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GBBC Submission to SIF | Consultation Response

Consultation: Amendments to Swiss framework for stablecoins and cryptoasset services

To: State Secretariat for International Finance (SIF), Swiss Federal Department of Finance

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Submitted by: Global Blockchain Business Council (GBBC)

About Global Blockchain Business Council (GBBC)

GBBC is the largest leading non-profit association for the blockchain, digital assets, and emerging technologies community. Founded in 2017 in Davos, Switzerland, GBBC comprises more than 500 institutional members and 251 Ambassadors across 119 jurisdictions and disciplines.

GBBC furthers adoption of digital technologies by engaging regulators, business leaders, and global changemakers to harness these transformative tools for more secure and functional societies.

GBBC industry verticals: Financial Services, Global Commerce/Supply Chains, and Commodities, underpinned by AI, digital identity, governance, hardware, infrastructure, policy, regulation, and security.

GBBC initiatives: BITA Standards Council (BITA), GBBC Digital Media, Global Standards Mapping Initiative (GSMI), International Journal of Blockchain Law (IJBL), InterWork Alliance (IWA), and U.S. Blockchain Coalition (USBC).

Executive Summary

GBBC welcomes the Federal Council's initiative to modernise Switzerland's regulatory framework for stablecoins and cryptoasset services. Introducing dedicated licensing pathways, strengthening consumer safeguards, and clarifying supervisory expectations can reinforce Switzerland's position as a trusted, rules-based financial centre that supports responsible innovation.

GBBC's comments focus on targeted elements that will determine whether the framework achieves its objectives in practice: legal certainty, operational feasibility, proportionality, and supervisory scalability. In particular, GBBC recommends refinements across:

(i) AML/CFT calibration for stable crypto-based payment instruments,

(ii) authorisation architecture for bank and group participation,

(iii) implementation and transition design under direct FINMA supervision, and

(iv) key consumer protection mechanics including segregation and redemption.

GBBC also highlights the importance of clear market integrity outcomes and practical risk-coordination mechanisms to support effective implementation without imposing infeasible monitoring obligations.

1. AML/CFT Expectations for Stable Crypto-Based Payment Instruments

GBBC supports robust AML/CFT outcomes for stable crypto-based payment instruments. However, the framework must articulate a minimum viable AML/CFT operating model that is technically feasible for instruments intended for broad circulation.

In GBBC's view, the minimum model should focus obligations on clear control points: issuance, redemption, and other direct relationships (including distributors and intermediaries that provide custody or account-based services to end users). Attempting to impose obligations that require continuous identification of all holders or comprehensive monitoring of all secondary-market transfers is not operationally feasible, particularly where instruments circulate through multiple intermediaries and open networks.

Where secondary-risk mitigation is expected, GBBC recommends framing it as proportionate, capability-based measures under clear governance and legal triggers. This approach preserves AML/CFT effectiveness by allocating responsibilities to actors with a customer relationship and meaningful control, while avoiding unintended obligations that would undermine usability for legitimate payment cases.

GBBC also recommends clarifying sanctions screening expectations and governance. Stakeholders require legal certainty on which sanctions lists are mandatory, how updates must be implemented, and how foreign sanctions expectations interact with Swiss law and supervisory expectations.

In addition, GBBC encourages the Federal Council to support mechanisms that enable timely typology sharing and escalation for material risks affecting widely used payment instruments, including clear channels for issuer/intermediary engagement with competent authorities. Strengthening these coordination pathways can improve AML/CFT outcomes without expanding obligations beyond actors that have effective control over customer onboarding and account-based activity.

Finally, GBBC recommends that redemption/KYC timelines be commercially workable. Extended redemption processing timelines undermine the credibility of redemption rights for payment instruments. The framework should set clear service-level expectations under normal conditions and define narrowly scoped exceptional mechanisms, rather than leaving uncertainty that could produce outcomes inconsistent with consumer protection objectives.

2. Authorisation Architecture and Bank/Group Participation

GBBC supports clear licensing pathways and prudential safeguards. However, the authorisation architecture should not inadvertently discourage supervised mainstream participation by imposing duplicative structures that do not clearly improve regulatory outcomes.

Stakeholders raised concerns that requiring bank-authorised groups to establish separate entities for stable crypto-based payment instrument issuance does not map cleanly onto Switzerland's licensing hierarchy and creates parallel infrastructure obligations. Given that banks operate under consolidated group supervision, separate-entity requirements may increase complexity and costs, slow time-to-market, and reduce the likelihood that regulated financial institutions participate in the issuance of compliant Swiss instruments.

GBBC therefore recommends that the Federal Council clearly set out the policy rationale for any requirement that bank-authorised groups issue through separate entities. If separation from deposit-taking is an explicit prudential firewall, this should be stated, justified, and implemented consistently. If it is a structural consequence of drafting choices, the Federal Council should explain the intended effect and whether alternative architectures were considered.

Where separation is intended, GBBC recommends specifying a standard ring-fencing model in implementing provisions to avoid inconsistent supervisory expectations and unnecessary duplication. This should include baseline expectations for governance and accountability, reserve and treasury segregation, intragroup service arrangements, operational resilience, and disclosure to users. Clear pathway guidance should also be provided for new entrants and non-traditional issuers, not only incumbent regulated groups.

3. Implementation, Transition, and Supervisory Scalability (Including SRO-to-FINMA Migration)

GBBC recognises the value of direct FINMA supervision for credibility and trust. However, effective implementation will depend on supervisory capacity, predictable processing timelines, and structured transition guidance, particularly where firms currently operate under SRO-supervised models and will face a substantial compliance uplift.

Stakeholders emphasised that Switzerland's current ecosystem is shaped by a decentralised SRO landscape, and that many firms will experience a material step-change in expectations under direct FINMA supervision. This uplift may relate not only to AML/CFT codification (including transaction monitoring expectations), but also to conduct and prudential requirements that may resemble other international regimes. Without clear sequencing and guidance, the transition risks creating bottlenecks and destabilising effects, particularly for smaller firms, and may unintentionally increase barriers to entry and market concentration.

GBBC recommends that the Federal Council publish an implementation plan alongside the final package. This should include expected application volumes, target processing timelines (including benchmarks for straightforward applications), prioritisation criteria, and sequencing guidance that clarifies what must be in place at authorisation versus what may be phased. The plan should also clarify supervisory responsibilities and coordination in practice, including how prudential supervision, conduct supervision, and AML/CFT oversight expectations will be applied and aligned.

GBBC also recommends issuing practical transition guidance for entities migrating from the SRO environment. This should include documentation mapping, transitional milestones, and a clear supervisory approach during migration, enabling firms to invest efficiently in compliance uplift and reducing uncertainty that would otherwise discourage market participation.

In our view, the implementation plan should also clarify the operational supervisory expectations that will be applied in practice for risk detection and escalation, including the extent to which supervised firms are expected to maintain capabilities for identifying, assessing, and responding to illicit finance and market integrity risks within their business perimeter. Providing this clarity up-front will reduce uncertainty, support consistent supervisory outcomes, and avoid uneven expectations developing through informal practice.

4. Insolvency Segregation and Client Protection Mechanics

GBBC supports strong client protection measures, including segregation and insolvency-related safeguards, as core credibility features for both stable crypto-based payment instruments and cryptoasset services. To function in practice, these protections must be operable across real-world custody and service arrangements.

GBBC recommends clarifying the scope of protected assets and liabilities and specifying operational requirements that make segregation enforceable across custody chains, including third-party custody, omnibus arrangements, and cross-border structures. These clarifications should address entitlement mapping, recordkeeping, reconciliation expectations, and assurance/auditability standards that are proportionate to risk and necessary for effective enforcement in institutional failure scenarios.

5. Redemption Right and Modalities

A redemption right at nominal value is foundational for stable crypto-based payment instruments. However, the effectiveness of this protection depends on clear operational modalities and realistic service-level expectations.

GBBC recommends that the framework define the operational meaning of redemption "within a short period" under normal conditions and clarify how redemption functions for intermediated holdings (e.g., where end users hold through custodians or exchanges). The framework should also specify transparency requirements regarding any fees, cut-off times, and processes, and define narrowly scoped exceptional delay mechanisms with governance and disclosure requirements. AML/KYC checks at redemption should be calibrated to meet these operational expectations under normal conditions.

6. "Significant" Payment Instrument Institutions: SNB Designation and Stabilisation/Resolution Planning

GBBC supports a proportionate financial stability framework for entities that reach systemic relevance. Predictability and proportionality are essential to avoid uncertainty about when stability obligations trigger and to ensure that compliance expectations are feasible.

GBBC recommends that the criteria for designation of "significant" payment instrument institutions be clear and transparent, including quantitative and qualitative factors. The stabilisation and resolution planning requirements should be proportionate, accompanied by supervisory guidance on minimum expected content and governance, and should clarify treatment of group structures and intragroup dependencies where relevant.

7. Crypto-Institution Perimeter and Settlement Funds Safeguarding

Clear perimeter definitions are essential for consistent authorisation outcomes and to reduce regulatory arbitrage. GBBC recommends that the final package provide supervisory guidance on the scope of crypto-institution activities, including the definition and treatment of "trading cryptoassets," the classification of hybrid business models, and the interaction with stablecoins issued abroad.

Where the framework permits acceptance of client funds for settlement purposes, GBBC recommends specifying safeguarding conditions to ensure predictable client protection outcomes and avoid unintended deposit-taking risks. This should include clear segregation and non-use requirements, reconciliation expectations, and proportionate prudential calibration.

8. Market Integrity Outcomes and Market Abuse Risk Management

Market integrity is a necessary condition for institutional confidence and consumer protection in cryptoasset markets. GBBC recommends that the Federal Council clearly articulate how market integrity outcomes are intended to be achieved under the proposed framework, including the treatment of market abuse and manipulation risks and how monitoring, reporting, and enforcement coordination will operate in practice.

In particular, GBBC recommends that the final package clarify: (i) whether existing market abuse concepts and enforcement tools are intended to apply to cryptoasset markets and on what basis; (ii) how expectations differ across market structures (e.g., intermediated trading versus peer-to-peer activity); and (iii) how responsibilities are allocated among actors with meaningful capability and control, including trading venues, brokers/intermediaries, custodians with account relationships, and issuers where relevant.

Any monitoring expectations should be calibrated to the actor's role and access to information. The framework should avoid implying infeasible obligations for issuers to monitor all secondary-market activity where they lack control, while ensuring that entities that operate market infrastructure or maintain account-based customer relationships have clear and enforceable integrity expectations.

9. Public–Private Coordination on Typologies and Risk Response

GBBC recommends that the Federal Council and relevant authorities consider a structured mechanism for public–private coordination to support typology sharing and coordinated risk response for AML/CFT and market integrity risks relevant to stable crypto-based payment instruments and cryptoasset services.

Such a mechanism should be designed to be operationally useful and legally robust, including: (i) clear scope (typologies, red-flag indicators, escalation pathways, and feedback loops), (ii) defined participation criteria proportionate to activity and scale, (iii) confidentiality and information-sharing safeguards, and (iv) clarity on how insights are used to support consistent supervisory expectations and enforcement coordination. This approach can strengthen outcomes while avoiding overly rigid obligations in primary law.

10. Standards-Based Disclosure and Recordkeeping

GBBC supports disclosure and recordkeeping requirements that are operationally maintainable and supervisorily useful. The framework should consider the use of standardised cryptoasset identifiers in disclosures and relevant recordkeeping to support interoperability, supervisory comparability, and cross-border consistency. Any such requirements should be applied proportionately based on activity type, scale, and risk. This could be implemented by referencing internationally recognised token identifiers (e.g., ISO-aligned identifiers) where available.

Closing

GBBC appreciates the opportunity to contribute to this consultation. We stand ready to provide further input on implementing provisions and supervisory guidance and to support structured dialogue with market participants to facilitate timely and effective implementation.