

Opening corporate accounts for blockchain companies - Swiss Bankers Association publishes guidelines for its members

Basel, September 21, 2018 – The number of blockchain companies in Switzerland has risen sharply. The SBA welcomes this trend and takes a positive view of the high market momentum, as it boosts Switzerland's attractiveness as a financial centre. Banks see blockchain technology as an opportunity opening up an array of possibilities for the country as a financial and technology location. Within the context of its priorities, the SBA promotes and supports an innovation-friendly environment in the digitalisation arena. This also includes promoting conditions that support the sustainable growth of companies involved in blockchain technology.

With the growth of blockchain companies, their demand for corporate accounts with banks in Switzerland has also risen. Opening an account poses various challenges for banks, because the new blockchain technologies can also be associated with risks, especially in relation to money laundering. Switzerland has strict laws and due diligence requirements in place governing financial transactions. Banks must therefore carry out careful checks when opening an account.

The SBA had recognised the challenges of opening accounts for blockchain companies at an early stage and communicated its members' interests and unresolved questions to various authorities. In addition, the SBA set up an internal working group involving member banks and also Crypto Valley Association (CVA), to work in detail on requirements and conditions that might apply when opening accounts for companies with links to blockchain and ICOs. The guidelines published today are the fruits of this work.

Guidelines differentiate according to form of corporate financing

The published guidelines are intended to help banks take a differentiated approach to account opening, depending on the nature of the connections that the company has with blockchain technology. Companies are categorised in the guidelines based on these connections as they relate to token issuance (ICOs) and the nature of corporate financing. The most comprehensive requirements apply to the documentation for companies that finance an ICO via cryptocurrencies.

- **Blockchain companies without an ICO:** Companies whose business model has links to blockchain technology but that do not use this for corporate financing should not be treated any differently to other SME customers wanting to open an account. The usual, strict legal regulations that govern account opening apply. Companies have a duty to cooperate in the opening of banking relationships. They need to be able to demonstrate that they are aware of and adhere to all regulations applicable to their business models. This includes being able to show a meaningful business plan and adequate processes and resources.

- **Blockchain companies with ICOs:** Companies that raise capital for corporate purposes by issuing tokens using blockchain technology can do so in the form of fiat or cryptocurrencies. For companies whose ICOs are funded by cryptocurrencies, higher and additional requirements should be imposed, whether or not they are subject to the Anti-Money Laundering Act. The guidelines recommend that the ICO organiser should apply the relevant Swiss standards on the origin of funds (KYC) and money laundering (AML) when accepting cryptocurrencies under an ICO. It is also proposed that the acceptance of cryptocurrencies under ICOs should be treated as a minimum in the same way as a cash transaction.

Guidelines for practical implementation

The guidelines adopt the terminology and classification of tokens in accordance with FINMA's ICO Guidelines of 16 February 2018 and build on the Agreement on the Swiss banks' code of conduct with regard to the exercise of due diligence (CDB), with additional blockchain-specific principles.

The guidelines do not define binding minimum standards. Institution-specific instructions issued by SBA members will take precedence. Each bank is responsible for its own business activities.

By producing these guidelines, the SBA is promoting the optimum operating environment to support a diverse fintech ecosystem. Corporate bank accounts are an important infrastructure service, and banks have an interest in doing business in this fast-growing area. At the same time, it should be stressed that the applicable due diligence obligations are binding, and there is no automatic right to open an account. The integrity and reputation of the Swiss financial centre must remain the top priority for all market participants.

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