

Switzerland at epicentre of cryptocurrency revolution

ZURICH, Switzerland - Switzerland has become a global hub for cryptocurrencies and the blockchain technology they are built on, with investors flocking to the wealthy Alpine nation to get in on the virtual action.



Zug, Switzerland

The country's largest city, Zurich, set up its first bitcoin ATM four years ago, while the Swiss national rail company has since 2016 provided the possibility of purchasing the virtual currency at over 1,000 distributors across the country.

Just a half-hour drive from Zurich is the small town of Zug, which thanks to a business-friendly taxation scheme has long been a global economic hub and is home to tens of thousands of companies, including large investment firms, pharmaceutical companies and commodity trading groups.

But for the past few years, a new category of company has descended on the town, which in high-tech circles has been dubbed "Crypto Valley".

That is the name of an association set up in Zug in 2013 with the explicit aim of drawing startups dabbling in virtual currency technologies, creation and trading to the town.

The push worked. Out of the world's six biggest Initial Coin Offerings (ICOs) -- an unregulated means to raise funds for new cryptocurrency ventures -- last year, four took place in Switzerland, according to Swiss financial watchdog Finma.

Blockchain technology allows for the development of peer-to-peer payment systems. It runs by recording transactions as "blocks" that are updated in real time on a digitised ledger that can be read from anywhere and does not have a central record keeper.

Zug is currently home to some 200 blockchain companies including the foundation behind ethereum, the second largest cryptocurrency after bitcoin.

The town has also since 2016 accepted bitcoin payments for council services.

The southern Italian-speaking Swiss town of Chiasso, which is attempting to compete with Zug as a "CryptoPolis", has meanwhile decided to accept bitcoin payments for some taxes.

Faced with a "sharp increase" in the number of ICOs, Finma last month published guidelines detailing the regulatory requirements for such fundraising schemes.

"Creating transparency at this time is important given the dynamic market and the high level of demand," the regulator said.

It warned that it was in particular important to protect against money laundering, since the risk was high "in a decentralised blockchain-based system, in which assets can be transferred anonymously and without any regulated intermediaries."

Switzerland's famous banking sector has been divided in the face of the flood of new virtual currencies on the markets.

Some Swiss banks were among the first to dive into the cryptocurrency pool.

Vontobel for instance created the first structured bitcoin product, a tracker which allows for investment in shifting values of the virtual currency without purchasing the coins directly.

Falcon Private Bank has meanwhile offered asset management services for a range of cryptocurrencies, including bitcoin and ethereum, while financial and trading services group Swissquote offers trading in five virtual currencies.

Switzerland's two largest banks UBS and Credit Suisse have however so far kept their distance from the crypto boom.

In an interview with the *NZZ am Sonntag* weekly late last year, UBS chairman Axel Weber, a former head of the German central bank, warned of significant "design flaws" in cryptocurrencies like bitcoin.

UBS has decided to warn clients against investing in the virtual currency, he said, because the bank does "not consider it valuable and not sustainable".

Source: AFP

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