**How Swiss Securities Law’s adaptation to EU standards will impact**

**Security Token Offerings in Switzerland**

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*Abstract*:

In a Security Token Offerings (“STO”), blockchain-based tokens - representing real- world assets as debt or equity claim on the issuer - are issued. In light of their economic function, security tokens are analogous to equities, bonds or derivatives. These tokens are considered securities in the eyes of Swiss financial securities regulation. Because of their qualification as securities, the issuance of such tokens is subject to securities law much like traditional security offerings. In this paper, I analyze securities law from the STO perspective, taking into consideration the different possible forms such security tokens, as well as the method of their distribution to investors.

Switzerland’s securities regulation is undergoing a major transformation. The Federal Act on Financial Services (“FinSA”) has been adopted on 15 June 2018 and will enter into force on 1 January 2020. The draft Ordinance of Financial Services (“FinSO”), published in October 2018, is currently in consultation until 6 February 2019 and is expected to enter into force at the same time as the FinSA. The FinSA and the FinSO considerably modify and update the following aspects of the public offering of securities: the prospectus publication requirements, the conditions of publication exemptions, the content and structure of the prospectus, as well as the prospectus review and liability regime. I first compare the new Swiss Securities Law to the existing regime from a historical standpoint and point out the advantages and disadvantages for STOs in the future.

The modernization of the Swiss securities law heavily leans on international standards, in particular it adapts Swiss standards to the harmonized EU prospectus law. Using the functional method, I then compare the FinSA and the FinSO to the EU prospectus regulation in order to draw conclusions in regard to the interoperability of future Swiss and European prospectus for STO’s.

The modernization effort has been triggered by Switzerland’s need to gain better access to the European financial markets. STOs mostly aim to reach investors internationally. The choice of jurisdiction for an STO is greatly influenced by the possible market which can be targeted by the public offering. Further, I analyze from a macro perspective if this harmonization effort will enable STOs, issuing their tokens from Switzerland, to access the European market with a single prospectus.

Liechtenstein, Switzerland’s very close neighbor, has already adapted its securities law to EU standards. Thanks to its access to the European market, as well as its favorable regulatory attitude towards distributed ledger technology, Liechtenstein has attracted many utility and security token offerings. Taking into account the experiences of the Liechtenstein market, I make predictions as to the effect of the new FinSA and FinSO on Switzerland as a STO market.

While the new regulation will only enter into force in 2020, it could have consequences on ongoing or planned STO’s in 2019. I therefore finish my paper with recommendations for companies intending to launch an STO between now and 2020. In doing so, I take into account the different possible forms of security tokens, the targeted investor groups and the economics of an STO.