



# Smart banking - revolutionizing the financial industry

## **Interview with Guido Bühler**

CEO SEBA Bank

Blockchain technology is not only going to represent a challenge to traditional banking and our conventional currency system. The development of digital assets – such as real estate, art and music rights – has well and truly launched the fourth industrial revolution. SEBA Bank in Zug is one of the first two institutions in Switzerland to have been granted a FINMA banking license, thereby confirming Switzerland's position as a key hotspot for blockchain technology. Ertugrul Tuefekci, Partner, Financial Services at KPMG Switzerland, talks with Guido Bühler, CEO of SEBA Bank, about the almost limitless possibilities of this revolutionary technology and the philosophy behind it.



**Ertugrul Tuefekci**  
Partner, Financial Services, Banking

**Guido Bühler**  
CEO SEBA Bank

**Ertugrul Tuefekci** We have identified blockchain as one of seven key digital trends – how important do you believe the technology is?

**Guido Bühler** Obviously, blockchain plays a very significant role for us. It is an important element in the context of the fourth industrial revolution and was therefore also a key driver behind the foundation of SEBA Bank. Blockchain's importance can be divided into three areas. A societal component, in the sense of the democratization of financial processes, an economic component, in which the three markets of finance, services and retail come together in the blockchain, and a third component where it forms a new element of the internet that has been missing until now. The internet started out as being about communication in the 1990s, then came the Internet of Things with the smartphone as an interface, and now we have the Internet of Value with blockchain. And we, SEBA Bank, are one of the important infrastructure components.

Many digital technologies go through so-called “hype cycles” – where do you think blockchains are at the moment?

People have declared the hype cycle over several times already during the volatile history of cryptocurrencies such as Bitcoin. But I am positive that we are yet to reach its peak. Looking at it from today's perspective,

it's clear that the adaptation is coming. Now conservative and institutional investors too have to get to grips with the subject matter. Anyone who still believes that the topic doesn't affect them is missing a huge development. And this new awareness among established and institutional participants in the financial markets is driving the hype on again.

What is needed for this technology to become fully established? What obstacles are there to overcome?

It is fundamental that the wider public, and the economy, have the information and knowledge as to what the new technology is and what is behind the crypto ecosystem. Which is why we have launched SEBAversity, a new educational institute specifically created to share expertise on blockchain technology and the world of digital assets. We are still right at the start of designing and developing a new ecosystem. It's comparable to the development of the combustion engine. Out of that innovation came motorbikes, cars, ship engines and so on. This structure can now also be seen in the field of blockchain technology. It will flatten out the hype, of course, but will give things more substance. Finally, you have regulation. Investors are pushing for more regulated infrastructure platforms, of which we are one. This too is taking some pace out of the market and flattening the hype curve.



### How have the SEBAversity education programs been received?

On the one hand, we are seeing great interest among private individuals and investors who want to familiarize themselves with this new universe, while on the other, more and more traditional banking institutions are referring their relationship managers to us to expand their basic knowledge.

### The modules cover areas such as data security, transparency and reliability. How secure are blockchains?

Nothing in life is ever absolutely secure. When we integrate a new blockchain – such as a cryptocurrency – into our ecosystem, we perform a four-stage due diligence check that assesses the technological aspects, issues with governance, transparency and the strength of the community. These four components together make the construct very secure.

### In this decentralized world, why do we need banks at all?

That's a fair question. There are two reasons. Firstly, digital assets are protected with private keys, and these keys have to be stored in a secure place. Then you have tokenized assets, like a gold token, where you want to be certain that the token both represents an actual, physical gold asset, and that it is ethically sourced gold. You gain this certainty through a strictly regulated infrastructure platform in a jurisdiction with excellent credibility and an outstanding reputation.

### Hundreds of new blockchain companies have been founded in and around Zug in recent years. Is Switzerland one of the most innovative hotspots for this new industry?

You can definitely say that. Switzerland is striding ahead. Just the fact that we are here as a FINMA-licensed bank proves it. The government and regulatory authorities in Switzerland have taken a leap of faith with us and other companies within the sector that other countries are yet to take. I still remember the words of Swiss Federal Council Member Schneider-Ammann, who said that Switzerland was looking to become a "blockchain nation". This trust and goodwill from the government has also flowed into the regulatory framework. When the Distributed Ledger Technology Act (DLT Act) came into force, it improved the conditions for blockchain and DLT companies in Switzerland and made the country one of the international pioneers of modern regulation for innovative financial market technologies. This opens up new opportunities and scenarios where the analog economy and digital assets combine and move to the blockchain. This all strengthens the Swiss ecosystem, and puts us a considerable step ahead of other countries.

And here is an anecdote about Zug and this building that now houses our headquarters: A few years ago, the first Bitcoin payment ever accepted by a public authority anywhere in the world was made here. The political subsidiarity principle in Switzerland fundamentally aligns with the philosophy of the decentralized, bottom-up approach of blockchain. The small scale of Switzerland, and Zug in particular, and a long tradition of sector clusters also make the country an ideal breeding ground for our sector.

**“A key element of the fourth industrial revolution will be the digitalization of personal identities.”**

Is there still potential for improvement that would make Switzerland an even more attractive location for your business?

Only two things spring to mind. On the one hand, venture capital, which is hard to come by in Switzerland. I would like to see greater openness and courage among the relevant investors. On the other, regulation. A lot was done correctly at the beginning, paving the way for the first providers. But now it is critical that we make further progress in adopting more participants into the ecosystem.

SEBA Bank doesn't position itself as a pure crypto bank, but rather as the bridge between the digital and traditional financial industry – what does that mean?

The development is happening very quickly. Primarily, it means that every investor – whether private or institutional – gets quick and easy access to these new asset classes and can invest within a regulated framework based on a sound level of knowledge. We offer this access 24 hours a day, seven days a week. However, we also offer storage and specific investment products, such as our SEBAX® Crypto Asset Select Index Tracker. Because it's not just about

Bitcoin, even if it has become a sort of base currency similar to the US dollar. There are countless investment opportunities to be taken across the entire ecosystem. You can also invest in digital assets through your own traditional bank account. We represent the bridge between the old world and the new. We are seeing more and more clients coming to us because of cryptocurrencies. They are so impressed with the simplicity of our systems that they go on to transfer their traditional currency accounts and investments to us. We don't want to position ourselves purely as a crypto bank, but rather as a leading provider of smart banking.

What potential does blockchain have outside of the financial industry?

The potential and opportunities are immense. Blockchain can be used not only with financial assets, but also physical ones – such as art or real estate – and even non-tangible assets such as music rights. It essentially digitalizes them. Another field of application is “stable coins”, i.e. digital currency. There are already digital “twins” to the Euro and Swiss franc. At the Bank for International Settlements (BIS) in Basel, many national banks are working on the future of such tokens. Ideas for what the standard should be are still split, but some schools of thought even envisage a tokenized financial policy.



## “Volatility is also an opportunity you can monetize by offering structured products.”

Where do you see risks for individual branches of the economy? Is the new technology putting entire business models in danger?

Blockchain is definitely a disruptive technology. In the future, it will be an essential infrastructure component for all financial transactions. The real estate market is also set for fundamental changes in all aspects of how one assesses properties and creates a market for them. This essentially opens up new opportunities for the entire value chain within the real estate industry, from developers to owners and financiers, right through to real estate law. The art and music markets too will see changes whereby copyrights will be defined and asserted in completely new ways.

What do you want to see from the regulators?

Switzerland has been very effective at regulating and monitoring the sector up to this point, and I am essentially an advocate for as little regulation as possible. What they do need to look at again, however, are the exceedingly high capital requirements that providers have to meet. As we see the importance of Bitcoin flattening in comparison to other digital assets, this will surely require another critical re-think. But at the moment, it represents a sensible barrier to entry so that only reputable, financially sound providers can participate in the market.

What kind of a future do you see for blockchain? How important will it be ten years down the line?

Blockchain will become an integral part of various areas of the economy and our lives. Another key element of the fourth industrial revolution will be the digitalization of personal identities. These define who we are in the digital world. They enable us to make purchases, vote, verify our identities, etc. But if my digital identity is stored in the blockchain, it needs effective protection, and this is done by my bank. My digital identity also generates huge volumes of data, which is becoming known as the new gold and can be monetized. New perspectives are being opened for the sharing economy too. Today, people don't want to own a product, they want the experience of it. With “utility tokens” – i.e. shares in a right – this will be possible.

What roles and opportunities do you see for companies like KPMG?

The consulting sector can play an important role in providing explanations, guidance and strategic advice. I frequently meet CEOs and other strategic decision-makers who want to enter this new world but cannot yet envisage how it can be introduced at their business. At KPMG, you are also often asked for information on legal, tax-related and accounting issues. In the field of auditing too, there are new challenges, such as how digital assets should be recorded, posted, valued and audited. And don't forget the networking factor. The new economy is a people business. We have to come together, break down old structures, generate ideas and make new connections. With your broad network, you can open up the doors and barriers and create platforms for different parties to exchange information. ■