

The FlowBank case: digital banking without capital

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Digitalisation does not exempt a bank from the prudential rules, as the Geneva financial centre learned in 2024. FlowBank, a Geneva online bank specialising in trading for retail clients, had 22,000 accounts and 140 employees in Switzerland, the United Kingdom and the Bahamas. FINMA, which had been supervising it closely since the end of 2021 for serious breaches of the capital requirements, withdrew its licence on 8 March 2024 and then, finding in June that its financial situation was far worse than reported, opened bankruptcy proceedings. The bank's accounts had been found to be erroneous and incomplete in 2023, and high-risk decisions had been taken despite uncorrected shortcomings.¹ Deposits were covered by the deposit guarantee up to one hundred thousand francs. Securities were to be transferred to their holders in the following weeks.²

The case is instructive in several respects. It shows that a digital bank remains a bank, subject to the requirements of capital, governance and accounting, and that growth in the number of accounts is no substitute for a sound balance sheet. It shows that FINMA does intervene, with a delay that some considered long, but with definitive consequences. Finally, it shows that the Geneva financial centre, which has welcomed several digital banks and providers since 2015, is not immune to the failures experienced by more technological centres. The neobanks that remain in Geneva and in Switzerland have learned the lesson: trust, which this book has placed at the centre of the financial centre, applies to digital business as much as to everything else.

Caution. An online bank, a trading platform or a provider of services in crypto and digital assets is judged by its clients on its interface and by FINMA on its capital, its governance and its accounting. The latter always prevail. Wealthy clients and their advisers are well advised to verify the financial soundness and the effective supervision of a digital provider before depositing assets with it.

1 Notes

1. “Genève : FlowBank mise en faillite, les transactions gelées” (Geneva: FlowBank declared bankrupt, transactions frozen), 20 minutes, 13 June 2024: withdrawal of the licence on 8 March 2024, bankruptcy in June 2024, 22,000 accounts, 140 employees, enhanced supervision since the end of 2021, erroneous and incomplete accounts identified in 2023. ↩
2. 20 minutes, 13 June 2024, cited above. ↩

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