

Stablecoins in Switzerland

An overview of the opportunities and risks of stablecoins
issued by swiss banks



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Expert report of the SBA

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Executive Summary

Stablecoins have the potential to strengthen the digital economy in Switzerland as they represent efficient, potentially low-cost and secure means of payment. Their ability to streamline payment processes and to reduce transaction times and costs makes them attractive for various applications, including payment transactions, trading in digital assets and, in the future, decentralised financial services. As a global innovation leader with a strong financial centre, Switzerland could benefit from the introduction of a Swiss franc stablecoin.

«Stablecoins have the potential to strengthen the digital economy.»

As regulated and supervised financial intermediaries, banks are well placed to issue stablecoins compared to other issuers. They are fundamentally interested in the strategic options and new use cases within the evolving blockchain-based (financial) economy. Stablecoins are usually directly transferred peer-to-peer, and they are regarded as a complement to existing means of payment. They may be more suitable than other means of payment for various use cases. The way they are regulated and structured heavily depends on national laws, economic conditions and financial market supervision of the respective country.

However, the widespread use of stablecoins also poses risks to the domestic financial system, especially if the stablecoin is both, not issued in domestic currency and issued abroad. For banks, the risk of disintermediation is a key concern. Each stablecoin that users hold instead of bank deposits is not available to the bank for refinancing loans. This can also impair the transmission of monetary policy. These risks can be minimised through various measures, including limits on amounts. However, given the dynamic international developments surrounding stablecoins, there is also a danger that inaction in Switzerland could increase the strategic dependence of the financial sector and monetary policy on other countries.

Only a stablecoin that is stable in relation to the Swiss franc will be widely accepted in Switzerland and, thus, be able to develop its innovative potential. This could take the form of a stablecoin that is fully backed by central bank money and that can be exchanged smoothly and without restriction at par for central bank money at any time. Alternatively, it is conceivable that such a stablecoin could also be partially backed by high-quality liquid assets or commercial bank money, but would then bear market risk vis-à-vis the Swiss franc. However, if issued by a regulated and supervised issuer and backed by high-quality, liquid collateral, the risk can be contained.

The Swiss Bankers Association (SBA) continues to advocate for framework conditions that make the landscape for different forms of digital money as wealth-enhancing as possible.

1 Introduction

The rapid rise of blockchain-based innovations in the financial sector is accelerating the transformation process of our monetary and payment systems. Since the introduction of Bitcoin in 2008 and the enabling of smart contracts on Ethereum in 2015, new business models in the digital financial world have developed very quickly. As these innovations have not yet become widespread, the disruption to the financial industry that was initially feared has not materialised. Until now, innovations in the financial system have enabled efficiency gains through scaling and process innovation. So far, these have largely remained an electronic representation of traditionally processed transactions, as implemented in TWINT, for example. For a fundamentally new ecosystem to develop, however, a secure, directly transferable and stable means of payment would be required. Blockchain-based means of payment can meet these requirements under certain conditions. However, distinct concepts serve different use cases, and exhibit different characteristics, user profiles and risks.

Various concepts for a blockchain-based payment and financial market infrastructure are already being developed: central banks are working on digital payment instruments for the general public (known as retail central bank digital currencies, or rCBDC), payment instruments for payments between financial institutions (known as wholesale CBDC, or wCBDC), and platforms for exchanging digital currencies.^{1,2} Banks, for their part, are namely developing various forms of blockchain-based commercial bank money (known as ‘deposit tokens’³) and stablecoins.⁴ The future payment landscape is expected to become more diverse, which will require adjustments to business models, market structures and market participants. In particular, the integration of efficient peer-to-peer (P2P) payments could lead to competition between private third parties, commercial banks and central banks as guarantors of trust and intermediaries in the payment system. Such payment instruments, i.e. stablecoins, could therefore have a disruptive effect on the current financial system.

In this environment, market participants, policymakers, authorities and international bodies are all asking themselves how to achieve a monetary and payment landscape that can maximise welfare. In Switzerland, the Federal Council and the Swiss National Bank (SNB) currently reject the issuance of an rCBDC, which could fundamentally change the monetary and financial system, but in the opinion of the authorities, would add little value.⁵ Meanwhile, the Swiss Bankers Association (SBA) is conducting a proof of concept (PoC) to analyze the feasibility of “deposit tokens.”⁶ Currently, there does not exist a widely used stablecoin that is stable against the Swiss franc and P2P-transferable like cash.

1 For rCBDC, see [ECB, The digital euro \(2024\)](#) and [BoE, The Digital Pound \(2024\)](#); for wCBDC, see [BIS, Speech by Thomas Jordan at the BIS Innovation Summit \(2024\)](#).

2 [SNB, Projekt Agorá \(2024\)](#).

3 “Deposit token” refers to a blockchain-based payment process that resembles and builds on traditional bank deposits. It enables bank customers to conduct transactions on a new and innovative payment rail using distributed ledger technology (DLT) and smart contracts.

4 See [Deutsche Kreditwirtschaft, CBMT \(2024\)](#); [SBA, The Deposit Token \(2023\)](#); [UBS Digital Cash \(2024\)](#).

5 [SNB, Towards the future monetary system \(2024\)](#), [Federal Council, Central bank digital currency \(2019\)](#).

6 [SBA, News article \(2024\)](#).

A stablecoin is a payment instrument and a store of value based on the distributed ledger technology (DLT) that aims to maintain its value by linking it to one or more stable assets as a safeguard, usually a currency. Stablecoins can be transferred P2P and are generally value-based rather than account-based.⁷ From an economic perspective, they are closely comparable to a money market fund⁸ and therefore bear interest rate risk and credit risk on the part of the issuer (see also section 3.2).

All stablecoins currently in circulation have a combined market capitalisation of over 200 billion US dollars, with only around 30 stablecoins having a market capitalisation of over 50 million US dollars.⁹ However, the largest market share is held by two stablecoins only, namely Tether (USDT) and Circle's USD Coin (USDC). The net profit of USD 13 billion reported by Tether for 2024¹⁰ is evidence of the profitability of money issuance. Even though stablecoins denominated in other currencies are increasingly being launched, US dollar-denominated stablecoins still account for over 90% of the total volume. Since stablecoins are often chosen as the counterparty when trading cryptocurrencies, over 80% of the trading volume on large cryptocurrency exchanges consists of transactions with stablecoins.

As regulated players, banks are well suited to issuing stablecoins.¹¹ They also have an interest in strategic options in the rapidly evolving blockchain-based (financial) economy. In this document, we therefore set out our view on the various forms of stablecoins that could be useful for banks and for the Swiss financial centre. In particular, it must be ensured that in the future, new forms of digital money will be used by the general public in order to create value added.

Even if banks in Switzerland should not consider issuing stablecoins, certain risks may nevertheless arise domestically with the increasing use of stablecoins issued by other market participants at home and abroad. Each Swiss franc that a user holds in stablecoins rather than as bank deposits cannot be used by banks to refinance loans. For this reason, the national and international discussion on regulatory frame-

works is likely to continue. As the international stablecoin landscape is evolving dynamically regardless of current developments in Switzerland, inaction could increase the strategic dependencies of the financial sector and monetary policy on other countries.

“Each Swiss franc that a user holds in stablecoins rather than as bank deposits cannot be used by banks to refinance loans.”

Against this backdrop, we discuss the key aspects of the issuance of a Swiss franc stablecoin by Swiss banks. In

addition to the fundamental characteristics of stablecoins from a technical, legal and economic perspective, we focus in particular on their strategic relevance, use cases and the associated opportunities and risks for individual players and for the Swiss financial centre. This text is intended to contribute to the transfer of knowledge and to serve as a basis for further discussion among interested parties. It does not assess whether the issuance of stablecoins by banks is sensible or desirable at this point in time. This report is part of the SBA's work on future forms of money in Switzerland.

7 See Eggen, M., Tokenisiertes Buchgeld: Programmierbar? Aber sicher!, in: AJP 2024, p. 293 et seq., 296, 303.

8 [US Treasury, Fiscal Year 2024 Q4 Report, Presentation to TBAC, p. 107 et seq.](#)

9 [Forbes, Top Stablecoins Today By Market Cap \(2024\).](#)

10 [Tether.io \(2024\).](#)

11 [FEDS Notes, The stable in stablecoins \(2022\).](#)

2 Stablecoins in the monetary landscape

2.1 Different forms of money

Since the establishment of central banks at the end of the 17th century, banknotes and coins have been issued by the state for stability reasons. Before that, competition between privately issued currencies had ensured monetary stability. However, this had led to various problems such as instability and abuse, which in turn resulted in a lack of trust and acceptance in the means of payment and, thus, limited their infrastructure function (see box: 'Currency competition during the free banking era'). This is one of the main reasons why our current monetary system is structured in two tiers (known as 'fractional-reserve banking').

In Switzerland, only Swiss franc coins issued by the Confederation, banknotes issued by the SNB and sight deposits held at the SNB represent a legal tender and are subject to mandatory acceptance.¹² By contrast, bank deposits are accepted in payment transactions by the economy and society primarily because (i) the issuing banks are subject to sound regulation and supervision and (ii) the SNB contributes to the stability and security of commercial banks' money. The acceptance and widespread use of private means of payment and store of value are based on the additional benefits they offer over legal tender.¹³ Token money, a digital representation of money on a blockchain, can be issued by both central banks and private actors in the same way as traditional money (see Fig. 1):

- **Money issued by the state:** In the traditional sense, there are two types of money issued by central banks: coins and banknotes (cash) and sight deposits held by selected (financial market) participants at the central bank. In the world of token money, the term central bank digital currency (CBDC) is used for government-issued money. CBDCs issued by central banks are attractive a priori because, unlike other forms of token money, they are not subject to the issuer's risk of bankruptcy. They can be regarded as rCBDCs, the digital equivalent of cash, and they can be held either directly in an electronic wallet provided by the central bank or indirectly, taking into account the two-tier banking system, in wallets offered by banks to end users. As wCBDCs, they are equivalent to sight deposits at the central bank and are used to settle payments between commercial banks or other holders of current accounts at the central bank.
- **Money issued by the private sector:** Private money is issued by private institutions, usually commercial banks, and is not guaranteed by government actors. This is also referred to as commercial bank money or deposits. In the context of token money, the equivalent is a so-called 'deposit token'. Like traditional deposits, deposit tokens do not function as a transfer of funds from one party to another, but through the execution of payment instructions by the participants of the transaction and the corresponding adjustment of the parties' account balances at the respective intermediaries. Stablecoins, which this paper focuses on, are privately issued means of payment and/or a store of value that rely on stabilisation mechanisms to minimise their price fluctuations against a reference value such as a currency. They can be issued by banks as well as by other private issuers, provided that this is permitted by the relevant regulatory framework.

¹² See Art. 3 of the Federal Act on Currency and Payment Instruments (CPIA) of 22 December 1999 (CC 941.10). The state must comply with the obligation to accept currency when acting in its sovereign capacity. For private individuals, this is an obligation to accept currency which may also be waived by contract.

¹³ In Switzerland, there exist numerous privately issued payment instruments and store of value, such as WIR money, Reka Checks and regional payment instruments (e.g. Eulach Taler, Leu, NetzBon and Uster Batze).

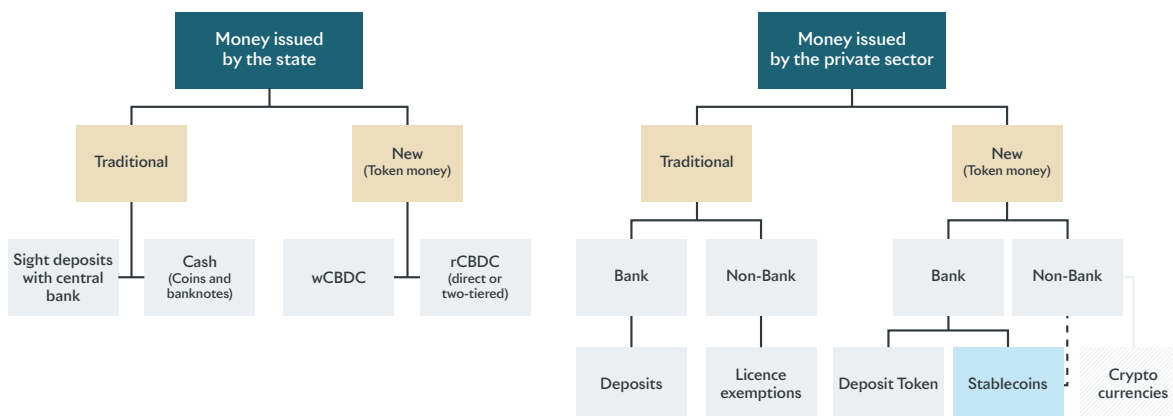


Figure 1: Taxonomy of forms of money · Source: SBA based on TA-Swiss study on the digital Swiss franc (2025)

Today, as already described in chapter 1, the majority of stablecoins are pegged to the US dollar¹⁴ and are therefore largely backed by central bank money, treasury bills and other USD-denominated assets.¹⁵ Thanks to their relative price stability compared to cryptocurrencies, stablecoins are suitable as a payment instrument for numerous new business models in the digital, blockchain-based financial economy. Accordingly, the volume of stablecoins has grown strongly in recent years, in line with that of cryptocurrencies.¹⁶ Stablecoins can be structured in Switzerland as so-called ledger-based securities, thereby certifying a directly transferable claim against the issuer.¹⁷

Unlike the account- and identity-based model for deposit tokens, their transfer from the payer to the payee does not require a processing intermediary, subject to money laundering regulations, meaning that payments can generally be made on a P2P basis. However, based on experience to date, we assume that only stablecoins whose stability and reliability are ensured by three factors will have market opportunities in the long term: (i) the transparent pegging of their value to the value of the underlying stable, high-quality and liquid assets, (ii) clear legal and regulatory requirements, and (iii) the protection of customers in the event of the issuer's bankruptcy.

14 [Coinmarketcap, Top Stablecoin Tokens by Market Capitalization \(2025\)](#).

15 [Cambridge University Centre for Alternative Finance, Digital Money Dashboard \(2025\)](#).

16 [Glassnode, Stablecoins: Aggregate Supplies \(2025\)](#).

17 This raises the question of whether they could be classified as (DLT) securities under Art. 2 lit. b^{bis} of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FinMIA) of 19 June 2015 ([CC 958.1](#)) and Art. 3 lit. b of the Federal Act on Financial Services (Financial Services Act, FinSA) of 15 June 2018 ([CC 950.1](#)) which should be avoided. See, inter alia, Zellweger-Gutknecht, C., Perret, V., Stupar, S., Derrer, M., Stengel, C. & Dembinski, P. (2025): Neue Digitale Franken. Unser Geld der Zukunft? TA-SWISS Publication Series (ed.): TA 85/2025. Zollikon: vdf (hereinafter [TA-SWISS study](#)), p. 210.

Box 1: Currency competition during the free banking era

During the free banking era (1837–1864), so-called ‘free banks’ with the right to issue private banknotes could be established in some US states without official authorisation. This led to competing private currencies during the free banking era. The most important regulatory requirement for free banks was the obligation to deposit collateral in the form of government bonds to secure their private banknotes. Only government and federal bonds were accepted as collateral. A ‘free bank’ had to deposit one dollar in bonds with the banking supervisory authority of the respective state for every dollar in banknotes.

A key problem that led to the devaluation of many private banknotes was the correct valuation of the bonds deposited. In some states, free banks were allowed to value their underlying bonds at face value and issue private money to that extent, even if the market value of the bonds was significantly below their face value. The privately created money was therefore often undercollateralised. During economic turmoil, when asset prices fell sharply, bond prices also fell, thereby reducing the ability of many free banks to maintain the convertibility of their banknotes at face value.

As a result, the banknotes of free banks that had taken excessive risks in lending or whose collateral was not considered sound were traded at a discount on the secondary market. These fluctuating prices for private banknotes made economic transactions more difficult and led to lower acceptance. With the passage of the National Banking Acts of 1863 and 1864 and further decrees, the foundation was laid for a uniform national currency (banknotes), which, however, continued to be issued by private banks (national banks).¹⁸

2.2 Different stablecoin concepts

Cryptocurrencies such as Bitcoin and Ethereum are generally created outside the regulated financial market. Depending on the decentralised nature of their governance structure it is, in extreme cases, not possible to identify any legal entities as issuers. Their value fluctuates considerably on a regular basis, and even with high market capitalisation, daily movements of 5–10% are not unusual. In addition, high fees are often incurred when converting them into official currencies. In contrast to cryptocurrencies, stablecoins can, in theory, be exchanged at the nominal value of the collateral at any time. Ideally, they do not carry any exchange rate risk.

¹⁸ [!\[\]\(ff4a52d2807475557c804a2d3760a237_img.jpg\) National Banking Acts of 1863 and 1864 | Federal Reserve History.](#)

The most important factor in maintaining confidence in a stablecoin issuer, even in uncertain times, is the backing of a stablecoin. There exist four basic types of stablecoin designs in terms of backing.^{19,20,21}

	“Off-Chain” Collateral		“On-Chain” Collateral	
	“Money-backed”	“Commodity-backed”	“Crypto-backed”	“Algo-backed”
Type of backing	Sight deposits, HQLA, bank deposits in fiat money	E.g. gold, precious metals	Crypto currencies	n/a (Backed by algorithm)
Collateralisation	1:1	1:1	3:1	?:1
Stability	high	high	medium	low
Capital efficiency	medium	low	low	high
Centralisation	high	high	medium	low
Examples	USDC, USDT, EURCV	XAUT, PAXG	DAI, FRAX	UST*

Focus of expert report

Failure to date

Figure 2: Stablecoin concepts by type of backing · Source: SBA (2025)

To maintain user confidence and, thus, to ensure acceptance and stability, stablecoins must nowadays be backed by high-quality, liquid assets (HQLA) and issued by regulated and supervised intermediaries such as banks. These assets are generally only available off-chain at present. With the ongoing tokenisation of high-quality securities, it should become easier to manage the assets required for the stability of stablecoins on-chain, thereby benefiting from the advantages of their use in a blockchain-based environment. In almost all respects, they are superior to stablecoins backed by lower-quality assets or cryptocurrencies.²²

19 The most common categorisation of stablecoins in the literature is based on the type of backing. This classification generally results in three different types of stablecoins: fiat-backed, cryptocurrency-backed and unbacked (or algorithmic) stablecoins. Some propose the concept of commodity-backed stablecoins, such as those backed by gold, meaning that commodity-backed stablecoins represent a fourth type. See also: [Hafner, M. et al., \(2024\): The four types of stablecoins: A comparative analysis, Ledger, Vol. 9.](#)

20 In future, it is conceivable that more assets in the category ‘money-backed’, i.e. government bonds or other high-quality and liquid assets (HQLA), will increasingly become available ‘on-chain’. This classification should therefore be viewed as a snapshot.

21 Classification under EU-MiCA: ‘money-backed’ = E-Money Token (EMT); commodity-backed = Asset-Referenced Token (ART).

22 Or even stabilised ‘on-chain’ using cryptographic methods (so-called algorithmic stablecoins).

Box 2: The stablecoin trilemma

Depending on their design, stablecoins can pursue the goals of price stability, decentralisation or capital efficiency. As these goals are mutually exclusive, two of the three can be achieved at most. Against the backdrop of this trilemma, issuers must determine the stablecoin design in line with the desired characteristics.

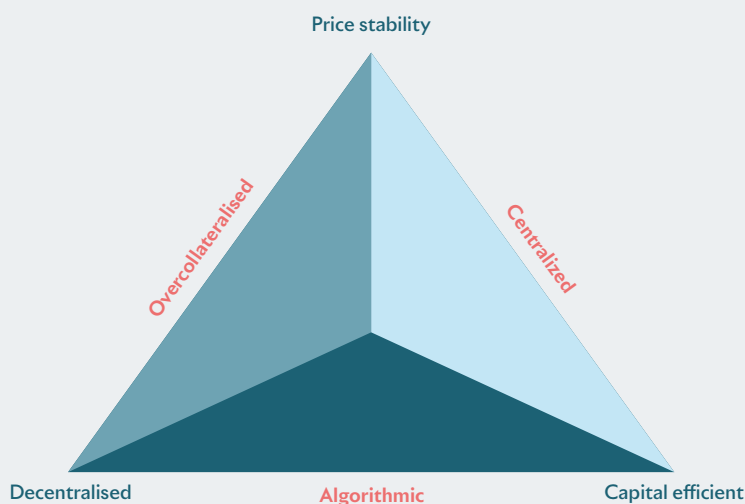


Figure 3: The stablecoin trilemma · Source: SBA (2025)

In terms of price stability, fiat-based stablecoins are superior because they are backed by assets in a reference currency such as the US dollar or the Swiss franc. Ensuring convertibility requires the issuer, as a centralised, regulated institution, to maintain a sight deposit account with the central bank. As this is not the case with a decentralised solution, a stablecoin with capital-efficient backing could only be introduced by accepting a significant exchange rate risk.

The capital efficiency of fiat-based stablecoins largely depends on the quality of the underlying assets. If backed by secure central bank money, a stablecoin is backed by one Swiss franc. When stablecoins are backed by securities, capital efficiency declines because the necessary risk premium implies that securities must be held in greater quantity than stablecoins issued in order to ensure value stability. When backed by cryptocurrencies such as Bitcoin or Ethereum, this risk premium is even higher because cryptocurrencies are subject to high price volatility. Ensuring price stability requires overcollateralisation, which results in low capital efficiency. A decentralised solution with capital-efficient collateralisation would come at the price of a higher exchange rate risk.

Algorithmic stablecoins exhibit even lower price stability, as they are not backed by valuable assets. The stability of the stablecoin relative to a reference value is achieved by an algorithm continuously balancing supply and demand. This leads to very high capital efficiency, but this also implies that in the event of a

run, not all stablecoins can be exchanged at the specified reference value. The issuance of algorithmic stablecoins is typically of a decentralised type. Since the collapse of Terra USD and LUNA, no stablecoin has been able to dispel doubts about the effectiveness of algorithmic stabilisation measures.

The issuance of stablecoins with a stable value on the liabilities side of the bank's balance sheet can influence the length and structure of the issuer's balance sheet and thereby impair its ability to transform maturities and risks. If, for example, a customer acquires stablecoins in exchange for bank deposits, a liability swap takes place without affecting the length of the balance sheet. Yet, the bank must ensure that they are backed by adequate collateral.

Different types of stablecoins vary significantly in terms of volatility and backing. When weighing up the stablecoin trilemma (see above), value stability and exchange at par with fiat money should be given greater weight than decentralisation and capital efficiency to achieve the widest possible adoption among the general public. However, capital efficiency, i.e. the extent to which stablecoins are backed by assets on the issuer's balance sheet, may also play a role in terms of the potential returns for issuers. In the area of regulated financial intermediaries, the backing of a stablecoin must therefore focus on value stability and capital efficiency. Only in this way can a stablecoin fulfil the 'No-questions-asked' principle²³, which is a prerequisite for the acceptance of money by the general public, which is a prerequisite for it to become commercially interesting for issuing banks. For these reasons, this report focuses on two concepts that sufficiently fulfil the criteria of value stability and capital efficiency henceforth.

2.2.1 Stablecoin fully backed by central bank money

To ensure that such a stablecoin can be converted into central bank money at par at any time, smoothly and without restriction, and that the singleness of the Swiss franc is preserved, the issuer must fully and permanently back it with sight deposits at the SNB. The issuer must be granted unrestricted access to the central bank's balance sheet and liquidity facilities and guarantee the protection of the stablecoin owners in the event of bankruptcy.

Such a stablecoin has a similar economic risk profile to an rCBDC. This should be reflected in the legal arrangement and hold even in the event of the issuer's bankruptcy. This would probably require legislative changes.²⁴ Potential rules governing access to collateral in the event of bankruptcy and the resulting implications for the issuer's balance sheet are subject to further clarification. The advantages of such a

²³ See glossary.

²⁴ The SNB intends to examine such a legal arrangement. See also [Maechler, A. M./Moser, T.: Swiss Payments Vision – an ecosystem for future-proof payments](#), SNB Money Market Event on 30 March 2023, p. 10.

stablecoin over rCBDC are obvious. Privately issued stablecoins are likely to be superior to a government-issued version, particularly in terms of functionality and programmability. However, the possibility of paying interest on such stablecoins, limiting their quantity or programmability could influence users' relative preference compared to traditional deposits and thus lead to challenges for financial stability.

To ensure system stability, a regulator could define these characteristics with the objective to influence the demand for stablecoins.²⁵ The Federal Council and the SNB are currently opposed to the introduction of an rCBDC and would therefore presumably not be convinced by the risk profile of a privately issued stablecoin that is fully backed by central bank money.

2.2.2 Stablecoin backed by central bank money, HQLA and bank deposits

Even stablecoins that are not fully backed by central bank money can be designed to be relatively stable. This is the case if the assets used for additional backing are of high quality and sufficiently liquid to allow stablecoins to be redeemed at any time without affecting the market prices of the collateral.²⁶ In addition to central bank money, HQLA and bank deposits also meet these requirements. A stablecoin that is additionally backed by HQLA and/or bank deposits typically generates higher interest income for the issuer than a stablecoin that is fully backed by central bank money. However, such stablecoins are exposed to a market risk against the Swiss franc, which, depending on their structure and framework conditions, may result in deviations of the exchange rate from parity with the central bank money. These fluctuations are generally smaller for stablecoins backed by bank deposits than for those backed by HQLA. This is because the market value of HQLA changes constantly depending on various factors, whereas with full backing by bank deposits in the reference currency, only the bankruptcy risk of the bank (i.e. the issuer) causes fluctuations in the transaction prices of stablecoins.

Excessive fluctuations in value could violate the 'No-questions-asked' principle that must apply to means of payment for the general public. Ideally, stablecoin users should not have to worry about the convertibility of various forms of money and means of payment. If the stablecoin does not offer advantages that is able to offset the downside of possible fluctuations in value, user base could be restricted. In order to minimise the deviations in the of HQLA-stablecoins relative to central bank money and to ensure user confidence, their issuers must meet the same supervisory and governance requirements as issuers of stablecoins that are fully backed by central bank money. In addition, competition between currencies is essential for HQLA-stablecoins – as for all privately issued means of payment that cannot be exchanged for legal tender at any time at par value – as an incentive to ensure price stability. Unlike a stablecoin fully backed by central bank money, an HQLA-stablecoin would not change the role of banks in the financial architecture and would therefore not restrict the effectiveness of monetary policy.

²⁵ Should the SNB decide to support a stablecoin fully backed by central bank money or to issue an rCBDC in the future, significant amendments to the Federal Act on Currency and Payment Instruments (CPIA) of 22 December 1999 ([CC 941.10](#)) und des Bundesgesetzes über die Schweizerische Nationalbank (Nationalbankgesetz, NBG) and the Federal Act on the Swiss National Bank (National Bank Act, NBA) of 3 October 2003 ([CC 951.11](#)) would be necessary. In particular, central technical and logistical rules for the issuance and circulation of rCBDCs and stablecoins fully backed by central bank money would need to be enshrined in law. Furthermore, an expansion of the catalogue of legal tender should be considered. See [TA-SWISS study](#), p. 217 and Zellweger-Gutknecht, C., Digitales Zentralbankgeld (Digital Central Bank Money), in: Zellweger-Gutknecht, C., Tschudi, D., MacCabe, K., Kryptowerte (2024), margin no. 15. 97 et seq.

²⁶ Other assets on the balance sheet are not well suited for keeping stablecoins stable because of their lower liquidity and higher default risk.

3 Opportunities and risks of stablecoins for Swiss banks

The rapid rise of blockchain-based innovations in the financial sector is also accelerating the transformation process of the Swiss monetary and payment system. The development of digital blockchain-based business models can only reach its full potential if a wide range of services and products can be paid for using a secure, directly transferable and stable means of payment. The Swiss economy currently only has access to volatile or USD-denominated token money, which leads to increased costs and risks, increases strategic dependencies on the USD area and restricts export-oriented companies in Switzerland. Without a Swiss franc stablecoin for the general public, many applications are likely to switch to foreign stablecoins, which could potentially hinder the development of blockchain-based innovations. If services and transactions on the blockchain are settled using trigger solutions²⁷ with traditional means of payment, the frictions inherent in the current system will largely remain. This is neither cost-efficient nor particularly innovative. International regulatory developments are clearly moving towards greater supervision of stablecoin issuers, including in Switzerland. As regulated and supervised entities, banks are also predestined to issue stablecoins in Switzerland.²⁸ In addition, various stakeholder groups in Switzerland have the necessary expertise and, given the country's small size, they can work closely together to develop innovative solutions.

“Digital blockchain-based business can only reach its full potential if a wide range of services and products can be paid for using a secure, directly transferable and stable means of payment.”

Box 3: Token money in Switzerland

Various forms of token money are currently in circulation in Switzerland. The Digital Swiss franc (DCHF) by Sygnum Bank and the tokenised Swiss franc (tCHF) by SIX Digital Exchange (SDX) are fully backed by SNB sight deposits and are therefore stable in value. The LVGA from the city of Lugano is backed by assets on the city's balance sheet. However, all these solutions are only accessible to a limited group of users and involve counterparty risk. The stablecoins issued by Centi AG and Mt Pelerin Group AG are

²⁷ A trigger solution is used to link a blockchain-based application to the traditional payment system. The «trigger» keeps the two systems synchronised.

²⁸ Stablecoins as defined in sections 2.2.1 and 2.2.2 may currently be issued in Switzerland by banks and institutions with a fintech license (Art. 1b BankA). Various licensing exceptions under Art. 5 para. 2 and 3 of the Ordinance on Banks and Savings Banks (Banking Ordinance, BO) of 30 April 2014 ([CC 952.02](#)), remain reserved. Funds where the repayment and interest to be paid are guaranteed by a bank (default guarantee) are not considered to be deposits. See, among others, [FINMA Guidance 06/2024 – Stablecoins: risks and challenges for issuers of stablecoins and banks providing guarantees](#), 26 July 2024, p. 5 et seq. In its Guidance, FINMA provides information on the minimum requirements developed to protect depositors with regard to default guarantees provided by banks used by various stablecoin issuers in Switzerland.

available to the general public, but the details of their backing are not known. The Frankencoin is also available to the general public and is not fully backed by reserves. Its tokens are not issued by a central issuer but issued in a decentral setup by Lombard debtors instead. The digital franc from Swiss Stablecoin AG is still in the pilot stage. A few Swiss banks already offer stablecoins for trading in their portfolios. For example, BBVA (Suiza) SA allows customers to hold USDC directly via its own investment platform or convert it into various currencies in near real time.

3.1 Opportunities

3.1.1 Income from issuance

Banks as issuers can issue a stablecoin profitably if the interest rate on the underlying assets is higher than the interest rates for stablecoin users. Negative interest rates could pose a major challenge to the business model, particularly if the stablecoin is backed by SNB sight deposits. The possibility of interest rate arbitrage would largely disappear. Collateralisation with HQLA typically generates higher interest income for the issuer than a stablecoin fully backed by central bank money. As in the deposit business, banks would have the opportunity to generate commission income. They could, for example, charge fees for managing the stablecoin by levying issuance fees.

3.1.2 Use cases

Stablecoins can support the digital economy in many areas. The economic incentive behind these developments is the ability of various monetary and payment systems to streamline payment processes and to reduce transaction times and costs by using the blockchain technology (in particular via smart contracts). These efficiency gains enable companies to reduce their operating costs. Stablecoins issued under the conditions described in chapter 2 can efficiently support the ongoing digitalisation of the economy and the society. There are currently five basic use cases for stablecoins:

“Stablecoins can efficiently support the ongoing digitalisation of the economy and the society.”

- **Payment transactions:** Stablecoins enable P2P-payments and, being programmable, can foster innovation in the integration of logistics and payment transactions along supply chains, as well as applications in the Internet of Things (IoT) that require fully synchronised and self-managed payment flows. An example are automated payments for services provided by autonomous machines. Stablecoins thus have the potential to promote the automation of

business processes in DLT-ecosystems.²⁹ As Switzerland already has a very effective and efficient domestic payment system, the potential of stablecoins currently appears to be greatest in cross-border payments.

- **Trading and settlement of digital assets:** Stablecoins enable the efficient trading and settlement of digital assets that are represented on the blockchain. In the secondary market in particular, the smart contract capability of stablecoins bears great potential for process automation. Players such as SDX are already using a stablecoin to enable the exchange of digital assets for digital currency on their own platform.³⁰
- **Decentralized Finance (DeFi):** P2P value transfer via stablecoins and their usability in smart contracts enable the automated provision of financial services, such as lending, without the need for intermediaries. Thanks to their composability, smart contracts can be linked together in any way desired. This enables the ecosystem on the blockchain to develop and offer new, innovative services and products. Stablecoins can provide liquidity in this ecosystem and serve as collateral for various financial products. Their integration into traditional financial systems can also bridge the gap between conventional and blockchain-based systems, thereby promoting innovation and competitiveness.
- **Company internal money transfers and liquidity management:** Stablecoins can facilitate money transfers within a company group – especially for companies operating in different jurisdictions – and enable more efficient and simpler internal movement of liabilities to manage liquidity risk and comply with regulatory requirements. Such rule-based liability management contributes to improved risk management of default risks and optimised working capital management.
- **Store of value:** In addition to their function as a means of payment, stablecoins can also serve as a stable store of value. Holders of cryptocurrencies who anticipate market downturns convert their cryptocurrency holdings into stablecoins, thereby avoiding the fees associated with conversion into fiat currencies and enabling them to reinvest in the cryptocurrency markets more quickly, as the money does not leave the blockchain environment.³¹ In the interest of greater diversification, alternatives to the currently dominant USD-stablecoins are likely to enjoy a considerable degree of demand.

Further applications are not yet foreseeable but could develop as stablecoins become more widespread. In particular, expected advances in blockchain technology, such as improved scalability or lower transaction fees, are likely to increase the functionality and attractiveness of stablecoins. Such technological improvements could support their widespread use and integration into various economic activities and lead to new use cases.

29 According to forecasts, the number of IoT devices worldwide will almost double from 15.9 billion in 2023 to more than 32.1 billion IoT devices in 2030. See also [Statista](#) (2024).

30 As an alternative to a stablecoin, the SBA is analysing the feasibility of a 'deposit token' for this specific application.

31 [Dionysopoulos L., & Urquhart A., \(2024\): 10 years of stablecoins: Their impact, what we know, and future research directions](#) Economics Letters, Vol. 244.

3.1.3 Strategic relevance

In addition to income from issuing stablecoins (see Section 3.1.1), banks could be particularly interested in the customer services based on stablecoins and the strategic positioning they offer. Programmable and directly transferable token money such as stablecoins are ideally suited for an number of use cases (see Section 3.1.2). Digital central bank money, stablecoins and tokenised commercial bank money serve different use cases, characteristics, user profiles and risks. This is likely to result in a coexistence of different means of payment for different purposes.

At the macroeconomic level, Switzerland, as a small open economy and a location for large companies with long supply chains, can benefit from payment solutions such as stablecoins, which allow money to be moved around the globe relatively cheaply. A widely used and therefore liquid Swiss franc stablecoin could be a competitive advantage for export-oriented companies in Switzerland and thus also represent an international locational advantage. The existence of a Swiss franc stablecoin on the public blockchain would enable the Swiss economy to reduce its dependence on the USD market and international dollar clearing in the correspondent banking system. In a world where token money is being used on an ever-larger scale and in promising, high-value-added sectors, the lack of a Swiss alternative could compromise strategic independence or currency sovereignty.

“The existence of a Swiss franc stablecoin could lead to an inflow of capital into Switzerland.”

The existence of liquid, widely used Swiss franc stablecoins could give rise to parallel CHF money systems abroad. The position of the Swiss franc as a reserve currency would be consolidated and possibly even strengthened. The observation that stablecoins are often used to store value suggests that the existence of a Swiss franc stablecoin could also lead to an inflow of capital into Switzerland. This would strengthen Switzerland's position as a global centre for cross-border asset management and continue to ensure low interest rates, which are beneficial to a thriving economy.

These strategic considerations are also likely to be incorporated into the current work of the Federal Department of Finance (FDF) and the State Secretariat for International Financial Matters (SIF). The SIF is currently drafting a bill on behalf of the Federal Council to amend financial market legislation with regard to innovative business models of financial institutions.³² It is expected to propose a licence for payment service providers that will replace the current fintech licence³³ and that will eventually also apply to stablecoin issuers.

It is evident that it will be crucial for financial stability that the authorities' proposal does not lead to a situation where less regulated payment service providers have an advantage over banks when issuing stablecoins. Precisely because banks meet the most stringent supervisory requirements, they must continue to be authorised to carry out all financial activities.

³² [State Secretariat for International Finance \(SIF\), Amendment of financial market legislation with regard to innovative business models of financial institutions, 27 March 2024.](#)

³³ Art. 1b of the Federal Act on Banks and Savings Banks (Banking Act, BA) of 8 November 1934 ([CC 952.0](#)).

Box 4: The stablecoin landscape abroad and its implications for Switzerland

The global trading volume of stablecoins exceeded USD 2.6 trillion in the first half of 2024.³⁴ More than 20 million users carry out at least one stablecoin transaction every month. However, the number of stablecoins issued by banks remains manageable. SG Forge's stablecoin EURCV is currently the only stablecoin issued by a wholly owned subsidiary of a major bank. It is fully backed by EUR bank deposits and high-quality, liquid EUR securities held at Société Générale. To diversify the risk of bankruptcy, these can also be held at different banks.³⁵ Other stablecoins issued by banks, such as JP Morgan's JPM Coin, are reserved for a narrowly defined group of institutional users. Other institutions such as ING and Deutsche Bank have already announced their own stablecoins. Fidelity is a payment system backed by twenty financial institutions and fully covered by central bank money, which offers P2P-payments for the wholesale sector in various currencies.

By far the largest proportion of stablecoins in circulation is backed by US dollars. The concentration is very high. The two leading stablecoins, Tether (USDT) and USD Coin by Circle (USDC), have a total market share of almost 90%.³⁶ The figures show that users place great importance on the liquidity, stability and use cases of the largest stablecoins, as well as the stability of the USD. While the currency of stablecoins is largely limited to the USD, the marketplaces are very international. For example, more USDT transactions take place in Asia and Europe than in North America.³⁷ Stablecoins are considered a safe alternative to local currencies, especially in jurisdictions with poor banking infrastructure and volatile financial markets. They are primarily used there for cross-border transfers and as a protection against inflation.³⁸

Given the unchallenged position of the largest stablecoins, a Swiss franc stablecoin with international ambitions would have to position itself in the market relying on its stability and/or usability. Only with an excellent design will a stablecoin be likely to meet sufficient demand alongside the major incumbent stablecoins. The extent to which the trend towards stricter regulation will lead to market shifts remains to be seen. In the absence of a CHF stablecoin, many applications are likely to switch to foreign stablecoins in the future. The fact that regulation is not structurally neutral is demonstrated by the increase in the transaction volume of USDC after it became the first stablecoin to comply with the European MiCA

³⁴ [Castle Island Ventures & Brevan Howard Digital, Stablecoins: The Emerging Market Story \(2024\).](#)

³⁵ [SG Forge, EUR CoinVertible \(EURCV\) Stablecoin White Paper \(2023\).](#)

³⁶ With a market share of 0.38% of the total stablecoin market, only a marginal portion of stablecoins is pegged to the euro, equivalent to around USD 617 million. Other stablecoins are pegged to the Turkish lira, the Singapore dollar, the yen and other fiat currencies. They do not exceed a capitalisation of USD 100 million (Castle Island Ventures & Brevan Howard Digital, 2024).

³⁷ The preference for using USD stablecoins may come from both the exchanges and the traders who trade on the exchanges.

³⁸ An example of a successful stablecoin is the Ejara Coin in the CFA franc currency area, which has over 160 million users (Forbes, [Why Emerging Markets Are Betting On Stablecoins](#) (2023)).

regulation³⁹ This has demonstrably contributed to the increase in the transaction volume of USDC.⁴⁰ Small, national and purpose-built CHF stablecoins are also likely to have their place, but they are hardly scalable. The first stablecoin issuers, such as Monerium, have been listed by the EU as ‘electronic money institutions (EMIs)’, which provides additional regulatory certainty for investors and demonstrates the opening up of existing legal forms to stablecoins.⁴¹

3.2 Risks

Various stakeholders face risks associated with the issuance and use of stablecoins. Despite promises of stability, users face the risk that they will not be able to redeem their stablecoins at face value. To date, no stablecoin has been able to maintain parity with its peg on the secondary market at all times.⁴² This is due to credit, market and liquidity risks to which the reserve assets are subject, or operational risks. If there are doubts as to whether issuers have sufficient liquid funds to guarantee full repayment at all times, there exists a risk of a stablecoin run.

For banks, it is important to note that every Swiss franc segregated to back stablecoins cannot be used for lending. This results in opportunity costs. With large stablecoin volumes, this could lead to higher refinancing costs, regardless of who issues the stablecoins. Such disintermediation also challenges the effectiveness of monetary policy. The interlinking of large stablecoins with the traditional financial system may pose stability risks and undermine the management of international capital flows. Finally, due to their direct transferability, there are risks to market integrity from financial crime that need to be addressed.

3.2.1 Instability of stablecoin issuers

Stablecoins are subject to solvency and liquidity risks. Solvency risk arises when the stability of the stablecoin comes under pressure if credit and market risks call into question the value of its reserve backing for the purpose of maintaining redeemability. The liquidity risk is relatively higher. As with a bank, it must be ensured that, in the event of a run on the stablecoin, the reserve assets can be liquidated at their balance sheet value. In addition, the exchange rate of a Swiss franc stablecoin may deviate from parity with central bank money because, unlike a conventional bank transfer, a transfer of stablecoins is not accompanied by a settlement payment in central bank money.⁴³

39 [Regulation \(EU\) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations \(EU\) No 1093/2010 and \(EU\) No 1095/2010 and Directives 2013/36/EU and \(EU\) 2019/1937.](#)

40 Matos, [USDC weekly volume soars 155% in 2024 following MiCA implementation](#) (2024).

41 Monerium, [Secure and scalable payments that exceed industry standards: Institutional Compliance](#) (2024).

42 Kosse et al., [Will the real stablecoin please stand up?](#) (2023).

43 This is done by bank transfer between the current accounts of the banks involved at the SNB via the SIC system.

However, other mechanisms can also serve to stabilize the exchange rate of stablecoins, in particular adequate backing with HQLA (see Section 2.2.2). Only backing with risk-free and fully liquid central bank money can guarantee parity at all times.⁴⁴ The SNB determines the scope and conditions of access to the sight account, to liquidity facilities as lender of last resort (LOLR) and to the Swiss Interbank Clearing System (SIC).

Regardless of the backing, bankruptcy protection, supervision of stablecoin issuers and the safe custody of reserve backing are central to stability. To ensure confidence, transparency regarding the current and future ability to maintain the exchange rate peg must also be guaranteed. This includes not only the scope and quality of the reserve backing, but also numerous aspects of governance, such as clear responsibilities and ensuring that business decisions such as the definition of the risk appetite are in line with the interests of stablecoin users.

In the case of specific arrangements, particularly those fully backed by SNB sight deposits, stablecoins can be converted into bank deposits at any time and without restriction. Exchange rate stability vis-à-vis the Swiss franc is a key prerequisite for the use of stablecoins by the general public.

3.2.2 Disintermediation

The issuance of stablecoins with stable value on the liabilities side of the bank balance sheet can influence the length and structure of the bank balance sheet and thereby impair the ability to transform maturities and risks. If issued on a very large scale, this could promote disintermediation, i.e. undermine the intermediary role of banks between lenders and borrowers. The reason for this is that stablecoins must be backed by high-quality, liquid assets, and then are unavailable for lending.

A significant outflow of deposits could make refinancing bank loans more expensive, with corresponding consequences for the economy. However, if stablecoins are fully backed by bank deposits, there is no direct risk of disintermediation. The bank with liabilities to a stablecoin issuer can use those deposits for its lending business. However, because HQLA are not eligible for the liquidity coverage ratio (LCR), a bank may be forced to shift additional loans into liquid assets in order to meet liquidity requirements.⁴⁵

The risk of disintermediation is highest when stablecoins are backed by central bank money (see section 2.2.1), as these are the most attractive option for both payments and savings due to their risk-free nature and identical functionality and interest rates. The risk of disintermediation becomes acute in turbulent times, when such a stablecoin acts as a safe haven, fuelling the substitution of bank deposits and thereby posing a threat to the soundness of banks. In extreme cases, disintermediation can jeopardise the two-tier banking system and its economic functions. The extent of the risk depends on the factors that determine demand for stablecoins (including interest rates, supply elasticity, security and stability) and on any specific regulations for stablecoin issuers. For example, the risk can be reduced by (temporarily) restricting the supply or demand for stablecoins.

⁴⁴ The stablecoin volume could also be covered threefold with Swiss government bonds, for example. This would prevent stablecoin holders from suffering any losses. Nevertheless, the uncertainties resulting from a potential bank failure or the delayed repayment of the equivalent value could cause the exchange rate to deviate from parity anyway.

⁴⁵ It is still unclear whether a higher outflow factor will apply to stablecoins than to traditional deposits when calculating the LCR.

If a stablecoin fully backed by central bank money is successfully introduced, the market structure is likely to shift towards narrow banking. Users will switch to (low-risk) narrow banks for savings and payments, while (high-risk) credit institutions will have to refinance themselves on less favourable terms due to the loss of deposits – with possible consequences for the economy.⁴⁶

However, like the lending business, the issuance of stablecoins can be conducted as an interest rate differential business (see section 3.1.1). In this case, the interest income from the stablecoins created and any fee income can offset the losses incurred in lending. Stablecoins that can be issued on the basis of additional business volume offer potential earnings without adversely affecting lending.

“Stablecoins that can be issued on the basis of additional business volume offer potential earnings without adversely affecting lending.”

3.2.3 Stability of financial markets

Stablecoins can influence asset pricing, collateral valuation, the money market and monetary policy through their reserve backing. Rising demand for short-term securities as collateral for stablecoins is likely to lower interest rates given the limited volume of HQLA issued in Swiss francs, thereby increasing the issuance of debt securities. Global stablecoin providers also have the potential to influence the Swiss franc exchange rate. A stablecoin run could cause market disruptions and put pressure on banks, investment funds and other market participants without access to central bank credit.⁴⁷

These risks increase with the volume of stablecoins, especially if their user base expands to include persons domiciled abroad and if they are used as a store of value. The SNB contributes to the stability and safety of bank deposits by granting banks access to refinancing facilities and safeguarding cashless payment systems. Parity between bank deposits and central bank money is ensured by the SIC system. This is achieved by the settlement of bank transfers in central bank money.

3.2.4 Transmission of monetary policy

The issuance of stablecoins can have a negative impact on monetary policy and its transmission in various ways, both through its effects on economic development and through the substitution of different forms of money and investment. The monetary policy transmission mechanism would be impaired above all if bank deposits were substituted by stablecoins, i.e. if bank customers converted their deposits into stablecoins. This could impair the ability of banks to use interest rates to influence lending and thus the effectiveness of monetary policy.

The substitution of cash by stablecoins, i.e. if bank customers convert their cash holdings into stablecoins, would reduce the monetary base (M0) but would not impair the implementation of monetary policy.

⁴⁶ See, [IMF Working Paper, The Chicago Plan Revisited \(2012\)](#).

⁴⁷ The Financial Stability Board (FSB) regularly reviews the implementation of its recommendations on global stablecoin arrangements in relevant jurisdictions. (cf. [Thematic Peer Review on FSB Global Regulatory Framework for Crypto-asset Activities – Financial Stability Board](#)).

The SNB's ability to steer short-term money market interest rates would remain intact. This is because stablecoin backing in the form of Swiss franc-denominated assets would respond to changes in key interest rates. However, it is difficult to imagine that cash, which has not yet been replaced by electronic payment methods, would one day be replaced by stablecoins.

The substitution of securities by inflows from cash-equivalent securities or equivalent money market funds in stablecoins would also have little impact on lending and thus on monetary policy, as it does not directly affect bank deposits. Due to their functionalities, stablecoins are overall much more substitutes for bank deposits than for cash or securities. The SNB can partially address impairments to the effectiveness of its monetary policy by structuring stablecoin issuers' access to a sight deposit account.

In addition to the direct impact on the transmission mechanism, the issuance of stablecoins would have numerous other consequences for the SNB:

- A lower demand for banknotes and central bank reserves would, in principle, lead to a shorter SNB balance sheet and less seigniorage income. However, stablecoins backed by central bank money could significantly lengthen the SNB's balance sheet and make it more difficult to manage. On the other hand, the SNB would be able to track money circulation in real time.
- The issuance of a stablecoin fully backed by central bank money could lead to a significant shift in credit risk from commercial banks to the central bank. If depositors transfer their risky deposits to such stablecoins, the central bank responds to the demand to keep money market rates and its monetary policy stance unchanged by taking the banks' credit risk onto its balance sheet. This is because the demand for the redemption of deposits in stablecoins would be much higher than for banknotes, as the latter involve a high risk of loss and are costly to store.⁴⁸
- In addition, the central bank would face risks arising from unrestricted access by supervised new stablecoin issuers to all SNB facilities.
- If stablecoins are backed by securities, a very large volume of stablecoins in Switzerland could lead to a shortage of safe, highly liquid assets suitable for the SNB's monetary policy operations, such as asset purchases and open market operations.

3.2.5 Risks to market structures

Stablecoins benefit from network effects and can have a monopoly character. The risk of monopoly and the resulting systemic importance are likely to be the main reasons why, for example, Facebook's 'Diem' project (formerly 'Libra') was rejected by regulators and central banks internationally, in addition to the threat it poses to the monetary sovereignty of central banks. Issuers of stablecoins with market risks need competition as an incentive to maintain high quality. Given the size of the issuers of a systemically important global currency such as Libra, a stablecoin run could have required unprecedented support measures from central banks. As with all BigTech companies, stablecoin issuers also face the risk of data monopolies. Companies could use the data to create detailed user profiles, which could lead to targeted advertising, price discrimination and even the exclusion of certain user groups⁴⁹

⁴⁸ [Baeriswyl, R., Reynard, S. & Swoboda, A. Retail CBDC purposes and risk transfers to the central bank. Swiss J Economics Statistics 160, 7 \(2024\).](#)

⁴⁹ [TA-SWISS study](#), p. 187.

3.2.6 Money laundering risks

In its Guidance 06/24 of 26 July 2024, the Swiss Financial Market Supervisory Authority (FINMA) points out the increased reputational risks posed by stablecoins for the Swiss financial centre in the areas of money laundering, terrorist financing and the circumvention of sanctions. The due diligence obligations under money laundering legislation must also be complied with in relation to stablecoins. These include, in particular, verifying the identity of the contracting parties and establishing the identity of the beneficial owners. FINMA also requires the issuer to identify each individual stablecoin holder, even if there is no contractual relationship with the issuer.⁵⁰ In this regard, there has been criticism that FINMA has tightened its practice beyond the existing international standard and the money laundering principles applicable to date, to the detriment of issuers.⁵¹ Finally, to ensure the traceability of transactions, the ‘travel rule’ must also be complied with, according to which financial intermediaries must provide certain information about the originator and beneficiary of transactions.⁵²

50 [FINMA Guidance 06/2024](#), p. 4; [TA-SWISS study](#), p. 214.

51 See, among others, [TA-SWISS study](#), p. 214; [Swiss Blockchain Federation](#), [Swiss Blockchain Federation criticizes FINMA's supervisory communication on stablecoins](#), 13 August 2024.

52 Art. 10 of the Ordinance of the Swiss Financial Market Supervisory Authority on Combating Money Laundering and Terrorist Financing in the Financial Sector (FINMA Anti-Money Laundering Ordinance, AMLO-FINMA) of 3 June 2015 ([CC 955.033.0](#)).

4 Conclusion

Stablecoins have the potential to significantly strengthen the digital economy in Switzerland by providing efficient, low-cost and secure means of payment for the general public. Their ability to streamline payment processes and reduce transaction times and costs makes them particularly attractive for various applications, including payment transactions, trading in digital assets and decentralised financial services.

A Swiss franc stablecoin could thus further enhance Switzerland's competitiveness as a global innovation leader with a strong financial centre. As an efficient means of payment and stable store of value, it could support the country's innovative strength and promote its strategic independence. It could also consolidate and possibly strengthen the Swiss franc's position as a reserve currency. The example of today's successful stablecoins shows that the earnings potential associated with issuing and managing a CHF stablecoin can be high.

Stablecoins must comply with the 'No-questions-asked' principle, which is a prerequisite for the acceptance of money by the general public. In order to maintain their trust and thus ensure acceptance and stability, stablecoins must be backed by high-quality, liquid assets and issued by regulated and supervised intermediaries such as banks. Central bank money, bank deposits and other HQLA are suitable as cover to ensure value stability. Only stablecoins structured in this way can be commercially attractive for issuing banks. Any regulation of access to collateral in the event of bankruptcy and the resulting balance sheet effects for issuers are subject to further clarification.

However, the introduction of stablecoins also entails risks, particularly for the stability of the financial system and the effectiveness of monetary policy. Disintermediation, i.e. the impairment of banks' intermediary role, could affect lending and refinancing costs. In addition, large volumes of stablecoins could harm the well-functioning of asset pricing and the stability of financial markets. Clear regulatory frameworks are needed to mitigate these risks. These should continue to ensure that stablecoins are issued by trustworthy, regulated and supervised issuers. A legally secure civil law framework and consideration of financial market regulations are key in this regard.

The discussion on the regulatory framework will continue at both the national and international level. Overall, the issuance of a Swiss franc stablecoin offers opportunities for Switzerland and its financial centre, but requires careful consideration and clear regulatory measures to manage the associated risks and exploit the full potential of this innovative technology.

The SBA, together with its members, continues to advocate for a framework that shapes the landscape of different payment types in a way that maximises prosperity.

Glossary

Blockchain: Essentially a publicly accessible form of distributed ledger in which transactions are grouped and recorded in blocks, which then in turn are chained together. The length of a chain and thus the ledger increases with every transaction.

Central Bank Digital Currency (CBDC): Digital money issued by a central bank is referred to as a digital central bank currency. The central bank offers two forms of CBDC: It grants the general public access to the central bank money (“retail CBDC”) and makes it available to commercial banks and other financial market participants (“wholesale CBDC”).

Central bank money: Money that can only be issued by the central bank. It exists in the form of banknotes in circulation, and in the form of sight deposits held by commercial banks or other selected (financial market) participants at the central bank.

Composability: Refers to the ability of different protocols and applications on a blockchain to interact seamlessly with each other as building blocks, enabling developers to mix and match different components or source code from existing protocols, smart contracts and application programming interfaces to create new DeFi applications.

Cryptocurrency: Generic term for a universe of tokens and coins that are characterised by their issuance on a decentralised database in conjunction with the use of cryptographic mechanisms and corresponding consensus and authentication measures. In a narrower sense, it also refers to assets or investment goods that are not linked to real economic assets or claims.

Decentralised finance (DeFi): The provision of financial services (loans, mortgages, investments, insurance etc.) via a DLT-based infrastructure that, in its purest form, would have no need for intermediaries and could be almost entirely decentralised – although many hybrid forms are possible.

Deposit-Token (DT): Refers to a blockchain-based payment process that is similar to and builds on traditional bank deposits.

Distributed Ledger: A system in which transactions and other information are recorded, with multiple identical copies stored in different places and synchronised using consensus-based rules.

Exchange rate risk: Describes the risk arising from constant fluctuations in the exchange rate between two currencies. It particularly affects international companies involved in the import and export business, which can be negatively impacted by currency appreciation or depreciation.

Fiat currency: A means of payment and store of value issued by central banks and banks without intrinsic value. Fiat currencies, such as Swiss francs, euros, US dollars, etc., are not linked to the price of commodities, but are based on trust in the value of money and are kept stable by the central bank's interest rate and monetary policy.

High-Quality Liquid Assets (HQLA): High-quality liquid assets comprise cash or assets that can be sold quickly and without significant loss of value in exchange for cash.

«**Internet of Things» (IoT):** Refers to the association of an object with a digital identity. An object is identified and connected via a wireless communication system such as Wi-Fi or Bluetooth. Smart watches, industrial machines and household appliances can now be connected to the Internet. These devices then generate a large amount of structured data that can be used for analysis and optimisation purposes.

Liquidity facilities: Under the National Bank Act, the SNB also acts as a lender of last resort. As part of its contribution to financial stability, it can provide liquidity to a domestic bank if this institution is no longer able to obtain refinancing on the market. The prerequisites are that the bank seeking credit is solvent and that the liquidity assistance is covered in full at all times by adequate collateral.

Monetary base: Corresponds to the sum of banknotes in circulation and sight deposits held by domestic commercial banks at the SNB. Another term used is 'monetary aggregate M0'.

Narrow Bank: Financial institution that operates with a very conservative business model. It invests primarily in safe and liquid assets such as government bonds or cash equivalents and aims to provide depositors with a safe place to store their money while achieving a minimal return on their deposits. Narrow banks are designed to minimise risk and focus on maintaining maximum liquidity and capital security.

'No-questions-asked' principle: States that money is accepted as a means of payment by economic entities at any time, regardless of its issuer and form. Users and economic entities therefore do not need to ask questions about the origin or value of money.

Parity: Refers to the determination of the value of a currency against a benchmark. The market rate may differ from this. Possible forms include the exchange ratio between a currency and gold (gold parity), between two currencies (e.g. dollar parity) or between a cryptocurrency (stablecoin) and a fiat currency such as the US dollar.

Peer-to-peer payment methods (P2P): Cash is the classic P2P payment method, which can be transferred directly between two parties without the need for a financial intermediary.

Smart Contract: A contractual agreement in the form of a computer program that can be executed automatically, directly and with no risk of manipulation. Smart contracts are generally stored on a blockchain and executed in parallel according to the consensus-based rules of the system. They offer a high degree of security as they are always executed as specified, and anyone can check the resulting state changes. This ensures transparency and minimises the risk of manipulation and arbitrary intervention.

Token: A unit of digital information embodying a legal right or, as in the case of Bitcoin, an intangible asset in purely digital form.

Travel Rule: When executing a payment order, financial intermediaries are required to convey certain information, such as details of the payer and the payee.

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