crypto Valley"), see the FINMA guidelines on initial coin offerings of 16 February 2018 and the related publications of FINMA. To be verified. ↩
2. On FINMA Guidance 02/2019 "Payments on the blockchain" of 26 August 2019, the application of the travel rule (Art. 10 AMLO-FINMA) to transfers of crypto-assets and the treatment of external wallets, see the publications of FINMA. To be verified. ↩
3. On the reduction of the threshold for the identification of clients in crypto exchange transactions in the revised AMLO-FINMA (CHF 1,000) and the Federal Act of 25 September 2020 on the Adaptation of Federal Law to Developments in Distributed Ledger Technology (DLT Act), in force in two stages in 2021, see the relevant sources. Threshold and dates to be verified. ↩
4. On the prudential treatment of banks' crypto-asset exposures adopted by the Basel Committee on Banking Supervision in December 2022, and the work of the BIS Innovation Hub on anti-money laundering analytics (including Project Aurora, 2023), see the publications of the BIS. To be verified. ↩

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