What DeFi is and why the law struggles with it

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Decentralised finance (DeFi) is the collective name for financial services delivered by smart contracts on public ledgers without an intermediary holding customer assets. Users interact directly with the contracts from their own wallets. The contracts hold assets, match orders, make loans, liquidate collateral and pay rewards according to published code. By mid-2026 the total value locked in DeFi protocols was in the range of USD 100 to 150 billion, concentrated in lending, decentralised exchange, liquid staking and stablecoin issuance.[1]

Financial regulation in both hubs assumes that a service is provided by a person. The Anti-Money Laundering Act applies to financial intermediaries. The Payment Services Act licenses persons who provide payment services. The Banking Act licenses persons who accept deposits. DeFi presents a service with no obvious person behind it. Both regulators have spent the years since 2020 deciding whether to find one. This chapter explains each major DeFi mechanism to the point where the legal question emerges, and then sets out the positions of the Federal Council and MAS. The regulatory consequences in each hub are in Part E, Chapter IX and Part K, Chapter IX.

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Notes

1. Total value locked figures from DefiLlama as at June 2026 are approximate; the Federal Council's DeFi report of 16 December 2022 and the FSB's report of 16 February 2023 give institutional descriptions of the sector. ↩

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