

Practical questions for advisers

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The Geneva adviser faced with a client's request concerning crypto-assets and digital assets must answer four questions. The first is that of suitability: the Financial Services Act requires that recommendations correspond to the client's knowledge, experience, financial situation and objectives. The volatility of cryptocurrencies, whose prices have fallen by more than half on several occasions within a decade, calls for particular caution in the share allocated to them.¹ The second is that of understanding: the client must understand what he holds, a token, a unit in a fund invested in crypto-assets, a structured product or a tokenised asset, as well as the risks specific to each form, from the loss of a key to counterparty risk.

The third question is that of documentation: the recommendation, the information given to the client and his agreement must be recorded, in a language he understands, as Part J recalled for all documentation. The fourth is that of taxation and reporting: the adviser must inform the client of wealth taxation, of possible classification as a professional trader and of the forthcoming automatic exchange of information. He must also refuse to assist with any strategy of concealment. These four questions do not differ in principle from those the adviser asks himself for any investment, but they require new knowledge that the training institutes of the financial centre have begun to provide.

1 Notes

1. Financial Services Act (FinSA; SR 950.1), Art. 10 (“Duty to verify”), Art. 11 (“Appropriateness assessment”) and Art. 12 (“Suitability assessment”); Wikipedia (en), article “Cryptocurrency bubble”: “17 December 2017: Bitcoin’s price briefly reaches a new all-time high of \$19,783.06”, then “a low of around \$3,100 in December 2018”, cryptocurrencies having lost 80 per cent since their peak of January 2018; in 2022, collapse of TerraUSD and Luna in May (USD 45 billion in value wiped out in a week), suspension of withdrawals by Celsius on 12 June, bankruptcy of Three Arrows Capital on 2 July (USD 3.5 billion owed) and of FTX on 11 November. ↩

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