

Press release

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FINMA publishes 'stable coin' guidelines

The Swiss Financial Market Supervisory Authority FINMA today publishes a supplement to its ICO guidelines outlining how it treats so-called 'stable coins' under Swiss supervisory law. FINMA has seen a steady increase in the number of 'stable coin' projects since 2018. In this context, FINMA confirms that it has received a request from the Geneva-based Libra Association for an assessment of its Libra project under Swiss supervisory law. FINMA gives here an initial indication of how it would apply the relevant Swiss regulation.

Among projects based on blockchain technology, FINMA has observed an increase in the number of projects to create so-called 'stable coins' since mid-2018. The aim of such projects is mostly to minimise the fluctuations in value typical of payment tokens such as Bitcoin by backing the tokens with assets such as fiat currencies, commodities, real estate or securities. In the [supplement to its Guidelines](#) on Initial Coin Offerings (ICOs), FINMA is today publishing information indicating how it will assess such 'stable coins' within its supervisory remit under Swiss supervisory law.

Classification of 'stable coins' under Swiss law

Swiss financial markets regulation is principle-based and technology-neutral. FINMA's treatment of 'stable coins' under supervisory law follows the existing approach taken to blockchain-based tokens: the focus is on the economic function and the purpose of a token ('substance over form'). In ruling on concrete projects, FINMA will follow the proven principle of 'same risks, same rules' as well as the specific features of each case.

'Stable coins' can vary greatly. The requirements under supervisory law may differ depending on which assets (e.g. currencies, commodities, real estate or securities) the 'stable coin' is backed by and the legal rights of its holders (see the overview provided in the supplement to the ICO guidelines, appendix 2). Money laundering, securities trading, banking, fund management and financial infrastructure regulation can all be of relevance.

FINMA confirms receipt of enquiry from Libra Association

The Libra Association asked FINMA for an assessment of how the supervisory authority would classify the planned Libra project including the issuance of a 'stable coin' under Swiss supervisory law. FINMA confirms receipt of this request. Such requests for a legal assessment or ruling are standard practice, particularly for innovative projects. One of FINMA's roles is to inform potential market participants about how it applies Swiss supervisory law.

Below, FINMA provides an indicative classification of this project under Swiss supervisory law on the basis of the information available so far. The classification may change as the project progresses.

- In Switzerland, such a project would fall under financial market infrastructure regulation. The project as it is presently envisaged would require a payment system licence from FINMA, on the basis of the Financial Market Infrastructure Act (FMIA).
- Regulatory requirements for payment systems in Switzerland are based on the prevailing international standards, particularly the Principles for Financial Market Infrastructures ([PFMI](#)). These requirements also apply to the management of cyber risks.
- A Swiss payment system is automatically subject to the Anti-Money Laundering Act. The highest international anti-money laundering standards would need to be ensured throughout the entire ecosystem of the project. Such an ecosystem must be immune against elevated money laundering risks.
- Under the FMIA, all additional services that increase the risks of a payment system must be subject to corresponding additional requirements. This means that all the potential risks of a Swiss payment system, including bank-like risks, can be addressed by imposing appropriate requirements in line with the maxim 'same risks, same rules'. Due to the issuance of Libra payment tokens, the services planned by the Libra project would clearly go beyond those of a pure payment system and therefore be subject to such additional requirements.
- These additional requirements would relate in particular to capital allocation (for credit, market and operational risks), risk concentration and liquidity as well as the management of the Libra reserve.
- The additional requirements would be based on recognised standards for similar activities in the financial markets and would need to reflect the dimension of the project. For bank-like risks, for example, bank-like regulatory requirements would apply. A Swiss payment system licence would thereby permit a combination of the strengths of banking and infrastructure regulation.

A necessary condition for being granted a licence as a payment system would be that the returns and risks associated with the management of the reserve were borne entirely by the Libra Association and not – as in the case of a fund provider – by the ‘stable coin’ holders.

The planned international scope of the project requires an internationally coordinated approach. In particular, the definition of requirements for managing the reserve, and the governance around it, as well as for combating money laundering should be developed in international coordination.

Questions going beyond supervisory law

A possible licensing procedure under Swiss supervisory law would only commence once a specific licensing application were received by FINMA. In accordance with its practice, FINMA would neither provide public information on the status of any ongoing licensing procedure nor speculate on when it may be complete.

Other questions raised in the context of the Libra project, such as those relating to tax law, competition law or data protection law, go beyond the scope of supervisory law and are therefore outside FINMA's remit.