



## Lugano, Europe's crypto hub?

Image source: iStock/Kristina Bilous

### Introduction

Thanks to numerous strategic partnerships and visionary local players, Ticino's largest city is establishing itself as a European cryptocurrency and blockchain capital.

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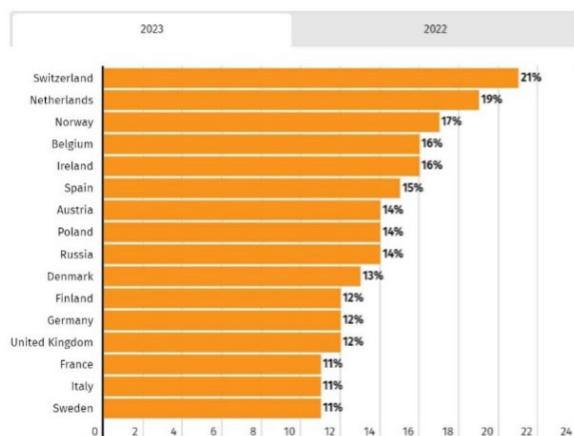
It is one of the sunniest places in Switzerland. Located between the metropolitan areas of Milan and Zurich, Lugano is the ideal place to work and live. Beyond its stunning natural landscapes and strategic importance, the economic capital of Italian-speaking Switzerland is making a name for itself in the world of cryptocurrency. Under the leadership of Mayor Michele Foletti, Deputy chief financial officer, Paolo Bortolin and with key insights from Paolo Ardoino, Chief Executive Officer of Tether, the City of Lugano offers a unique cryptocurrency experience.

### « Plan B » - B like Bitcoin

In Switzerland, the City of Zug is known as the “Crypto Valley”, being home to about half of Switzerland’s crypto start-ups. The city of Lugano is not just trying to outshine Zug, it is setting its sights higher, aiming to become the European capital of cryptocurrencies. Lugano’s bold ambition is supported by a key partnership with Tether, the company behind the world’s biggest stablecoin, Tether, who is leading the charge in shaping the city’s technological future through a project known as “Plan B.”

## European countries with the highest share of respondents who either owned or used cryptocurrencies in 2022 and 2023

Source: Statista Consumer Insights



Source: Financial Mirror, Statista

"Plan B" ("B" written like the Bitcoin logo) is a strategic initiative between Lugano and Tether. The goal: to use Bitcoin technology to completely reshape the city’s financial system. The initiative aims to deeply integrate blockchain into the daily lives of the people of Ticino. The plan includes purchases in local shops, museum entrance tickets, but also tax payments, naturalisation fees and even funeral expenses. To facilitate this, the citizens of Ticino and Tether have introduced two major financings: a CHF 100 million investment aimed at attracting blockchain startups to the city, and a CHF 3 million fund designed to help local businesses adapt to a cryptocurrency-powered economy. The collaboration led to the development of 3Achain, an institutional blockchain platform that supports financial transactions.

Lugano's first venture into the cryptocurrency world began in 2020, during the Covid-19 pandemic, when it introduced the LVGA stablecoin, a loyalty points system designed to stimulate local economic activity. These points are collected in a blockchain-based digital wallet within the "MyLugano" app, can be spent on a wide range of goods and services throughout the city and provides a 10% cashback on each transaction. The LVGA token is linked to the Swiss franc, is regulated by FINMA, but can only be spent in Lugano's local businesses and leisure spaces and cannot be bought or traded on cryptocurrency exchange platforms.

Lugano and Tether have partnered with GoCrypto to implement the payment system in the city. This system supports transactions in Bitcoin Lightning, USDT and LVGA. They have introduced a point-of-sale (POS) system that merchants can use for in-store and mobile app transactions. The "onboarding" process is simplified, and transactions are completed very fast (in just 4 to 6 seconds) thanks to the use of the Bitcoin Lightning network (a second-layer protocol built on Bitcoin's primary blockchain). This enables nearly instantaneous secure transactions at no cost.

In addition, the city is committed to fostering educational opportunities through the "Plan B Summer School", a collaboration with local universities and research institutes.

There is also the "Plan B Forum", an annual conference that brings together leading cryptocurrency experts every October.



Source: Plan B



Source: MyLugano

## In Lugano, you can pay your taxes in cryptocurrencies

Following successful cryptocurrency municipality payment integrations in Zug and Zermatt, the City of Lugano broadened its payment options by allowing businesses and citizens to pay all types of municipal charges, including taxes, fines, and naturalisation fees with cryptocurrencies. Invoices can be settled in bitcoin (BTC) and tether (USDT), with no upper limit on the amount.

Bitcoin Suisse, a Zug-based company recognised for its expertise in processing cryptocurrency payments, handles the technical aspects of the transactions. This partnership ensures a seamless and automated payment process. The procedure is simple: taxpayers scan the Swiss QR-bill on their invoices or access the official Lugano payment page, select the type of cryptocurrency (BTC or USDT) and pay.

Payments are processed the following day (T+1). However, should there be a need to refund an invoice paid in cryptocurrency, the refund will be issued solely in Swiss Francs. Any exchange fees, losses, or payment charges incurred during the transaction will not be reimbursed.

As stated by the FAQs section on [www.lugano.ch/crypto](http://www.lugano.ch/crypto), the City of Lugano “does not manage cryptocurrency treasury” and that “any amount paid in cryptocurrency will be immediately converted into Swiss francs.” Lugano’s deputy chief financial officer, Paolo Bortolin describes Lugano as “pioneers” at a municipality level. He told Global Government Fintech: “Our internal accounting services will not even notice somebody paid in crypto. It is a full adoption [of crypto payments] with full automation of all processes.”

## A blockchain bond

In 2023, Lugano issued its first native digital bond, a 6-year senior unsecured bond for a notional amount of CHF100 million and with maturity in 2029. In 2024, Lugano launched its second blockchain bond, also for CHF100 million, this time as part of the Swiss National Bank’s “Project Helvetia”. The project explores the use of a central bank digital currency (CBDC) to settle transactions on the SIX Digital Exchange (SDX).

The latest blockchain bond issuance, “part of the city’s usual capital-raising on the financial markets”, was carried out in collaboration with Zürcher Kantonalbank (ZKB), Basler Kantonalbank, and J Safra Sarasin serving as joint lead managers. The instrument has a 10-year maturity and a coupon rate of 1.415%. ZKB reported that the order book closed in just 17 minutes, with the largest single allocation, being CHF 8 million. Nearly half was attributed to asset managers, then banks, insurers, and pension funds.

Similar to Lugano’s first digital bond, the bond is dual-listed, available both on SDX’s blockchain platform and the traditional SIX Swiss Exchange. This allows investors to engage without needing blockchain access directly.

Moody’s has rated the bond ‘Aa3’, equivalent to Lugano’s traditional bonds. In his announcement, Mayor Michele

Foletti emphasised the significance of this step for the public sector and encouraged other public entities to adopt this innovative method of issuance.

“One thing that is certain is that we will continue to issue digital bonds.” – Paolo Bortolin

## Lugano ties its crypto city dream to Tether

Tether is partnering with the city of Lugano to demonstrate the real-world use of blockchain technologies by applying them concretely to the region’s local communities under Plan B. Despite Tether not receiving direct financial compensation from the city, the partnership is seen by Paolo Ardoino, Tether’s CEO (pictured below), as a form of “philanthropy”, benefiting both Tether and the global crypto ecosystem in the long run. Fostering broader crypto acceptance globally through initiatives like Plan B will end up in Tether and its parent company, the cryptocurrency exchange Bitfinex, having more business. It is a “win-win” situation for Tether and the industry at large. Tether is not headquartered in Switzerland but has relocated part of its operations to Lugano and is actively recruiting staff dedicated to this partnership.



Source: laRegionie

## "If you build it, they will come"

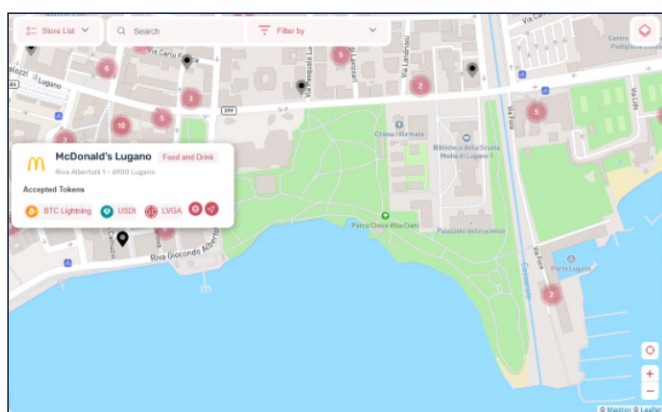
In 2021, El Salvador made history by becoming the first country to recognise bitcoin as an official currency. This forced local merchants to accept bitcoin as a means of payment. Unlike El Salvador’s directive approach, Lugano is taking a more voluntary path to encourage the adoption of bitcoin and other cryptocurrencies among local merchants. Plan B offers merchants three options: continue as usual with no changes, accept a free crypto-enabled POS terminal from the local government, or wait for their existing POS systems to be upgraded to support cryptocurrency transactions. Merchants can configure these terminals to automatically convert crypto transactions into Swiss-francs or keep a portion in cryptocurrencies.

Plan B counts nearly 400 merchants in Lugano that accept bitcoin, tether, or LVGA. This includes prominent businesses like McDonald’s. Already, more than a third of the population uses the MyLugano wallet, with 8,000 monthly transactions processed on the 3Achain. Ardoino hopes that by the end of

2025, when Lugano's four-year contract with Tether is due for renewal, all the city's merchants will be "bitcoiners."

The city's strategy is drawing international attention too. Within a month of unveiling Plan B, numerous companies began relocating to Lugano, bringing with them substantial assets from diverse regions like Zug, Dubai, and Italy. Polygon, the entity behind the MATIC cryptocurrency, has even moved several subsidiaries to Lugano, becoming a key infrastructure partner in Plan B.

Beyond boosting business, Lugano is also investing in its people. The city plans to offer 500 scholarships at its universities, covering a range of programmes from computer science to financial risk management, all designed to prepare students for careers in the field of blockchain technology. This educational push ensures that Lugano is not just a place where technology is used, but also a place where future leaders in blockchain are educated, fostering a community that's as informed as it is innovative.



Source: Map of merchants accepting cryptocurrencies in Lugano, PlanB.lugano

## Conclusion

Lugano is quickly heading towards its dream of becoming the European capital of cryptocurrencies. These innovative initiatives by a Swiss city give credibility to the cryptocurrency world and are likely to inspire other cities to explore similar pathways to integrate digital finance into their economies.

## For further information

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