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A crypto world?


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The basics of blockchain

Can you still remember the first time you held a smartphone in your hands? Did it feel strange? Or did it feel like it belonged there right away?

In many cases, technological achievements initially trigger our defence mechanisms. Because we do not understand them, we try to resist them, building walls in the process. However, as soon as we get to grips with new innovations, we realise that we can use them for ourselves.

It was exactly the same for us when we looked at blockchain technology and the crypto currencies based on it, including Bitcoin or Ether. The deeper we delved into the world of “new money”, the more clearly we recognised the opportunities it presents.

With this booklet, we want to show you how the crypto economy works and why it is becoming ever more important. This isn’t just about financial transactions, but rather also about ground-breaking applications such as the tracking of goods.

If you have no idea about blockchain and similar technologies, don’t worry: this is exactly why we have created this booklet. It should help you to sharpen your understanding and perhaps even arouse enthusiasm.

You don’t have to be a crypto expert. It is enough to familiarise yourself with the basics of a fascinating story that nobody can ignore any more. For everything else, we are your reliable partner in the dynamic crypto world.

The money of the future

They come with enticing names such as Bitcoin and Ether. However, do cryptocurrencies deliver what they promise?

Cryptocurrencies are not currencies in the everyday sense of the word, like the Swiss franc or the euro. Instead, an increasing number of market participants believe they constitute a separate asset category. This asset category has attracted an ever-increasing number of followers in recent years. The term cryptocurrencies now encompasses several thousand digital means of payment, although only a couple of dozen of these are actually used actively.

It should be pointed out that cryptocurrencies have so far proved unsuitable investments for investors with weak nerves: their prices are subject to high levels of volatility. This is also true of Bitcoin, whose long-term trend has nonetheless been upward despite very strong fluctuations. There are a number of reasons for cryptocurrency volatility: Sometimes even a rumour on social media is sufficient to send the price of a cryptocurrency soaring into the stratosphere or plunging by an alarming amount. This is an indication that the crypto market is still retail-heavy. Another reason for this volatility is that crypto-related financial products often involve a high degree of leverage.

A handful of cryptocurrencies to become firmly established
While cryptocurrencies may have become increasingly popular among investors in an era of negative interest rates, they are still only a peripheral phenomenon as an everyday means of payment. In Switzerland, for example, online market leader Digitec Galaxus accepts Bitcoin as a means of payment, although volumes are still small. A few shops, restaurants and online retailers also accept Bitcoin. Moreover, this cryptocurrency can addi-

Digital assets – Everything from a single source

In addition to business accounts for blockchain and crypto companies, along with supervision of initial coin offerings (ICOs), security token offerings (STOs) and initial exchange offerings (IEOs), we also offer reliable trading and secure custody services for digital assets. At the beginning of 2021, we rounded off our innovative crypto services by sound investment advice on and selected investment recommendations for digital assets.

tionally be bought or sold at any Swiss railway station (SBB) ticket machine.

According to Milko Hensel, Head of Digital Partnerships at Maerki Baumann, it is likely to be another four years or so until cryptocurrencies are recognized as a legal means of payment. “I am expecting five or six major cryptocurrencies to become firmly established over the coming years”, he says.

Excerpt from our short article “The money of the future”:

Top 10 cryptocurrencies by market capitalisation

As of 4 July 2021, 5 p.m.

#	Name	Market capitalisation	Price	Volume (24 h)	Circulating supply
1	Bitcoin	EUR 560,266,243,617	EUR 29,909.02	EUR 21,273,627,176	18,747,750 BTC
2	Ether	EUR 228,113,422,247	EUR 1,958.93	EUR 15,203,199,417	116,556,086 ETH
3	Tether	EUR 52,532,786,188	EUR 0.8422	EUR 35,610,234,823	62,373,875,280 USDT
4	Binance Coin	EUR 39,604,554,201	EUR 258.03	EUR 1,079,506,289	153,432,897 BNB
5	Cardano	EUR 38,646,676,908	EUR 1.21	EUR 1,439,552,030	31,946,328,269 ADA
6	Dogecoin	EUR 27,227,382,895	EUR 0.2089	EUR 814,670,045	130,290,086,347 DOGE
7	XRP (Ripple)	EUR 26,874,150,917	EUR 0.5825	EUR 1,514,778,141	46,146,927,647 XRP
8	USD Coin	EUR 21,490,903,574	EUR 0.8422	EUR 1,262,293,208	25,516,601,599 USDC
9	Polkadot	EUR 12,820,805,246	EUR 13.37	EUR 579,572,976	957,384,626 DOT
10	Uniswap	EUR 10,251,589,912	EUR 17.44	EUR 404,514,006	587,262,976 UNI

Source: www.coinmarketcap.com

Tokenisation – from material to digital

Tokenisation is the term used to describe the creation of a digital replication of a tangible asset (e.g. machinery, equipment) or an intangible asset (e.g. software programmes, licences). In other words, the specific asset is securitised with the help of blockchain technology and represented as a digital asset by a token.

Key benefits of tokenisation

Status October 2020

1. Tokenisation offers a number of crucial advantages over conventional securitisation approaches that involve financial intermediaries. The involvement of these parties can be reduced thanks to digital securitisation and redirection, which in turn leads to a significant increase in efficiency in the trading of digital assets. Trading hours are also greatly extended, as trading via blockchain can essentially be undertaken 24/7. Moreover, the costs of such transactions are substantially reduced.

2. As digital tokens can be designed in very small denominations, investors can now gain exposure to exclusive asset classes with levels of capital that would previously have been far too low. For example, it is now possible to purchase 0.01 percent of an expensive painting via blockchain.

Tokenisation on the cusp of a breakthrough?

Since the new Blockchain Act entered into force on 1 February 2021, it has also been possible for Swiss companies to handle their share register or capital increases on a fully digital basis thanks to tokenisation. This is also likely to stimulate alternative corporate financing.

The issuing of securities – especially equities – as tokens is carried out by the companies themselves and via their own distribution and settlement platform. This makes it much easier to directly address investors (private investors, institutions, partners, suppliers) in the sense of crowdfunding.

In addition to fiat money, cryptocurrencies can also be accepted. This possibility is likely to be used, in particular, by companies that also wish to attract international, innovative clients through the issuing of tokens.

Reto Gadient CEO of B.ACADEMY GmbH, strategic consulting on blockchain, co-founder of the Crypto Valley Association, large international network for connecting companies and investors, organiser of private investor circles and Crypto Mountain Rocks

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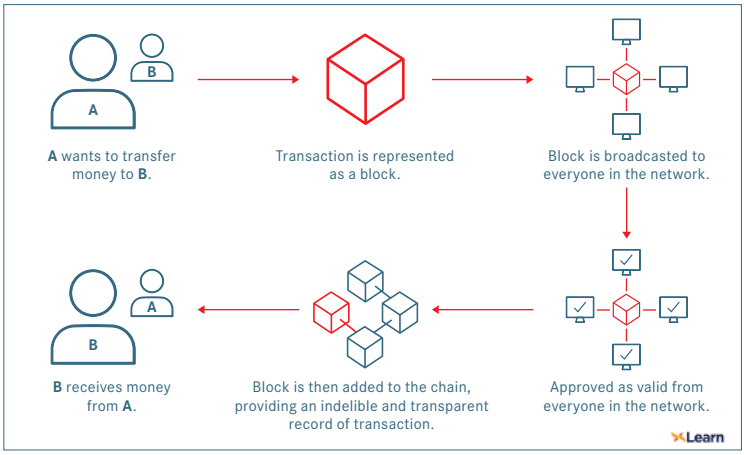
An example of tokenisation
A bakery requires a new kneading machine at a cost of CHF 25,000. By tokenising this need, the bakery can sell tokens to its customers along with its baked goods. With the money it raises, the bakery can then purchase the costly machine in question. However, where is the benefit for the capital providers here? They receive – as envisaged by the bakery's issuance terms – a regular payout equating to a proportion of the income earned with the new kneading machine.

Excerpt from our short article "Tokenisation – from material to digital":

Blockchain technology

How does blockchain technology, which also forms the basis of countless cryptocurrencies, work?



Did you know that...

...a public, permission-free blockchain represents a new enabling technology for the coordination of human interaction? In their basic form, blockchains are so-called ledgers.

Such ledgers now form the foundation on which the economy and society are built. Banks, insurance companies and even states are ultimately ledgers that allow us to keep records of social actions and facts.

Decentralised ledgers in the form of blockchains allow for a fundamentally new form of social coordination among people. Both the economy and society are likely to undergo radical change in future and accommodate entirely new institutions.

Pascal Hügli Financial strategist, moderator, lecturer, debater, co-author of the book "Ignore at your own risk" («Ignorieren auf eigene Gefahr»), which clears up half-truths and misunderstandings about Bitcoin and other cryptocurrencies. An ideal book to help you understand crypto phenomena in their entirety.

What is Maerki Baumann's stance on blockchain technology?

"We will continue to focus on this new business field in future. In doing so, we will, of course, meet the high regulatory and technological requirements that have made Swiss banks synonymous with security and stability."

Marcel Spalinger
Head of Crypto Desk, Member of Senior Management

"We anticipate that between five and six major cryptocurrencies will become established in the next few years. Tokens of well-designed and sophisticated projects are also set to hold their own on the market."

Milko G. Hensel
Head of Digital Partnerships, Member of Senior Management

"We recognised the potential of blockchain technology at an early stage and are now more convinced of it than ever. This is why we are constantly expanding our services in the areas of cryptocurrencies and digital assets."

Roger Sharma
Senior Client Advisor Crypto Desk, Member of Senior Management

"Blockchain-based assets are among the greatest economic innovations of our time and are here to stay as an asset class."

Domenico Ansaldi
Client Advisor Crypto Desk, Assistant Vice President

Uniting the old and new worlds of finance

Banking is changing. Disruptive technologies are putting pressure on the traditional financial business. We consider the integration of these technologies to be one of the central challenges that will have to be mastered in the years ahead. In our view, artificial intelligence, robotics and blockchain technology have the potential to fundamentally change the banking sector.

As a modern Swiss private bank, we took a decisive look at the potential offered by blockchain technology at a very early stage and adopted a multi-stage crypto strategy as early as the start of 2019. We started with our offer for business clients who make use of blockchain technology. They are often confronted with the challenge of finding a Swiss bank for their financial needs.

Maerki Baumann reached a further milestone in mid-2020 with its offering that allows for the trading and safekeeping of digital assets for private and institutional clients. Our aim here is to build a bridge between traditional private banking and the dynamic crypto world. This has also enabled us to tap into a new field of business with which we can create additional investment perspectives. It is not only younger, technology-savvy client segments that benefit here, but rather also private and institutional clients who are looking for new opportunities to generate returns or want to diversify their portfolios more broadly.

At the start of 2021, we expanded our crypto services by launching investment advisory solutions that include both traditional and digital assets. This is because we are convinced that the still young asset class will in future be an integral part of professional investment advisory and asset management services. Our crypto services will enable us to consolidate our highly regarded pioneering role in the crypto segment and cover new and consistently growing requirements and wishes on the part of our valued clients – doing so in a reliable, secure and regulated manner.

Easy come, easy go?

The recent sell-off of Bitcoin (BTC), Ether (ETH) and the majority of other cryptocurrencies came as a surprise even to investors who are accustomed to major fluctuations. There was actually nothing extraordinary about the drastic market dislocations after the rally that had lasted for months.

What is the outlook now?
In the short term it looks likely that the road will remain bumpy, with prices oscillating up and down over the next few weeks, perhaps even months. In the medium term we believe that the triggers of the recent price slump have highlighted two big challenges for cryptocurrencies:

1. **How can the consumption of energy in the use of cryptocurrencies (and other blockchains!) be rapidly and decisively reduced?** A number of significant initiatives are being implemented in this respect, specifically by the switch from the proof-of-work to the proof-of-stake procedure, which will have the effect of reducing the amount of computing power required (and therefore energy consumption) without jeopardising the security of the blockchain. Furthermore, more attention is paid to the use of renewable energies.

2. **What significance will cryptocurrencies retain in the long term once national cryptocurrencies (CBDCs) are available?** Various projects have been launched in this area in a number of countries (China, Sweden, EU, and Switzerland). What will be crucial here is the way these are designed – in respect of anonymity of payment, but also whether they will be accessible to all or just to banks, and whether central banks will retain rights of intervention.

And this brings us to the long-term outlook. The more widespread and straightforward the use of cryptocurrencies and tokens becomes, the more relevant the respective project will become. But the route to a mature asset class and a realistic valuation of individual cryptocurrencies will have plenty of highs and lows to come. We will continue to see exaggerations in both directions for the foreseeable future, which means the young asset class will continue to be severely tested.

Excerpt from our ad hoc market comment “Easy come, easy go?”:

On a first-name basis with blockchain and co.

An experience report

I first came into contact with cryptocurrencies in the summer of 2017. Back then, I was still at secondary school and became aware of Bitcoin and co. and their meteoric price rise through social media. At that time, however, I neither understood anything about blockchain technology and its potential nor did I have the financial means at my disposal to invest in cryptocurrencies myself. Nevertheless, I was gripped on the topic and followed the run on Bitcoin with excitement.

In the meantime, I started my business studies at the University of Zurich. My attention was turned to cryptocurrencies once more during a lecture on banking. What particularly impressed me was the idea of democratising the financial system. I therefore started to look into the topic in more depth. It became clear to me that I would like to gain my first practical work experience in this field.

An interesting time at Maerki Baumann
Maerki Baumann enjoys an excellent reputation, especially in the private banking sector. However, instead of just focussing on this segment, the family business has expanded its offering step by step. It started offering crypto services at an early stage, assuming a pioneering role on the Swiss market in the process. I was convinced by the approach of expanding or combining the traditional banking business with innovative crypto services. When the opportunity arose for me to complete an internship at the Maerki Baumann Crypto Desk during my summer holidays in 2020, I didn't have to think twice: I gladly accepted. I was looking forward to the new challenge – and I wasn't disappointed!

The true goal of crypto projects
I mainly spent the first few days of my internship getting to grips with the topic of blockchain and familiarising myself with the Bank's wide range of crypto services. What's more, I was able to gain an insight into the process for an initial coin offering (ICO) on the basis of practical examples. In the weeks that followed, I was allowed to take part in several client meetings. This gave me a better understanding of client needs and provided a deeper insight into the manifold areas of application made possible by blockchain technology. It was only at this point that I realised that most (crypto) projects don't simply aim to replace fiat currencies. Instead, they want to make goods, such as works of art or vintage cars, that until now have been reserved for an exclusive group of investors accessible to the broad masses.

It was interesting to see the technical challenges faced by crypto start-ups and how Maerki Baumann supports these young companies in overcoming them with its advisory approach tailored to individual needs. I likewise became aware of just how great the interest of private clients in investing in cryptocurrencies is despite the uncertainties and risks involved – as well as how strongly this interest is growing.

Here to stay

Following the varied internship during which I learnt a great deal, I would like to take this opportunity to thank Maerki Baumann once again. I am personally convinced that cryptocurrencies and digital assets have a great future ahead of them. For this reason, I have now invested in some tokens myself. And I am pleased to report that I have already recorded my first successes with some attractive profits.

Justin Ferber Student at the University of Zurich

Is blockchain technology environmentally friendly?

The Bitcoin blockchain is repeatedly criticised for its high energy consumption. As a global, round-the-clock settlement network for digital assets, Bitcoin's energy consumption can be determined more transparently than is possible for almost any other (financial) system in the world. What is frequently interpreted to the disadvantage of Bitcoin is one of the major benefits of blockchain technology: transparency is what makes improvements and thus greater efficiency possible in the first place.

The insight into Bitcoin's exact energy consumption also encourages people to offset their carbon footprint attributable to Bitcoin through climate-neutral projects.

There is thus the view that non-state money such as Bitcoin not only yields economic benefits, but rather can also be used in a carbon-neutral manner at an individual level.

Pascal Hügli Financial strategist, moderator, lecturer, debater, co-author of the book "Ignore at your own risk" («Ignorieren auf eigene Gefahr»), which clears up half-truths and misunderstandings about Bitcoin and other cryptocurrencies. An ideal book to help you understand crypto phenomena in their entirety.

Switzerland – a crypto nation

Blockchain – a renaissance technology[1]

The publication of the Bitcoin white paper in 2008[2] presented a bold digital vision and came as a direct response to the global financial crisis. It was the invention of a new, global and independent financial structure that is based on a decentralised network, i.e. one without a central authority. Blockchain technology assumed an interdisciplinary position at the interface between technology, finance and law. It is now seen as a renaissance technology that is significantly changing society and the economy.

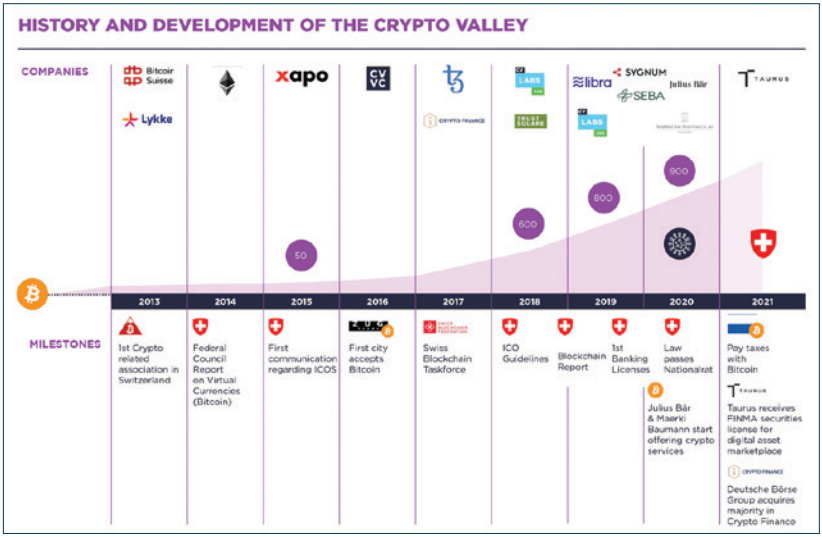
Switzerland emerges as a crypto nation

Thanks to blockchain technology, a hint of Silicon Valley can be found in Switzerland. Since 2013, an outstanding ecosystem for blockchain technology and digital assets that is respected worldwide has been developed here. Switzerland's emergence as a crypto nation took place in three phases:

- The initial phase from 2010 onwards was characterised by programmers who enthusiastically tested Bitcoin and other cryptocurrencies in small groups. Fundraising for new projects triggered a boom for initial coin offerings (ICOs) that culminated in 2017.
- With the issuance of the world's first ICO guidelines by the Swiss Financial Market Supervisory Authority (FINMA) in spring 2018[3] and the authorisation of the first two pure crypto banks, namely Seba Bank and Sygnum, in August 2019, the next phase was ushered in.
- 2020 marked the start of a further phase: the emergence of a regulated ecosystem with the entry of a greater number of traditional banks, including Maerki Baumann, offering crypto services such as trading, safekeeping and investment advice to a broad range of clients.

Recently, on 1 February 2021, the regulatory framework was brought up to date with an amendment to the legislation under company law[4], putting Switzerland in a leading position worldwide!

[1] A renaissance technology influences large parts of society, including the business sector, legal matters and social issues. The term is based on the period of modernisation that followed the Middle Ages.
[2] "Bitcoin: A Peer-to-Peer Electronic Cash System", www.bitcoin.org/bitcoin.pdf
[3] www.finma.ch/en/news/2018/02/20180216-mm-ico-wegleitung/
[4] www.sif.admin.ch/sif/en/home/finanzmarktpolitik/digit_finanzsektor/blockchain.html



Source: CV VC, 2021

Big, bigger – biggest?

According to the CV VC Top 50 Report, the leading crypto companies in Switzerland have a consolidated market valuation of USD 37.5 billion. A total of almost 5,000 employees work at more than 900 companies here. And ever more foreign companies value the progressive regulatory framework in Switzerland and are relocating to the crypto nation at the heart of Europe.

The 128-page book “Crypto Nation” (currently only available in German) by Alexander E. Brunner contains everything you need to know about Switzerland’s role in this sector and is available at Ex Libris. An English translation – with support from Maerki Baumann – is planned for 2022.

Our offering for blockchain and crypto companies

Whether it’s the processing of payment transactions, the trading and custody of digital assets, new options for raising capital such as Initial Coin Offerings (ICOs), Initial Exchange Offerings (IEOs), or Security Token Offerings (STOs), the further development of business models or the well-founded investment advice for digital assets – we offer crypto and blockchain companies all the main services from a single source, and in a secure regulatory environment.

A brief explanation of some keywords

Difference between a coin and a token
A common definition is that a coin such as Bitcoin (BTC) works with its own blockchain. A token, on the other hand, uses an existing blockchain, which precludes its additional use on another blockchain.

An illustrative description: Swiss francs (coins) can be used to buy vouchers (tokens) for a clothes store (blockchain), for example. The voucher serves no other purpose than to be exchanged for real clothes in this clothes store.

Difference between a public key and a private key
A public key is a not yet compressed version of the wallet address on which cryptocurrencies are stored. A private key is required in order to gain access to the public key. The private key is therefore the actual key to the cryptocurrency on the wallet.

Or, figuratively explained: the wallet is like a postbox – anyone can put something in, but not everyone can remove its contents. The address of the postbox is the public key. To gain access to the postbox and its contents, the private key is required.

Crypto exchange
A crypto exchange works like a conventional stock exchange: it is based on supply and demand. However, crypto exchanges do not have their own wallet. Instead, they work with omnibus wallets.

The risk of crypto exchanges lies in the fact that they are an extremely attractive target for hackers. This is because cryptocurrencies worth several billion US dollars are located here.

Knowledge transfer

Does the young and dynamic crypto world still pose a challenge for you?
With their many years of expertise, our certified specialists are also personally available to answer any questions you may have about blockchain and digital assets. We see it as our task to take away your uncertainty with short individual training courses, meaning that you are in a position to optimally exploit the potential offered by the emerging asset class of digital assets.

Stablecoins
Stablecoins such as Tether (USDT) are cryptocurrencies whose price is pegged to a national currency through active monetary policy. 1 tether, for example, is equivalent to 1 US dollar. Stablecoins are often used to be traded against other cryptocurrencies.

Satoshi
The term satoshi is used in the crypto community to represent the decimal places of Bitcoin in a more simple manner. 1 bitcoin can therefore be divided into 100 million satoshis. Or, in more simple terms: satoshis are like centimes to the Swiss franc, only in the case of 1 bitcoin there are 100 million centimes.

And by the way: this unit was so named in honour of Bitcoin founder Satoshi Nakamoto.

Alexander Aschwanden Former apprentice

Blockchain conquering the art market

Blockchain technology can also be used in a variety of ways in the art market. This helps to optimise the existing process of trading, transport and safekeeping, for example by storing insurance policies and certificates of authenticity on a blockchain.

The artists themselves can benefit directly from tokenisation: for each original they create, a digital twin (token) is also created, which thanks to cryptography is considered a unique piece; keyword: non-fungible token (NFTs). This opens up interesting possibilities to address new, less affluent buyer groups. At the moment, however, it is still open to debate whether NFTs will generate enough interest for a new market.

Although the art market is the domain of wealthy art collectors and highly specialised auction houses and galleries, the new developments related to blockchain technology are being discussed with great interest.

Reto Gadient CEO of B.ACADEMY GmbH, strategic consulting on blockchain, co-founder of the Crypto Valley Association, large international network for connecting companies and investors, organiser of private investor circles and Crypto Mountain Rocks

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A look into the future

Public blockchains such as Bitcoin and Ethereum will fundamentally transform the way in which people experience the world of finance. As we have seen, much of the crypto world is still a work in progress. Blockchain networks are currently going through the acceptance phase entailed by the monetisation of their specific blockchain-based tokens and in layer 2 use case in decentralised financing (DeFi). Unsurprisingly, it is the trading and price aspect that dominates the debate currently.

It is already becoming apparent how our approach to money can be expected to change. With the right apps, we will be able to send and receive money via blockchain protocols within a matter of seconds in the future – around the clock, seven days a week and 365 days a year.

Money will ultimately become a fluid concept. As well as facilitating micro-payments that allow any content on the internet to be financially supported, this development will also lead to the possibility of “streaming” money. What does that mean? As long as their activity is backed by a proprietary digital wallet, users can – for example – read an article, watch an online film series, or attend a video conference. Thus, a lucrative market will open up for producers of all kinds of content.

The anachronistic nature of today's salary payment norms will also be radically changed: As soon as money can be streamed, there is nothing to stand anymore in the way of more flexible salary payments. The era of having to wait patiently to be paid for already completed projects will become a thing of the past. In all places and at all times, people will be able to earn money in real time.

Given these fundamental changes associated with digital assets and their underlying blockchains, it seems only reasonable to ask the following question: Will we all have to become programmers in order to be part of this new world? Certainly not! Even if the dynamic world of digital assets still appears somewhat cryptic to many people as things stand, a lot of work is going on behind the scenes to make it accessible to the broadest possible audience. Let us not forget that back in the 1990s – a time of cumbersome user interfaces and significant entry barriers – hardly anyone could foresee the day when surfing the internet would become child's play.

The evolution of the world of digital assets is likely to follow an identical pattern. Just as browsers made the internet accessible to all, so too are digital wallets opening the door to the big wide world of blockchain. The point is that wallets are not just digital repositories; they are also user interfaces and a key service element for various blockchain applications. They have gradually become more user-friendly in recent years – and will inevitably evolve further. It will be exciting to follow how things develop from here.

Excerpt from our finance theme "Digital assets – today and tomorrow":

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