

Crypto Valley Zug: blockchain businesses and their legal framework

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Zug is closely associated with blockchain and digital assets, and the term "Crypto Valley" has become a recognised label. Behind the label lies a federal regulatory framework that applies throughout Switzerland. Anyone launching a blockchain project in Zug should understand this framework before making commitments to investors or users.

1 How Crypto Valley developed

From the mid-2010s, a number of blockchain projects and foundations chose Zug as their seat. The canton and the city signalled openness towards the new technology, and a community of developers, entrepreneurs, lawyers and auditors formed around them. Today, blockchain businesses are spread across several Swiss cantons, and "Crypto Valley" is often used for this wider Swiss ecosystem.

2 FINMA's guidance on initial coin offerings

In February 2018, the Swiss Financial Market Supervisory Authority FINMA published guidelines on how it treats enquiries concerning initial coin offerings. FINMA distinguishes between payment tokens, utility tokens and asset tokens and assesses each token according to its economic function. Depending on the classification, securities law, anti-money laundering rules or banking law may apply. Hybrid tokens are assessed according to all relevant functions. FINMA has since supplemented its practice, for example regarding stablecoins, and projects should always consider the current position.

3 The DLT legislation

Switzerland adapted several federal laws to developments in distributed ledger technology. The changes entered into force in 2021. They introduced ledger-based securities that can be transferred on a blockchain, clarified the treatment of crypto-based assets in bankruptcy and created a new licence category for DLT trading facilities. This legislation is federal and applies regardless of the canton in which a company is located.

4 Foundations in token projects

Many early token projects used a Swiss foundation as the issuing or governing entity. A foundation has no owners and is bound to its purpose as defined in the deed of foundation. Swiss foundations are subject to state supervision, which for foundations with an international purpose is usually exercised at federal level. Supervision covers whether the foundation's assets are used in accordance with its purpose. A foundation is therefore not a flexible commercial vehicle, and its suitability should be examined carefully against alternatives such as a company limited by shares.

5 Banking and compliance

Access to bank accounts remains a practical challenge for blockchain businesses. Banks expect convincing anti-money laundering processes, transparency regarding token holders and investors, and a clear regulatory analysis. Projects that have obtained a qualified legal assessment usually find the process easier.

6 What pays off in practice

- **Classify the token first.** The regulatory analysis determines licensing, documentation and marketing.
- **Choose the vehicle deliberately.** A foundation, a company and a combination of both have very different governance consequences.
- **Plan anti-money laundering compliance.** Affiliation with a self-regulatory organisation or a licence may be required.

7 How Ressos Legal helps

I advise blockchain and digital asset projects on Swiss structuring, regulatory classification and dealings with banks, drawing on experience with digital assets since 2017. [Contact me](#) for a first conversation.

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