After the FTX debacle surrounding, the call for crypto regulation is getting louder. Bitcoin Suisse wants to use the opportunity to make another attempt at obtaining a banking license. In an interview with finews.ch, CEO Dirk Klee explains the new strategy of Switzerland's largest broker for tokens and coins.

Mr. Klee, the FTX bankruptcy is now considered an epochal event. The crypto industry can no longer continue as before. What is your opinion?

It is certainly a notable negative event that is not good for the industry and also threatens to slow down the adaptation of crypto and blockchain in other areas. This is a great pity. All the more so because the fundamental problem in this incident was not rooted in technology, but - as far as can be assessed today - in criminal business practices, as well as a complete failure of all controls.
After all, weren’t FTX and its founder, Sam Bankman-Fried, also children of the hype that the sector experienced going into 2021?

What happened is the symptom of a rapidly growing industry whose guardrails have not evolved enough, at least in certain countries. Crypto exchanges like FTX have moved to states where there was little or no regulation. Nevertheless, they reached a global clientele through worldwide marketing, especially in the US and Europe.

There is talk of a Lehman moment, alluding to the bank-inflicted financial crisis of 2008. As a banker by background, do you think that is an apt comparison?

The current development of this sector of the crypto industry mirrors the crises of traditional finance over the last 100 years in rapid sequence. My career path is banking and asset management. Everything I see now was learned and subsequently regulated over decades, and with good reason.

Was this not the case for the crypto industry?

In many developed countries, crypto regulation lagged behind reality. This led to some players being able to look for the place of least regulatory resistance, like Bermuda or the Bahamas, but also in Lithuania or Cyprus, for example.

Still, Bitcoin Suisse, as the leading Swiss crypto broker, could not avoid dealing with FTX as the third largest exchange on the scene, or could it?

I would first like to state that FTX has not been an investor in Bitcoin Suisse, and neither have we been investors in FTX or any companies affiliated with the exchange. We are affiliated with about 20 crypto exchanges and trading partners as a broker.

«10 percent could not be moved out»

One of them was FTX. We acted there for customers exclusively with our balance sheet. So client assets were and are never in the fire with us. On the contrary, we always warned against holding client assets on such platforms. The list of hacked crypto exchanges is almost endless.

Did Bitcoin Suisse get its capital out of FTX in time?

When the first tweets about the FTT token started, which, by the way, like Terra/Luna, was
never part of our trading offering, and the bad news started accumulating, we quickly pulled out about 90 percent of our holdings in FTX. Ten percent could not be moved out before the crypto exchange suspended redemptions and subsequently filed for creditor protection in the US. At this point, we have to write off those holdings for accounting purposes. But we will, of course, chase them in the future. Incidentally, we have no exposure to Genesis either.

On the anonymized list of FTX’s largest 50 creditors published last week, you won’t find Bitcoin Suisse?

I would be surprised, given the amounts involved and the practice we follow of broadly spreading credit risks. We are very far from double or even triple-digit million sums that some players we know still have at FTX.

Can you already draw conclusions from this extreme situation? Did Bitcoin Suisse benefit from the FTX debacle, or did the company suffer?

The bottom line is that we are seeing inflows rather than outflows. And given the customer pipeline, we expect strong inflows going forward. This is a sign that our solidity is unquestioned in the market.

«To my teams, I sum it up with the saying: Tougher for longer»

Overall I expect players will be weeded out. Regulation is not the only decisive factor here. Overall, what is needed is quality, which we have proven time and again over the past ten years in various market phases. Our customers acknowledge this. But I would prefer not to count us among the net beneficiaries of this development.

Why not?

Because the development is tragic for the industry and the customers affected. I think it’s morally and substantively wrong to be seen as a profiteer.

2022 can also be considered an extreme event for the industry. How will Bitcoin Suisse get through this?

Bitcoin Suisse has done very well. We used this year and 2021 for institutional building. After the tumultuous growth of earlier years, we focused on quality. We strengthened our governance and processes and deepened our collaboration with relevant regulators. We now employ
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around 30 people in risk and compliance. That is more than at banks of comparable size. However, I expect the whole of next year to remain challenging.

**So the crypto winter continues?**

I don't expect a quick countermovement. I sum it up for my teams with the following saying: «Tougher for longer.» We want to continue to be a solid partner for our customers in this environment, and to that end, I believe we are already in the best possible position.

**Bitcoin Suisse raised its last capital from investors last June. How long will this last?**

We are solidly financed. But if the market continues in this way, we will certainly have to slim down, so as not to unnecessarily strain the buffer we have. This means adjusting our business plans and focusing on individual investments.

«There are presently no plans to cut jobs either»

If the opportunity arises, we will also raise capital in 2023. This is because we want to invest in further growth.

**Does Bitcoin Suisse have to cut jobs?**

We have not cut any employees so far, making us almost the only ones in the market. There are currently no plans to cut jobs either. But I don't want to rule anything out here, because we can't escape the environment either.

**You want capital for new growth, but at the same time, you let it be known that the growth before you became CEO was perhaps too rapid. What exactly do you have in mind?**

Like a teenager, Bitcoin Suisse went through growing pains. I know the drill. I once grew 12 inches in a year as a teenager. But if you want to scale a startup, you first need institutional structures and tools. In 2022, we focused on getting the company ready for the next growth spurt.

**A banking license would probably be just the thing for such a push in the current environment. After Bitcoin Suisse failed to get one from the Swiss Financial Market Supervisory Authority Finma, are you now taking a new approach?**
That is exactly the case. We will tackle the issue of Finma licensing again. Now that we have done our homework, we can face this long procedure.

«In the future, we will also focus on independent asset managers»

We also believe that this would be the right step for Switzerland as a financial center. The oldest and largest domestic crypto player should face the highest possible regulation.

Do you think you will now find open doors with the supervisory authority?

We want to approach the process with the necessary seriousness, modesty, and care. In doing so, we will do everything necessary to obtain Finma's approval. As an important and experienced player, we would also like to work constructively on further regulation in the crypto sector.

You oversaw major IT projects at banks such as UBS. Bitcoin Suisse is also reportedly undergoing an elaborate change of systems. How are you progressing with that?

We are implementing a crypto-core banking system. This has been on our minds for almost two years now. We are getting support from one of the world's leading IT providers, so it's not a homegrown platform. We are now close to completing this complex work.

You recently started working with the data specialist Lukka. Should this also be seen in connection with the new IT platform?

Lukka's expertise is needed for our new strategic direction, which we have been fine-tuning since the beginning of the year. In the future, we will focus on the customer segments of HNWI and UHNWI private clients, as well as institutions such as independent asset managers and asset managers. We not only want to offer these clients the full range of crypto services but also act as an investment partner in the future. In this context, it is also planned to issue financial products ourselves or with partner firms.

Bitcoin Suisse is taking big steps towards traditional banking. This fits in well with calls for the crypto industry to become more like banks. Is this demand legitimate, and are the banks right to treat the crypto industry with so much suspicion?

I see it the other way around. If the big players had been more open-minded at the beginning and had supported the financial innovation that crypto represents earlier, we might not have
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experienced some of the negative excesses. Conversely, I know that Swiss institutions are working flat out on crypto offerings. In two years, every major bank will have something up and running.

Dirk Klee has been CEO of Bitcoin Suisse since last April. A native of Germany, he spent the last four years at Barclays, where he was responsible for the wealth and investment business in the UK. Prior to that, he served as chief operating officer (COO) at UBS Wealth Management, where he launched a $1 billion technology platform and a robo-advisor. Klee led Blackrock’s iShares business in continental Europe from 2008 until he joined the Swiss bank in 2013, before that he was head of business development at Pimco in Germany and Austria. He holds a master’s degree and a doctorate in law.