Swiss Banks Shun Crypto Business
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Millions of dollars are being raised and traded in Switzerland's flourishing crypto valley. The problem? Crypto firms can't get Swiss banks to give them the time of day, finews.com reports.

Switzerland's crypto valley in Zug, a lakeside town roughly 30 kilometers south of Zurich, is booming: huge amounts of bitcoin, ether, and other digital currencies trade hands every day. Dozens of startups are using blockchain technology to raise millions through initial coin offerings, or ICOs, by issuing new tokens.

The money is flowing: Zurich startup Modum raised more than $13 million last month with an ICO. Another firm which uses blockchain for quality control of food, Ambrosus, took in more than $32 million with its coin offering. The record-holder is still Tezos, an U.S.-based firm which hoovered up $232 million through a Zug-based foundation in July.

Clearly, crypto- and blockchain startups are an interesting new client segment for Swiss banks: bitcoin firms traditional banking services as well as access to legal tender from central banks.

Banks Shun Token Firms

If crypto currencies represent the new banking secrecy, which delivered juicy profits to Swiss banks for years with little effort, banks should be jumping at the opportunity being handed to them on a silver platter.

And that's where it gets complicated: despite the red carpet laid out by Switzerland's highest officials, Swiss banks often want nothing to do with crypto firms, finews.com has learned after speaking to a handful of industry players as well as traditional bankers.

Why? Besides strict anti-money laundering rules and so-called «know your customer» guidelines, many banks simply don't want to deal with the potential fallout from a scandal like that now engulfing Tezos, where a bitter feud has erupted around its Swiss foundation.

Bitcoin in Liechtenstein

Bitcoin Suisse, a cryptocurrency exchange based in Zug, mainly banks through a Liechtenstein institute, a source familiar with the matter told finews.com – though even clinching that banking relationship took months.

Another member of the crypto crowd in Switzerland said that Finma's disclosure that it is
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looking into several recent ICOs has put Swiss banks even more on edge. «Nobody wants to get their hands dirty with crypto currency money at the moment.»

Crypto firms are well aware of the risks they are taking: Bitcoin Suisse is part of a self-regulating organization which sets standards and evaluates firms on anti-money laundering measures, for example. Ambrosus, the blockchain-based food firm, undertook a «know your customer» or KYC evaluation after its ICO.

Criminal Money Checks

The reluctance by banks to touch crypto funds is understandable: ICOs are fertile ground for criminal money to find its way into the legitimate banking system. Exchange dirty money into tokens, and sell the digital currency later for real money – money laundered.

Blockchain and token firms face the problem that they are often exchanging enormous sums from cryptocurrencies into legal tender – which they need for their operational upkeep.

The Swiss banks polled by finews.com about their business with cryptocurrency firms all said their client «onboarding» process is the same for corporate clients, regardless of industry. Zuger Kantonalbank, crypto valley's regional lender said it takes a case-by-case approach on token firms, depending on their anti-money laundering and other regulatory practices, a spokeswoman said.

Banks in other countries have also tightened the reins: U.K. startups which enjoy a lighter «sandbox»-style regulation cannot enter a banking relationship – precisely because they are exempt from many regulatory standards for finance firms.

In Singapore, firms such as DBS have also dissolved accounts linked to cryptocurrency firms. Coinhaiko, a startup, booted by Singapore's largest lender, wrote on its blog: «Regulations and the exact role of the blockchain in society continues to present as a grey area to everyone.»

Crypto «Work-Arounds»

Not all banks are unhappy about the murkiness: Gibralter is known in the crypto industry as being particularly friendly to digital token money, while other firms in Switzerland have opted for Luxembourg.

Crypto startups have grown adept at work-around solutions if Swiss firms won't take their
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money, a source involved in self-regulating crypto firms told finews.com.

Some providers have approached institutional investors about their ICO plans in order to pre-sell an initial investment, at a steep discount. Banks usually have little trouble accepting these funds, because they are from known and reputable market participants who can fulfill the KYC rules.

For the remainder of ICO funding, from largely unchecked investors, startups often sit on have little choice but to transfer the funds into more liquid bitcoin or ether with crypto banks.