

The legal characterization of LVGA

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LVGA raises questions under financial market law that are treated systematically in Chapter I.II. Under FINMA's practice, tokens are classified according to their economic function as payment tokens, utility tokens or asset tokens, and hybrid forms are possible.¹ A loyalty token that can be earned only through purchases and spent only within a closed or limited circuit of merchants is closer to a voucher or a customer loyalty scheme than to a general means of payment. FINMA's anti-money laundering ordinance allows financial intermediaries to waive due diligence for cashless means of payment that can be used only within a particular network of service providers or suppliers, as long as turnover stays within CHF 5,000 per month and CHF 25,000 per calendar year, and the design of LVGA appears to have been chosen with such limits in mind.² If the token became freely transferable between users and exchangeable into francs or other currencies at a fixed rate, it would approach a stablecoin and could raise questions under the Banking Act and the Anti-Money Laundering Act that the present structure avoids.

The municipality's role as operator of the scheme adds a public-law dimension. A municipality that issues a token and promises a cashback acts in the field of economic promotion, which falls within municipal autonomy as long as it respects the principles of equal treatment of competitors and of legality in public expenditure. The cashback of up to 10 per cent is financed by the participating merchants, by promotional budgets or by partners. Where public money is used, it requires a basis in the approved budget. The scheme's terms of use, published in the app, govern the relationship with users and merchants. A practitioner who advises a merchant on participation should read them with the same care as the conditions of any payment service provider, in particular as regards the redemption of tokens, the duration of their validity and the consequences of a termination of the scheme.

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Common misconception. It is often said that bitcoin and USDT are "legal tender" in Lugano, and even official promotional material describes them as "de facto legal tender".³ Under Swiss law no municipality can create legal tender. Merchants and the city accept bitcoin and USDT voluntarily as a means of payment, and in almost every case the coins are converted into Swiss francs at once by a supervised intermediary. The only legal tender in Lugano, as everywhere in Switzerland, consists of the coins issued by the Confederation, the banknotes issued by the Swiss National Bank and sight deposits in francs at the National Bank.

1 Notes

1. FINMA, press release "FINMA publishes ICO guidelines", 16 February 2018, <https://www.finma.ch/en/news/2018/02/20180216-mm-ico-wegleitung/> (payment tokens, utility tokens and asset tokens); see Chapter I.II. ↩
2. FINMA Anti-Money Laundering Ordinance (AMLO-FINMA) of 3 June 2015, SR 955.033.0, Art. 11 para. 1 lit. c (financial intermediaries may waive due diligence for cashless means of payment that can be used only within a particular network of service providers or suppliers of goods, provided turnover does not exceed CHF 5,000 per month and CHF 25,000 per calendar year), <https://www.droit-bilingue.ch/de-fr/9/95/955.033.0-11-15.html>. The Anti-Money Laundering Ordinance of the Federal Council (AMLO, SR 955.01, Art. 2) contains no such exemption. ↩
3. "Lugano's Plan B", sponsored content, Tio.ch, 6 March 2026 (above).
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