KPMG

DLT Report March 2026

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1 Introduction

Distributed Ledger Technology in Switzerland – Progress amid Consolidation and Constraints

Distributed ledger technology (DLT) in Switzerland continues to evolve, though not without friction. While the digital asset ecosystem has clearly moved beyond early stage experimentation, recent developments indicate a phase of consolidation marked by both maturation and structural challenges. Adoption is advancing selectively rather than uniformly, underscoring the gap between the strategic ambition associated with DLT and its current level of broad based implementation.

Within the Swiss financial sector, cryptocurrencies remain the primary and, to date, most impactful driver of DLT adoption. Crypto related services – most notably custody, trading and related ancillary activities – are now operationally established at a significant number of institutions and are typically anchored in formal strategies. In contrast, other DLT applications, such as tokenization beyond cryptocurrencies or DLT based process innovation, remain at an early stage of development. Outside of a limited number of use cases, these applications are still characterized by pilot initiatives, proofs of concept and targeted deployments rather than scaled production environments.

The successful Proof of Concept on tokenized commercial bank money ("Deposit Token") coordinated by the Swiss Bankers Association nevertheless represents an important signal of progress. By demonstrating the technical and legal feasibility of interbank settlement using tokenized deposits on a public blockchain – while preserving the legal nature of traditional book money – the initiative highlights the potential of DLT to incrementally enhance existing payment infrastructures. At the same time, it illustrates the cautious and pragmatic trajectory of adoption, with innovation progressing in controlled steps rather than through systemic transformation.

At the market infrastructure level, recent developments also point to the practical and commercial constraints facing the Swiss crypto industry. The strategic realignment of SIX Digital Exchange, including the cessation of its exchange operations and the reintegration of digital-asset activities into the traditional SIX Swiss Exchange, underscores that not all first mover DLT initiatives have achieved sufficient market traction. These developments should be viewed less as a retreat from DLT and more as evidence that sustainable adoption requires alignment between technology, regulation and viable business models. In parallel, access to international markets has become more complex, with foreign regulatory initiatives – most notably the EU's Markets in Crypto Assets Regulation (MiCAR) – increasing compliance complexity and creating additional friction for cross border activities.

Despite these challenges, Switzerland continues to occupy a strong position within the European blockchain landscape. The Crypto Valley remains a leading hub, attracting a disproportionate share of European blockchain venture funding and hosting a dense concentration of high value projects. Growth in investment volumes, deal sizes and valuations points to a maturing ecosystem, albeit one that is becoming more selective and concentrated geographically in Zug and Zurich.

On the regulatory front, Switzerland has progressed from framework design to active operationalization. The granting of the first DLT trading facility license and the issuance of targeted FINMA guidance on disclosure and custody of crypto based assets enhance legal certainty and supervisory clarity. At the same time, ongoing reforms to the Financial Institutions Act signal tighter and more differentiated oversight of crypto service providers, increasing regulatory expectations around governance, transparency and operational resilience.

Finally, anti money laundering and financial crime risks remain a sustained and central focus, rather than an emerging one. As crypto assets become more integrated with the traditional financial system, regulatory expectations continue to emphasize that institutions must manage both direct and indirect exposure within their existing AML/CFT frameworks. Blockchain analytics and crypto specific controls are increasingly treated as baseline elements of effective risk management rather than optional enhancements.

Overall, DLT adoption in Switzerland is progressing, but along a more measured and selective path than early narratives suggested. Cryptocurrencies are firmly established as the leading use case, while broader DLT applications are still at the beginning of their maturity curve. For boards and senior management, the strategic question is no longer whether DLT is relevant, but how to navigate its opportunities and constraints – balancing innovation with regulatory discipline, commercial viability and long term operational sustainability.

2 DLT Adoption

2.1 DLT Adoption in the Swiss Financial Sector

Over the past year, the use of distributed ledger technologies (DLT) within the Swiss financial sector has continued to mature. While DLT was previously explored through pilot projects and feasibility studies, recent industry surveys show a clear shift toward concrete, production oriented applications. This evolution is particularly visible in the handling of cryptocurrencies and in the first implementations of tokenized forms of money. Additional indicators from the Swiss blockchain ecosystem underscore the growing economic relevance of these developments.

A key milestone in the tokenization of commercial bank money was the Proof of Concept (PoC) coordinated by the Swiss Bankers Association (SBA) on the use of a so called Deposit Token. As part of this initiative, UBS, PostFinance and Sygnum Bank jointly tested the settlement of an interbank payment using tokenized bank deposits on a public blockchain. The PoC was completed successfully, demonstrating that payments with tokenized commercial bank money are technically feasible, can operate within a viable legal framework and can be executed across different institutions.

The tested Deposit Token represents a tokenized form of existing bank deposits and is therefore fundamentally distinct from stablecoins or central bank digital currencies (CBDCs). It preserves the legal nature of book money and serves as a complementary payment and settlement instrument within a DLT enabled infrastructure. As the SBA noted, the initiative marks a strategic intermediate step: "With the successful Proof of Concept, the groundwork has been laid for further development of a new, innovative form of digital payment."

Cryptocurrencies continue to play a central role in driving DLT adoption across the Swiss financial sector. According to the Blockchain Pulse Survey 2025 by the University of St. Gallen, around 86% of surveyed financial institutions have now established a formal blockchain strategy, and more than 60% report that they already offer productive cryptocurrency-related services, primarily in custody and trading. Compared with previous years, institutions report fewer pure pilot projects and increasingly highlight solutions that are already in operational use.

Overall, the survey results indicate a growing level of maturity in DLT adoption. At the same time, usage remains concentrated in specific domains such as cryptocurrencies, tokenization and digital settlement processes. A broad based deployment across entire organizations is not yet observable.

In the area of market infrastructure, the reporting year saw notable organizational changes. SIX Digital Exchange (SDX) underwent a strategic realignment and relinquished its exchange license for the trading of digital securities. Going forward, these activities will be integrated into the existing structures of SIX Group, particularly SIX Swiss Exchange. SDX will, however, continue to operate as a DLT enabled infrastructure for the custody and settlement of digital assets. This decision should not be interpreted as a retreat from DLT, but rather as a strategic adjustment to better integrate digital financial instruments into established market infrastructures.

In a European context, Switzerland is considered an established and high-volume crypto market. With year-on-year crypto adoption growth of around 35–40%, the market is expanding at a stable yet moderate pace, placing it slightly below the broader European trend line. This trajectory reflects a mature, well-regulated environment that continues to consolidate.

Crypto adoption in Europe: growth vs. market size

Period comparison: Jul 2023–Jun 2024 vs Jul 2024–Jun 2025

Despite higher growth rates observed in smaller emerging markets, Switzerland remains a key pillar of Europe's crypto ecosystem, characterized by long-term stability, increasing professionalization and a sustainable market structure.

In summary, available studies and industry indicators demonstrate that DLT adoption in Switzerland has continued to take shape over the past year. Cryptocurrencies are now strategically anchored and operationally deployed at a large share of financial institutions, while the Deposit Token PoC marks an important first step toward money related tokenization use cases. Overall, the focus is shifting increasingly away from fundamental assessments of the technology toward practical questions of implementation, scalability and integration into existing market structures.

Source: University of St. Gallen "Blockchain Pulse Survey 2025";
Swiss Bankers Association Press Release 16.09.2025; Zürich awp 11.2025;
Chainanalyis "The 2025 Geography of Crypto Report"

2.2 Venture Funding and the Evolution of the Crypto Valley

Global venture funding in 2024 remained resilient despite persistent macroeconomic uncertainty. Total worldwide investments reached USD 370.8 billion across 21,460 transactions, representing a 6% increase in committed capital alongside an 18% decline in deal volume compared with the previous year. This divergence signals ongoing market consolidation, with capital increasingly channeled toward larger and more strategically positioned funding rounds.

Against this backdrop, the Crypto Valley delivered an above average performance. In 2024, the region attracted USD 586 million across 56 deals, an 8% year on year increase that exceeded global growth within the blockchain segment.

Within Europe, the Crypto Valley reached unprecedented significance. The region accounted for 21.8% of all European blockchain venture deals and captured 29.1% of the continent's total investment volume (2023: 18.7%). Furthermore, the Crypto Valley attracted 6.3% of all European venture capital and hosted seven European mega deals, representing 7.2% of all European mega deals and 1.1% of global mega deals.

The region also strengthened its global positioning, increasing its share of global blockchain funding to 5.2% and reaffirming the Crypto Valley's status as a globally relevant blockchain hub.

Investment activity accelerated over the course of the year, with Q4 emerging as the most active quarter, raising USD 234 million alone. Deal activity remained heavily concentrated in Zug and Zurich, which together accounted for 77% of all transactions (28 deals in Zug, 15 deals in Zurich). At the same time, the average deal size continued its upward trajectory, with the median deal value rising by 70% to USD 5.6 million, significantly above the global median of USD 4 million.

From a qualitative perspective, early stage financings continued to dominate, constituting the majority of venture activity. This trend underscores the Crypto Valley's role as a leading center for innovation and company formation, while also reflecting the growing depth of capital available for selective scale up opportunities.

In parallel with funding activity, the Crypto Valley recorded substantial valuation growth. The total valuation of the Top 50 blockchain projects increased by 55% to USD 284.33 billion. Notably, 16 of these companies are headquartered in Zug, accounting for 97% of the total Top 50 valuation. The 31 privately held blockchain companies reached a combined valuation of USD 9.11 billion, with 14 Zug based firms representing approximately 56% of this total.

In 2024 the Crypto Valley counts 17 unicorns: 14 defined by token market capitalization and 3 by private valuation. The most recent addition is Sygnum, the world's first regulated digital asset bank to achieve unicorn status. With this level of density, the region ranks among the largest global clusters in the blockchain sector.

As Mathias Ruch, CEO and Founder of CV VC, emphasizes: "A Swiss industry where the Top 50 entities share a valuation of USD 593 billion and whose funding medians exceed global medians reflects vision and resilience."

Overall, the data illustrates that the Crypto Valley further strengthened its relative position in 2024 across capital inflows, valuations and market maturity, both within Europe and on a global scale.

Source: CV VC Top 50 Report 2024

3 Regulatory Overview

3.1 Regulatory Developments in the Swiss Crypto and DLT Sector – 2025/2026

Switzerland has continued to consolidate its position as a leading jurisdiction for digital assets through a series of regulatory initiatives in 2025 and early 2026. Key developments include two guidance publications by the Swiss Financial Market Supervisory Authority (FINMA), which clarify expectations for the disclosure and custody of crypto-based assets, as well as a consultation on amendments to the Financial Institutions Act (FINIA). Taken together, these measures demonstrate a continued commitment to fostering innovation while ensuring investor protection and financial stability.

DLT infrastructure landscape

The granting of Switzerland's first DLT trading facility license in 2025 to BX Digital marks a concrete step in operationalizing the market-infrastructure framework introduced under the distributed ledger technology legislative reforms. Authorized by the Swiss Financial Market Supervisory Authority pursuant to the amended Financial Market Infrastructure Act, the license enables integrated trading and settlement services for tokenized securities within a regulated environment. This development occurred alongside strategic repositioning within Switzerland's existing DLT infrastructure landscape, particularly at SIX Digital Exchange, which is consolidating trading activity into SIX Swiss Exchange and has voluntarily returned its exchange license following limited market adoption. While granting the first DLT trading facility license illustrates the transition from a largely conceptual legal framework to the deployment of operational and specialized infrastructure under dedicated regulatory supervision, SDX's strategic shifit shows that not all first movers remain in their initial role. For market participants, the evolving landscape highlights both the maturing regulatory acceptance of blockchain-based market architectures and the need to align technology strategy with commercial viability and prudential expectations as Switzerland's digital-asset ecosystem continues to recalibrate.

FINMA Guidance 03/2025 – Disclosure of Crypto-Based Assets

In September 2025, the Swiss Financial Market Supervisory Authority published Guidance 03/2025, providing clarification on the disclosure of crypto-based assets by banks and securities firms. The guidance forms part of Switzerland's broader supervisory approach to distributed ledger technology and responds to questions from regulated institutions regarding the consistent and transparent presentation of digital-asset exposures in financial reporting. Rather than establishing new accounting rules, the communication clarifies supervisory expectations concerning transparency, comparability and risk sensitivity in existing reporting frameworks.

The guidance emphasizes a clear differentiation of crypto-based assets according to their economic function and ownership structure. Assets held on behalf of clients must be disclosed separately from proprietary exposures to ensure that custodial activities are not conflated with balance-sheet risk. FINMA also reiterates that classification and presentation should remain aligned with established reporting categories, thereby supporting comparability across institutions while accurately reflecting the substance of crypto-asset exposures.

Furthermore, the authority stresses the importance of robust qualitative and quantitative disclosure. Institutions are expected to provide information on the scale and nature of exposures, valuation approaches and associated risks, alongside descriptions of governance and control frameworks such as custody arrangements, operational

safeguards and risk-management processes. The guidance promotes consistency of methodology across reporting periods and discourages aggregation that could obscure material risk concentrations. While confirming the continued applicability of existing disclosure obligations and allowing pragmatic flexibility in presentation, the communication ultimately places responsibility on institutions to determine appropriate disclosure practices within the accounting framework. It therefore reduces uncertainty at the principle level without eliminating judgement-based implementation considerations.

FINMA Guidance 01/2026 – Custody of Crypto-Based Assets

Following the disclosure guidance, FINMA issued Guidance 01/2026 in January 2026, addressing the custody of crypto-based assets. Custody is a critical operational and prudential risk area, and FINMA's guidance sets out its expectations for the safeguarding of client assets in a robust, risk-controlled environment.

The guidance stipulates that client assets must be fully segregated from the institution's proprietary holdings and structured to provide protection in the event of insolvency. Segregation may be achieved through legal separation of accounts or through contractual arrangements that offer equivalent protection when custody is delegated to third parties or conducted in foreign jurisdictions.

Technical and operational requirements receive particular attention. Custody providers are expected to maintain secure wallet management systems, including cold storage solutions, multisignature configurations, and real-time reconciliation and transaction monitoring. Cybersecurity standards must follow international best practices, incorporating rigorous access controls, penetration testing and continuous monitoring. Institutions are also required to integrate crypto custody operations into their enterprise-wide risk management frameworks, ensuring oversight at board level and regular review by internal audit functions.

The guidance further addresses delegated and foreign custody arrangements. Delegation is permitted only if the foreign jurisdiction provides equivalent prudential supervision and insolvency protection, and if the institution retains sufficient oversight to manage operational and compliance risks effectively. Reporting obligations extend to all client crypto holdings, key service providers and significant operational incidents. Through these measures, FINMA underscores the necessity of robust governance and operational resilience in crypto custody, aligning with broader investor protection objectives.

Outlook – FINIG Reform Consultation (October 2025)

In parallel with these guidance updates, the Swiss Federal Council launched a consultation in October 2025 on amendments to the Financial Institutions Act (FINIG/FINIA), running until February 2026. The proposed reforms are designed to modernize Switzerland's regulatory framework for crypto service providers, reflecting both market developments and evolving international standards.

Central to the reform is the introduction of dedicated licensing categories. Payment institutions would cover stablecoin issuance and related payment services, while crypto institutions would encompass activities such as custody, trading and brokerage of digital assets. These new licenses are intended to ensure that regulatory requirements are proportionate to the nature and scale of the services provided.

The reform also clarifies the cross-border regulatory regime. Under the proposed framework, foreign crypto service providers may in principle offer services to clients in Switzerland without obtaining a Swiss license where the services are provided strictly on a cross-border basis and without a physical presence or active market solicitation in Switzerland. However, a licensing requirement would arise where a provider establishes a branch, employs personnel in Switzerland, or otherwise engages in systematic targeting of the Swiss market. This approach reflects the traditional Swiss territoriality principle applied in financial market regulation.

The consultation also signals a shift toward direct FINMA supervision for certain crypto activities, which may previously have been subject mainly to self-regulatory organizations. By establishing prudential requirements, governance standards and operational risk controls for crypto service providers, the reform seeks to reinforce investor protection and market integrity while maintaining Switzerland's competitive position in the global crypto ecosystem. Alignment with international initiatives, such as the OECD's Crypto-Asset Reporting Framework (CARF) and the EU's Markets in Crypto-Assets Regulation (MiCA), is a key component, ensuring that Switzerland remains compatible with emerging foreign regulatory standards.

The anticipated timeline suggests that, following parliamentary approval, the new regulatory framework could come into force as early as 2027, providing market participants with sufficient lead time to adapt operations and comply with the new requirements.

How we can assist you in regulatory compliance

- Navigate trends/developments in the regulatory landscape important for strategic decision-making
- Evaluate proposed activities against applicable laws/regulations
- Lend support during the license application process with the regulatory authority from an advisory or license application audit perspective
- Assess tokens against applicable regulations (i.e. FINMA ICO Guideline)
- Support your compliance with applicable regulatory requirements in the DLT industry (i.e. internal audit requirements, AML or cross-border compliance, etc.)
- Assist in the selection, implementation and oversight of specific DLT service providers
- Educate and train Board members, Management and/or employees on the relevant DLT regulation

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4 Tax Topics

4.1 Safe-harbor interest rates and arm's-length pricing of intragroup crypto loans

Intragroup lending denominated in cryptocurrencies is becoming increasingly important. At the same time, clear tax guidance on how to price the related interest rates remains limited. This article provides a high-level overview of the Transfer Pricing (TP) methods that may be used to determine an arm's-length interest rate for a cryptocurrency-denominated loan.

Switzerland applies an internationally recognized system of so-called safe-harbor interest rates for intragroup financing. These rates are published annually by the Swiss Federal Tax Administration (SFTA) and set out the accepted minimum and maximum interest rates for loans denominated in Swiss francs as well as in numerous foreign fiat currencies. If an interest rate falls within these ranges, it is generally considered defensible from a Swiss transfer pricing perspective, without the need for further substantiation.
(cf. SFTA, Interest Rate Circular for intragroup loans)

However, it is important to note that Swiss safe-harbor rates are not accepted or recognized by non-Swiss tax authorities. Consequently, in the context of cross-border intragroup financing, they are often used only as a reference point. The arm's length nature of the agreed intragroup interest rates still needs to be supported through external benchmark analyses.

Unlike for fiat-currency loans, the SFTA does not publish safe-harbor interest rates for cryptocurrency-denominated loans. The pricing of intragroup crypto-denominated loans must therefore be justified solely based on the principles set out in the OECD Transfer Pricing Guidelines.
(cf. OECD TPG 2022, Chapter X)

In tax literature, this issue has so far been addressed primarily from a theoretical perspective. In the absence of directly comparable transactions, the idea of relying on indirect price comparison methods has been considered. One such example is deriving a crypto interest rate from interest rates in traditional currencies using macroeconomic models, such as the Fisher equation. In simplified terms, this model assumes that interest rate differentials between currencies are largely explained by differing inflation expectations. Since Bitcoin and other cryptocurrencies have a fixed supply by design, the model assumes an inflation expectation of zero, which would imply a downward adjustment of the benchmark interest rate.

These theoretical approaches help illustrate the conceptual differences between cryptocurrencies and fiat currencies. However, from a practical tax perspective, tax authorities place less weight on abstract indicators such as inflation and instead focus on the specific characteristics of the actual transactions. While arm's-length pricing is assessed based on a comprehensive economic analysis, monetary considerations are not the only factors that matter. Risk allocation and whether an independent third party would be willing to grant or obtain a loan denominated in cryptocurrency under comparable circumstances are also important considerations.
(cf. Swiss Transfer Pricing Law, Harbeke / Hug / Scherrer, para. 1445)
(cf. OECD Transfer Pricing Guidelines 2022, Chapter I / I.35)

From an economic perspective, a loan denominated in cryptocurrency is not a conventional domestic or foreign-currency loan, but rather a high-risk hybrid financial instrument. In addition to the borrower's traditional credit risk, the lender bears significant market price risk due to the token's volatility as well as liquidity risk arising from fragmented trading venues. The lender also bears risks related to custody, technology and regulatory matters. These risk dimensions are far less relevant in connection with standard fiat-currency loans. An independent third party would typically reflect such risks in the interest rate charged. Based on this economic characterization, the central question is how to determine an arm's-length interest rate for intragroup crypto-denominated loans. The following paragraphs outline three possible TP methods:

- **Use of comparable internal transactions**
  The first approach relies on identifying comparable transactions that the tested party has entered into with independent third parties, so-called internal comparables. Where such transactions exist, they may provide a reliable basis for applying the internal comparable uncontrolled price (or CUP) method, provided that any material differences can be appropriately adjusted for. Internal comparables are generally considered more reliable than external ones, as they tend to reflect a closer and more direct relationship to the controlled transaction and are typically better understood in terms of their contractual terms and economic circumstances. However, in practice, it is uncommon for a company to enter into the same type of transaction with both a third party and a related group party, especially in sectors such as crypto financing. As a result, this option is not always available, and the use of external comparables may become necessary.
  (cf. OECD TPG 2022, paras. 3.24, 3.27)

- **Use of comparable third-party market transactions**
  The second approach involves identifying comparable transactions between independent parties, so called external comparables (External CUP method). Publicly available data from crypto-lending and DeFi platforms typically provide indicative market interest rates for specific digital assets. Numerous protocols and data providers regularly publish interest rates for lending and borrowing various cryptocurrencies. These rates reflect actual market conditions and often incorporate factors such as volatility and liquidity premiums. However, because these platforms typically aggregate borrowing and lending rates, it is difficult to find specific contractual terms. As a result, the data is generally unsuitable for direct price comparability/setting, but it can still serve as a useful reference point and may be further adjusted.
  (cf. OECD TPG 2022, para. 2.14 et seq.)

- **Replication model**
  The third approach is the so-called Hypothetical CUP or Constructed CUP method. Instead of searching for comparable third-party transactions, the intragroup crypto loan interest rate is determined by aggregating its various underlying economic components. The starting point is typically a risk-free base rate in USD or CHF. Subsequently, the borrower's credit spread and additional premiums for crypto-specific risks such as volatility and liquidity are taken into consideration. This approach is aligned with the OECD framework for analyzing complex or non-standardized financial transactions where reliable market comparables do not exist.
  (cf. OECD TPG 2022, para. 10.104, 10.105)

Hybrid structures in which a loan is granted in fiat currency, but repayment may be repaid in cryptocurrency at the CHF equivalent on the repayment date should also be carefully considered and assessed from a transfer pricing perspective. Such a hybrid instrument functions economically as a fiat-currency loan with an embedded crypto option, the value of which must likewise be remunerated at arm's length.

The TP methods described above address how to determine interest rates for intragroup crypto-denominated loans. However, as with fiat currency loans, a separate analysis is required to determine whether the transaction should be treated as a de facto loan or as equity. In line with the OECD Transfer Pricing Guidelines, this assessment should precede the pricing analysis and typically considers factors such as the borrower's debt-to-equity ratio, interest coverage, subordination and repayment terms.
(cf. OECD TPG 2022, para. 10.5)

In conclusion, unlike fiat currency loans, intragroup crypto loans cannot be priced by reference to perfectly comparable third-party transactions, as such data is not available in established databases such Bloomberg or Thomson Reuters. Additionally, the SFTA's interest rate circulars do not address crypto-denominated loans, leaving taxpayers without a formal safe-harbor or administrative reference point for determining arm's length interest rates.

Instead, arm's-length interest pricing for crypto-denominated loans must be derived from a combination of economic characterization, market-based indicators and a structured risk analysis. Given the rapid evolution of crypto markets and the still limited audit experience of tax authorities, it remains uncertain which of the approaches described above will ultimately prove sustainable in tax practice. Companies that use cryptocurrencies for intragroup financing should therefore address these aspects at an early stage, ideally before the intragroup financing is executed.

How we can help you with DLT tax issues

- Clarify the correct VAT treatment and data requirements for all banking services around cryptoassets (custody, trading, staking etc.)
- Assist with the issuance of tokens (Profit tax, Withholding tax, Stamp transfer tax, VAT)
- Assist with the qualification of tokens for Swiss tax purposes
- Assess whether transactions involving cryptoassets are subject to stamp transfer tax or withholding tax
- Provide solutions with regard to cryptoassets / transactions tax reporting & account statements
- Evaluate tax treatment of investments in cryptoassets by individuals
- Support the readiness for information exchanges on cryptoassets
- Provide tax support for the establishment of crypto funds

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4.2 CARF Postponement

End of November 2025, Switzerland decided to postpone the introduction of the Crypto Asset Reporting Framework ("CARF") by one year. CARF is now expected to enter into force in Switzerland on 1 January 2027, instead of **1 January 2026** as originally planned. As a result, all CARF-related obligations will shift accordingly, i.e. due diligence requirements will apply from 2027, and the first reporting will be required in 2028 (for the 2027 reporting period). Swiss Reporting Crypto Asset Service Providers ("RCASP") may, however, already adapt their self-certification processes and begin obtaining CARF-relevant client information from 2026 on a voluntary basis (e.g. where an entity had already implemented the new processes before the postponement of CARF was announced).

How we can assist you with CARF

- Conduct an impact assessment to determine whether an entity (e.g. a bank) is a Reporting Crypto-Asset Service Provider based on its product offering
- Provide support with implementing a CARF operating model, incl. due diligence and reporting processes
- Draft CARF policies & procedures setting out an RCASP's due diligence, reporting and compliance obligations under CARF
- Provide training tailored to different audiences (e.g. board members/executive management, CARF SMEs, etc.)
- Provide hotline support for any CARF-related technical questions as and when required

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5 Crypto-assets and AML

5.1 Persistent Financial Crime Risk in an Evolving Crypto Market

Crypto-assets have long been associated with elevated financial crime risk due to their potential for misuse by illicit actors. While this perception is gradually evolving as institutional investors, corporates, and traditional financial institutions increasingly adopt digital assets, the underlying financial crime risks remain significant. As an increasing volume of value is transferred via blockchain-based infrastructures, exposure to money laundering (ML), terrorist financing (TF), fraud, and sanctions evasion risks continues to grow.

These risks are partly driven by the inherent characteristics of blockchain technology. Borderless transactions, pseudonymity, high transaction speed, and technical complexity can make crypto-assets attractive to criminals seeking to obscure the origin, ownership, or movement of illicit funds. Although blockchain transactions are publicly visible, transparency alone does not ensure effective AML oversight. Traditional monitoring systems used by banks are primarily designed for fiat-based transactions and often lack the capability to assess on-chain behavior, wallet interactions, or crypto-specific typologies such as mixers, cross-chain bridges, decentralized finance (DeFi) protocols, or the rapid conversion of illicit proceeds into digital assets.

Regulatory Accountability

Exposure to crypto-assets can arise for financial institutions both directly and indirectly. Customers may disclose crypto-asset holdings during onboarding or periodic reviews, or exposure may become visible through transaction monitoring alerts involving intermediaries such as crypto-asset service providers (CASPs), virtual asset service providers (VASPs), or payment service providers connecting traditional finance to crypto markets.

Importantly, regulatory accountability remains with the bank. Even where crypto exposure arises indirectly through customers or third-party relationships, financial institutions remain responsible for complying with their AML/CFT obligations. From a supervisory perspective, regulatory responsibility cannot be transferred to third parties or avoided simply by refraining from offering crypto-related services.

Illicit Activity on the Blockchain

Quantifying illicit activity on blockchains remains challenging. According to the blockchain analytics provider Chainalysis, approximately USD 40.9 billion was received by addresses currently identified as illicit, with estimates suggesting the true figure may be closer to USD 51 billion, representing roughly 0.14% of total on-chain transaction volume.

While this represents a small share of overall blockchain activity, the absolute values remain substantial. Moreover, such figures likely underestimate the true scale of illicit activity. Crypto-assets associated with criminal conduct are only identifiable when blockchain addresses can be linked to off-chain investigations or known entities. Consequently, current estimates primarily reflect detected activity and should be interpreted as minimum indicators rather than the full scope of criminal use.

Regulatory arbitrage further increases risk. Individuals may access offshore exchanges operating in jurisdictions with limited AML oversight through reverse solicitation, even when stricter requirements apply in Switzerland or the EU. This creates indirect exposure for banks when customers transfer funds to or from such platforms.

The case of Payeer illustrates this vulnerability. Although registered as a crypto-asset service provider in Lithuania and accessible within the European market, blockchain analytics indicated significant exposure to high-risk Russian exchanges, including Garantex. Payeer was only sanctioned under the EU's 19th sanctions package in November 2025, highlighting the potential time lag between emerging risks and formal regulatory action.

In addition to AML concerns, crypto-assets also present heightened sanctions risks. Blockchain-based payment rails may circumvent traditional correspondent banking controls, particularly where transactions involve exchanges, protocols, or counterparties linked to sanctioned jurisdictions or designated entities.

Increasing Supervisory Expectations

As crypto-assets become more integrated into financial markets, supervisory expectations are evolving accordingly. Digital assets are no longer viewed as a peripheral phenomenon but as a structural component of the financial ecosystem. This increased adoption has been accompanied by heightened regulatory scrutiny regarding how financial institutions identify, assess, and manage associated financial crime risks.

From a regulatory perspective, banks are expected to address crypto-related risks within their existing AML/CFT frameworks, regardless of whether exposure arises directly or indirectly. Banks represent a critical control point before crypto-related value can enter the regulated financial system, and weaknesses at this stage can materially increase financial crime risk.

Failure to adequately manage crypto-related exposure not only increases the risk of facilitating illicit financial flows but may also lead to supervisory action and reputational damage. As crypto-assets become a permanent feature of financial markets, supervisory tolerance for insufficient controls in this area is expected to decline further.

Blockchain Analytics

Following the introduction of the Swiss DLT Act in August 2021, crypto-assets were formally integrated into Switzerland's AML framework under the Swiss Anti-Money Laundering Act (AMLA) and its implementing ordinances. While the Swiss Financial Market Supervisory Authority maintains a technology-neutral regulatory approach, it has emphasized that financial institutions should leverage available technical tools to analyze blockchain data and mitigate financial crime risks.

As a result, blockchain analytics solutions have become an important component of crypto-related AML compliance. These tools analyze blockchain data to trace digital asset movements, assess wallet risk profiles, and identify potential exposure to illicit activities. Financial institutions use such tools to monitor transactions, detect suspicious patterns, and identify links to sanctioned entities or criminal networks.

Beyond transaction monitoring, blockchain analytics platforms also support forensic investigations by enabling analysts to reconstruct transaction flows, cluster related addresses, and map activity across multiple wallets and blockchains. Many providers maintain large attribution databases linking blockchain addresses to known entities such as exchanges, darknet marketplaces, fraud schemes, or sanctioned actors. More advanced tools additionally provide cross-chain analytics capabilities, allowing institutions to trace assets across multiple blockchain networks.

Despite the growing sophistication of these tools, selecting blockchain analytics providers also presents challenges. The industry remains relatively young, and some providers may have limited historical datasets, incomplete blockchain coverage, or analytical methodologies that have not yet been extensively validated. This can affect the reliability of risk-scoring models and the ability to detect illicit activity effectively.

For regulated institutions, these considerations highlight the importance of conducting robust vendor due diligence and critically assessing the transparency, data quality, and operational resilience of blockchain analytics solutions before integrating them into compliance frameworks.

Benchmarking Crypto Transaction Monitoring Tools

Crypto transaction monitoring solutions differ significantly in their data coverage, attribution models, and risk detection capabilities. Reliance on a single monitoring solution may therefore create blind spots, particularly where wallet clustering, entity attribution, or exposure to high-risk activities is incomplete or inconsistently detected.

Benchmarking an institution's existing monitoring framework against an independent blockchain analytics platform provides an objective assessment of detection effectiveness. Such benchmarking enables institutions to compare how different tools identify wallet clusters, attribute activity to known entities, and detect exposure to high-risk typologies such as sanctioned actors, darknet marketplaces, mixers, or high-risk exchanges.

Without independent benchmarking, institutions risk overestimating the effectiveness of their crypto monitoring framework and underestimating residual AML/CFT risk.

Independent Benchmarking Using Chainalysis

KPMG uses Chainalysis to independently analyze on-chain activity and benchmark insights against an institution's existing crypto transaction monitoring solution. This allows us to assess coverage, identify potential detection gaps, and evaluate whether high-risk exposure is consistently identified.

Chainalysis Reactor – Blockchain Analytics for AML/CFT

Chainalysis Reactor is a widely used blockchain analytics platform employed by law enforcement agencies, regulators, and financial institutions to investigate and mitigate financial crime risks involving crypto-assets. The platform enables the clustering of wallet addresses and attribution of on-chain activity to known entities, allowing transaction flows to be traced and exposure to high-risk entities, jurisdictions, and illicit activity to be identified.

When applying Chainalysis Reactor in customer due diligence, KPMG can assess the plausibility of a customer's explanation of blockchain activity, verify the source of funds, and identify exposure to high-risk typologies such as sanctioned entities, darknet markets, ransomware wallets, mixers, or high-risk exchanges.

How we can assist you in Crypto-AML compliance

- **Exposure analysis:** identify and assess the financial institution's direct and indirect exposure to crypto-asset service providers, including counterparties and transaction flows, to gain a clear understanding of actual exposure and associated risks.
- **Risk assessment:** evaluate money laundering, terrorist financing and sanctions risks arising from crypto-asset exposure, considering both inherent and residual risks and assess alignment with the institution's risk appetite.
- **Policies and procedures:** develop and maintain crypto-specific policies and procedures that reflect applicable regulatory requirements and the institution's risk-based approach.
- **Transaction monitoring:** design and enhance monitoring scenarios to detect unusual or suspicious crypto-related activity and support timely suspicious transaction reporting (STR).
- **Fraud prevention:** identify, investigate and respond to crypto-related fraud, including tracing of misappropriated funds using blockchain analytics.
- **Training and workshops:** Deliver targeted training sessions and practical workshops to strengthen understanding of risks related to money laundering, terrorist financing and sanctions, regulatory expectations and emerging crypto-related typologies.
- **Blockchain analytics:** analyze on-chain activity to identify exposure to high-risk entities, sanctioned actors, darknet marketplaces and other illicit typologies.

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6 Your Contacts

Our Swiss team of DLT experts is always available for you

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