



Flurin Hess and Ozan Polat, two of the five founders of Trust Square, expect blockchain technology to upset many markets.

Zurich: a hub for Swiss blockchain technology

Trust Square has just opened on Bahnhofstrasse. The hub, which brings together start-ups, researchers and industry players, showcases Swiss-made blockchains. We take a look.

BY BERTRAND BEAUTÉ
PHOTOS: NICOLAS RIGHETTI

Bahnhofstrasse. The legendary Zurich street, often ranked among the top 10 most expensive streets in the world, is now home to a new tenant. In April, Trust Square – a non-profit hub dedicated to blockchains – opened at number 3, between Lake Zurich and the prestigious Paradeplatz. In total, the 2,300-square-metre space has 220 workspaces on three floors. “For us, it’s the best space we could possibly have,” smiles Daniel Gasteiger, one of the five founders of Trust Square. “We’re right in the heart of the Zurich financial district. Although our work isn’t solely focused on finance, it was important to be close to that industry.”

Inside, the Trust Square offices could be mistaken for a traditional bank. That’s because the former tenant was no other than Liechtenstein company VP Bank. Opposite the front desk is a strange digital sculpture symbolising a blockchain, the only décor that has been added to the former bank. Now, the technology that underlies Bitcoin is right in the middle of Bahnhofstrasse.

Currently, 40 start-ups that all specialise in blockchains have joined the hub, occupying the 220 available ▶



No. 3 Bahnhofstrasse is now the seat of Swiss-made blockchains.

desks. "It's a great success, we're at full capacity," said Gasteiger. "But we're already planning to expand by acquiring another floor, which will bring the number of workspaces to more than 300." In the meantime, Trust Square is moving full steam ahead. In the minimalist corridors, employees move from one room to another, and in the open space office, others are busy at work in front of their screens. But while the location looks like a bank, there are very few suits and ties. Employees are young, wearing shorts, t-shirts and sandals. Ah, summertime in Zurich.

The concept for Trust Square began two years ago. "I decided to leave the banking world after working in it for 20 years. I started at Credit Suisse and then went to UBS before starting my own business," said Gasteiger. "At the time, I had three ideas in mind: robot advisors (ed. note: automated wealth management), fintech and blockchain. It was right then that UBS opened its blockchain research

lab in London. I said to myself: it's crazy that this is happening on the other side of the Channel and there's nothing in Switzerland!"

Beyond Swiss borders, the Zurich hub is attracting interest. "People from around the world come to see us"

Daniel Gasteiger, co-founder of Trust Square

So Gasteiger began talking with the Zurich canton government council to create a hub in Dübendorf dedicated to blockchain innovation. From the very start, the idea was to bring the industry's best companies and researchers together in one place, and hopefully an ecosystem would flourish.

The project would eventually end up on Bahnhofstrasse. "When we had the opportunity to have this space

when VP Bank left, we immediately took it," said Gasteiger. "The Swiss government is becoming more and more aware of the importance of investing in blockchain." While the canton and city aren't directly sponsoring Trust Square, they are still supporting the community, which made it possible for the hub to take over this prestigious space. "We were able to reduce the cost for resident companies to 500 Swiss francs per desk per month, which is far below what workspaces on this street usually go for," said the Zurich entrepreneur.

From the terrace on the top floor of the building, you can see trams passing left and right, heading from the lake to the main train station and passing in front of the headquarters of the Swiss National Bank (SNB). "I often say that with Trust Square here, the new world has settled in right across from the old world," said Gasteiger. "It wasn't planned that way, but it's a wonderful coincidence."

A PIONEER COUNTRY

Every blockchain expert in the world knows about Zug. The commune of 30,000 residents, where Ethereum was created, is home to a blockchain ecosystem called Crypto Valley that has welcomed dozens of start-ups since 2014. The city is also a testing environment for "e-government": starting in 2018, it has been testing electronic voting powered by blockchain, the first of its kind in the world.

Furthermore, as of September 2017, Zug residents can obtain a digital identity using blockchain technology. Is the city competition for Zurich and Trust Square? "Absolutely not," said Daniel Gasteiger, co-founder of Trust Square. "Zurich and Zug are so close that it's essentially the same thing." Moreover, the two hubs voluntarily swap offices in order to encourage knowledge sharing.

Geneva isn't out of the loop either. The incubator Fusion received support from the canton of Geneva, another incubator Fongit and several private partners to launch the Swiss Blockchain Association and a blockchain lab in January 2018. In May 2018, the canton of Geneva was even the first administration to publish a guide to better handle initial coin offerings (ICOs) in the canton. On a federal level, the financial market supervisory authority FINMA has already created its own framework for ICOs, publishing its guidelines in February 2018 (see p. 44). On 6 July, the operator of the SIX Swiss Exchange introduced the SIX Digital Exchange, a trading infrastructure for digital assets. The platform, which is expected to launch in mid-2019, allows traders to exchange cryptocurrencies, as well as several other products that are currently non-marketable on the SIX, such as tokens.

Among the 40 start-ups in the Zurich hub, more than half are active in finance, such as Lykke Switzerland, which is creating a trading market for financial assets via blockchain. Others work in various industries. B3i, for example, is in insurance, Verum Capital works in ICO and blockchain advisory (see p. 44), and ScienceMatters is developing a new platform for scientific publications. The Chinese company Bitmain (see p. 64) also has a Swiss branch in the building.

CONFERENCES AND BARBECUES

In addition to start-ups, Trust Square also reserves workspaces for researchers from partner universities (ETHZ and the University of Zurich, in particular). "The idea is to concentrate all of Switzerland's blockchain expertise in one place," said Gasteiger. "To promote discussion and collaboration between start-ups and the academic world, we regularly organise events, conferences and even barbecues. And the more informal spaces, such as the terrace and cafeteria, make it possible for everyone to meet each other and talk."

However, to "avoid conflicts of interest", large and established companies won't be granted residency at Trust Square, according to Gasteiger. "But of course, they are welcome to organise events or conferences with us."

Beyond Swiss borders, the Zurich hub is attracting interest. "People from around the world come to see us. And we are happy to welcome them. We designed Trust Square to be an open house and anyone who is interested in blockchain technology can come visit. There is such a need for information. When the internet started in the 1990s, no one could predict that social networks were coming. Today, we're in the same situation with blockchain. We need time to develop and explain this technology."

Indeed, while the boom of cryptocurrencies in 2017 and the associated >



Co-founder of Trust Square, Daniel Gasteiger also launched nexussquared in 2016, a fintech that helps companies integrate the blockchain into their business model, as well as Pro-civis, a start-up specializing in digital identification.



"Switzerland is among the global leaders"

Author of *Crypto Nation Switzerland*, available at the end of the year, former banker Alexander Brunner wanted to understand how a small country such as Switzerland could become a global blockchain leader. Interview.

BY BERTRAND BEAUTÉ

"When I was a student, everyone wanted to work in finance. That's no longer the case today. Young people want to launch their blockchain start-ups. Banks are boring to them." Being a very versatile person, Alexander Brunner followed this path. After working for hedge funds, he left the finance world to pursue blockchain technology. With an office in Trust Square, Brunner is currently finishing his book on the subject. He is also a politician, as a member of parliament in the city of Zurich representing the FDP.The Liberals.

Switzerland is often seen as one of the top three countries in the world for blockchain. Is that correct?

There is no doubt that something significant is happening in our country. The larger public only

recently started hearing about cryptocurrencies and blockchain technology, with the Bitcoin surge in late 2017. But the blockchain Ethereum, which is the basis for the cryptocurrency Ether, was started in Zug as early as 2014. Since then, we have seen the arrival of the Crypto Valley Association in the canton of Zug (a term practically branded since 2014), then Trust Square in Zurich. Together, they created an ecosystem conducive to blockchain development in Switzerland.

As a result, 40% of the 15 biggest ICOs overall, since 2016, took place in Switzerland. Given the size of our country, this is pretty remarkable. It puts us among the world leaders in blockchain. Now, experts from all over the world come here to see what we're doing. I believe politicians – and

I am one as a member of parliament in the city of Zurich – have a good understanding of the challenges and the importance of blockchain, because they have supported and encouraged this phenomenon. In January 2018, for example, federal councillor Johann Schneider-Ammann declared he wanted to make Switzerland a "Crypto nation".

How do you explain Switzerland being at the forefront of this industry?

Luck! (Laughs.) One thing is certain: it's not a political initiative. At the beginning, pioneers such as the Dane Niklas Nikolajsen, founder of broker firm Bitcoin Suisse, decided to settle in the canton of Zug as early as 2013. They came here motivated by the political and fiscal stability of our country, as well as the presence

of a strong financial centre. These pioneers then convinced Russian-Canadian genius Vitalik Buterin to also choose Zug as the place to launch his Ethereum project.

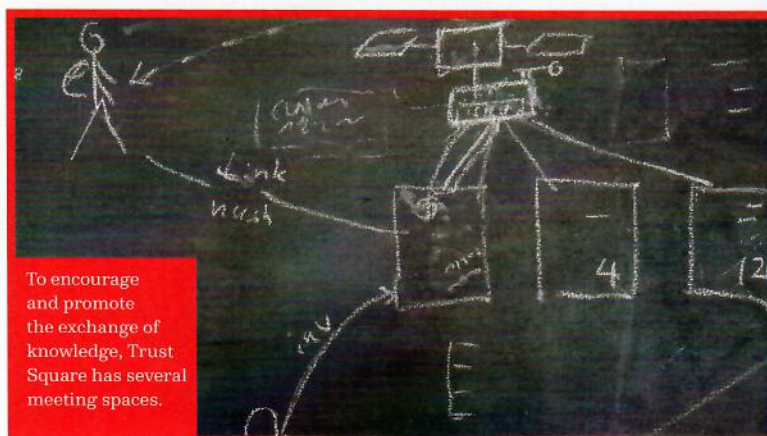
All of this created a first ecosystem: Crypto Valley. The city of Zug itself played a role. The local government encouraged this phenomenon by welcoming it from the very beginning. I think the fact that Switzerland is one of the global blockchain leaders is because chance led the right people to the same place at the right time.

Will Switzerland's advances last?

No one knows. Several countries such as Liechtenstein, Malta, Cyprus and Estonia are making a lot of progress. In comparison, Switzerland has many advantages, notably because it was one of the early adopters and has a strong economic community. Furthermore, the regulatory body became involved quite early. The financial market supervisory authority (FINMA) was the first in the world to publish guidelines to oversee ICOs in February 2018 (see p. 44). So we're in a very good position. But at the same time, we must remember that Switzerland is a small country. If giants such as the United States really make progress with blockchain, they will quickly outpace us.

It's also kind of a shame that the big Swiss banks aren't more interested in the technology. For the moment, they have a "wait-and-see" approach, as they are concerned by potential US reactions. Indeed, Switzerland is part of a global financial system that is dominated by the United States. The US has a very strict security law regarding all ICOs as security offerings. Therefore, for Swiss banks with a strong US presence, it could be risky to dabble in cryptocurrencies without an in-depth review of US law. Faced with this threat, Swiss banks prefer to wait. I think that's a shame.

speculation put blockchain in the spotlight, the media hype also had a negative effect. "The media turned everything into headlines. Speculation, Ponzi schemes, manipulation. People simplified and reduced blockchain technology to just cryptocurrencies," said Gasteiger. "These approximations could potentially have a negative impact, since they stall investments. Of course, there are people who abuse the system, especially when it comes to ICOs, but we mustn't view this technology solely through the negative cases. We need to make people understand this technology."



That is one of Trust Square's missions. The name, by the way, wasn't randomly chosen. No mention of cryptocurrencies or blockchain. Instead, the word "Trust", which brings to mind companies and business rather than speculation, was chosen. "We don't buy into the hype of the moment," said Gasteiger. "We want to construct business models that work over the long term."

But the founders are not naive, either. "We don't want to be seen as unconditional blockchain supporters," said Flurin Hess, co-founder of Trust Square and Dezentrum, a think tank dedicated to blockchain. "We believe that with this technology, the world will undergo a large-scale decentralisation that will disrupt several >



The think tank Dezentrum wants to popularise blockchain by using concrete examples like the one here – a satellite working with this technology.

markets. It is crucial for society to be aware of these challenges so that critical debate can be conducted."

"Many countries such as Cyprus, Malta and Liechtenstein are quickly picking up speed in the industry"

Daniel Gasteiger, co-founder of Trust Square

In front of a miniature satellite, Ozan Polat, another co-founder of Trust Square, tries to explain the questions that this technology will raise. "Let's imagine a self-driving taxicab that uses blockchain. Customers pay using cryptocurrency and the vehicle uses cryptocurrency for its electric recharging and repairs. It is com-

pletely self-sufficient and can even run its own business. But what happens if the vehicle acquires itself and becomes very rich? How will it be taxed? Who is responsible if there is an accident? We don't have a fixed position for these types of scenarios; instead, we allow people to think it over." To lead the discussion, Trust Square also calls upon philosophers, artists and freethinkers.

Beyond Zurich, the blockchain phenomenon is spreading in Switzerland. The industry pioneer region of Zug also has its own hub called Crypto Valley Lab, and in French-speaking Switzerland, an incubator known as Fusion launched the Swiss Blockchain Association in Geneva in January 2018, as well as a blockchain lab (see inset on p. 38).

So is Switzerland a world leader in the industry? "For the time being,

we're in a great position," said Gasteiger. "Singapore and the United States are bigger markets for ICOs, but we're a close third. However, we need to pay close attention. Many countries such as Cyprus, Malta and Liechtenstein are quickly picking up speed in the industry."

The potential expansion of Trust Square in the coming months should reinforce Zurich's spot as an epicentre for blockchain innovation. "But we cannot stay on Bahnhofstrasse indefinitely," said Gasteiger. "It's a temporary solution, because the building will be renovated. The planning and building permissions are ongoing for now." By 2020, the hub is expected to have left the legendary avenue for its new location. Where, you may ask? "The future is wide open," said the former banker. "Blockchain is here for the long haul." ▴