

FINMA - Fintech Payment Services and Stablecoins

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FINMA's mandate and approach to new technologies

Protection of market participants

Protection of market functions

Strengthening the reputation,
competitiveness and
sustainability of the Swiss
financial market

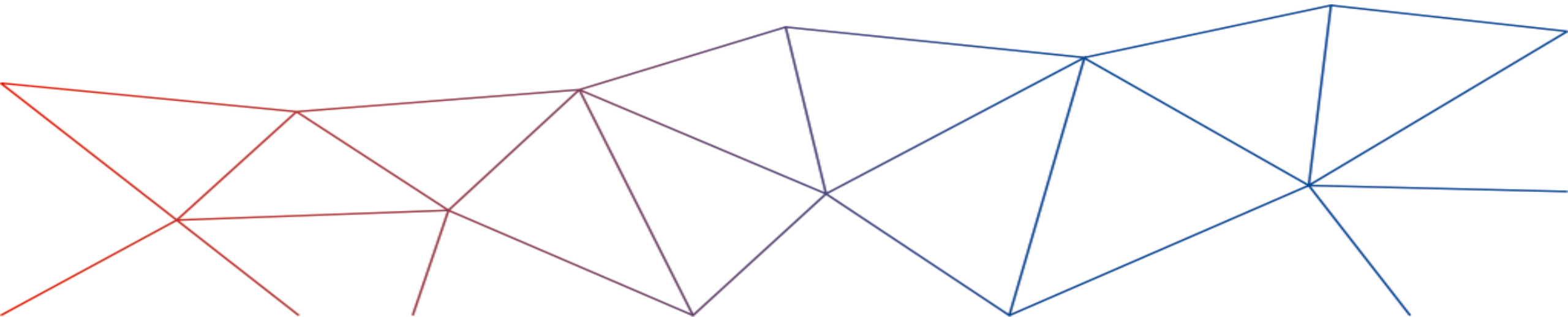
- Neutrality with regard to technology and competition
- Functional approach to assessing new business models (same risks, same rules)
- Elimination of unnecessary obstacles to innovation
- Legal certainty
- Zero tolerance for criminal behavior
- Adequate risk management (higher risks, stricter rules)

Licensing

Supervision

Enforcement

Fintech-License



Persons pursuant to Art. 1b BankA (so-called Fintech License)

Key points of the authorisation

Persons pursuant to Art. 1b BankA accept deposits from the public up to **CHF 100 million** on a professional basis. The deposits from the public are neither invested nor do they earn interest (**no maturity transformation**)

Various business models are conceivable

Crowdfunding

Payment services

Depository services

Issuance of stablecoins

Crowdfunding providers can often operate their business model without authorisation under the exceptions of the Banking Ordinance (settlement accounts)

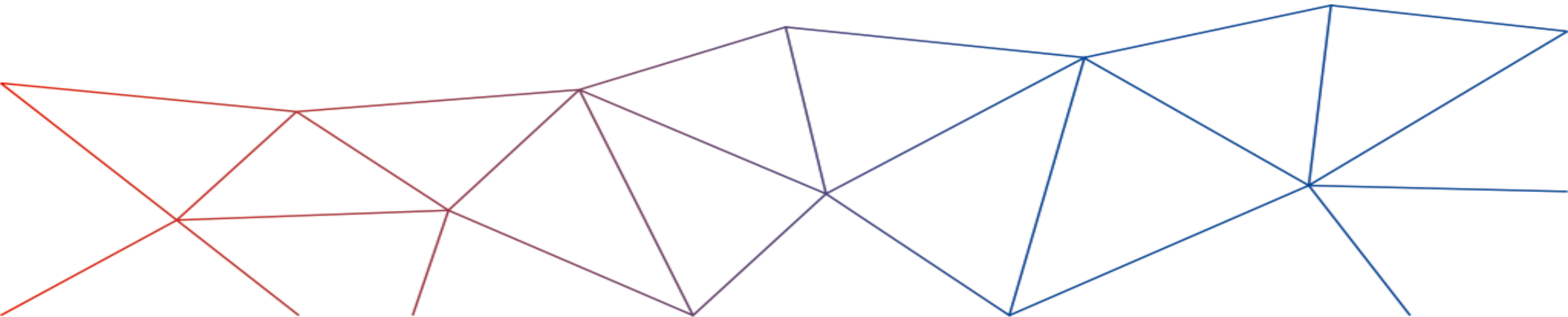
In practice, authorisation as a person under Art. 1b BankA is mainly of interest to *payment service providers*

Business Models

	B2C	B2B
Challenges	<ul style="list-style-type: none"> • Direct targeting of end-customers (retail) is challenging and costly • Customers seem to conceive payment services as a commodity and expect (almost) free services • Relatively small market, limited access to other markets 	<ul style="list-style-type: none"> • Find right partner (are business models really complementary?) • Adapt software and processes to requirements of partner
Solutions?	<ul style="list-style-type: none"> • Combination of payment services with additional services? • Cooperation with business partners who want to integrate payment services? (→ transition to B2B / B2B2C?) • Payment services prone to BigTech partnership? 	<p>Currently explored models:</p> <ul style="list-style-type: none"> • Integration of payment methods into accounting software • Services for acquirer in four-party-schemes: facilitate payment flows from acquirer to merchants

Payments by Stabelcoins

Regulatory requirements



Stablecoins – Initial Remarks

- In September 2019, FINMA published as an initial indicator its [guidelines](#) on how it would assess stablecoins under Swiss supervisory law
- Swiss financial markets regulation is principle-based and **technology-neutral**. FINMA's treatment of stablecoins under supervisory law focuses on the economic function and the purpose of a token (**'substance over form'**)
- Stablecoins can vary greatly. The requirements under supervisory law may differ depending on which assets (e.g. currencies, commodities, real estate or securities) the stablecoins is backed by and the legal rights of its holders. However, in general the **issuer of the stablecoins must be a prudentially supervised institution** (i.e. bank or asset manager of collective investment schemes)

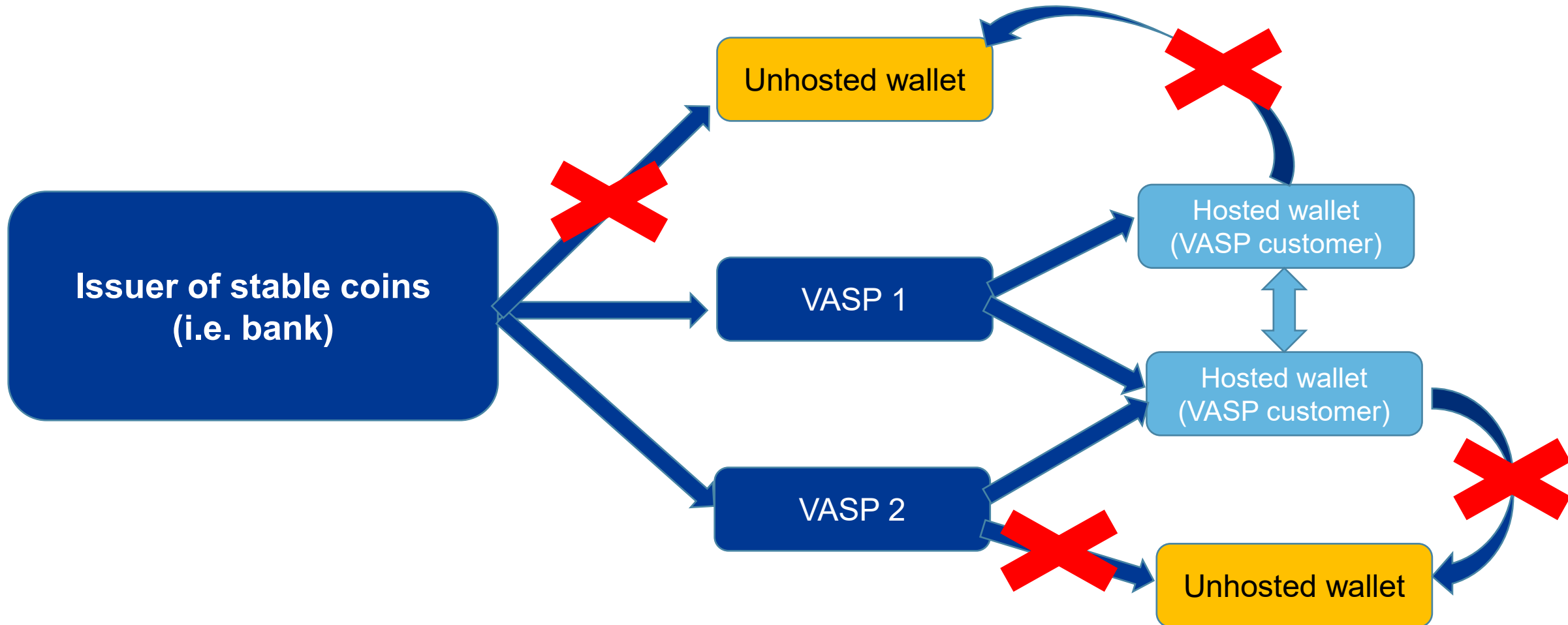
Issuers of stable coins: licensing requirements

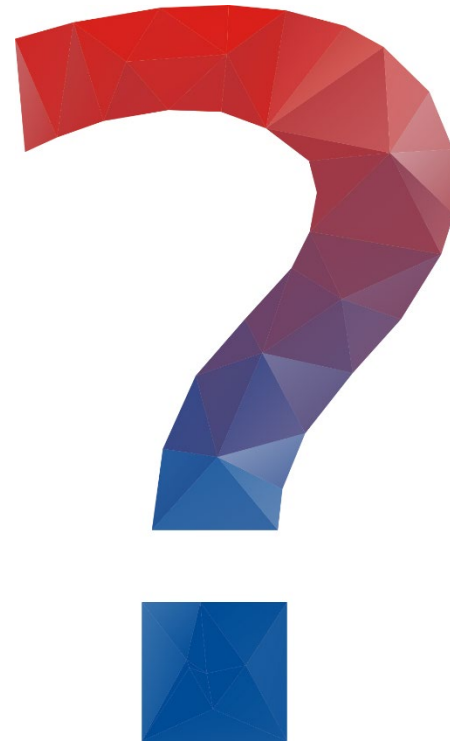
Categories	Indicative supervisory classification (in addition to anti-money laundering legislation ²)
1. Linked to <i>fiat currency / cryptocurrency</i> with fixed redemption claim	Deposit under banking law ^{3/4}
2. Linked to <i>basket of fiat currencies / cryptocurrencies</i> with redemption claim dependent on price development	Management of the currency basket and risk-bearing: <ul style="list-style-type: none"> – for the account of the issuer: deposit under banking law^{3/4} – for the account of the token holder: collective investment scheme
3. Linked to <i>commodity</i> (incl. "bank precious metals") with contractual claim	Bank precious metals: deposit under banking law ^{3/4} Commodity: security and possibly derivative ⁵
4. Linked to <i>basket of commodities</i> (incl. "bank precious metals") with redemption claim dependant on price development	Collective investment scheme
5. Linked to <i>commodities</i> (incl. "bank precious metals") with ownership rights	No prudential licensing requirement
6. Linked to <i>real estate</i> with redemption claim dependent on price development	Collective investment scheme
7. Linked to <i>specific security</i> with contractual claim	Security and possibly derivative ⁵
8. Linked to <i>basket of securities</i> with redemption claim dependent on price development	Collective investment scheme

Anti-Money Laundering: Requirements for issuers of stable coins (I)

- The use of stable coins leads to **risks** in the areas of money laundering and terrorist financing. This can create reputational damage for both the institution concerned and the entire Swiss financial market
- In order to address these risks, contractual and/or technological **transfer restrictions** are required for the issue of stable coins by supervised institutions
- All persons disposing of stable coins must be **sufficiently identified** by the issuing institution or by adequately supervised distribution partners (Virtual Asset Service Provider, VASP) in order to comply with the due diligence obligations under the Anti-Money Laundering Act for all transactions with stable coins

Anti-Money Laundering: Requirements for issuers of stable coins (II)





THANK YOU!