

**GREATER
ZURICH
AREA**

Sustainable **Fintech** in Switzerland

GZA webinar – July 9, 2020

3 pm Korea Standard Time (KST) / 8 am CEST

greaterzuricharea.com/webinars



Sustainable FinTech

09.07.2020
Thomas Puschmann

Three Topics for the Webinar

1. Trends in FinTech
2. Deep Dive to Sustainable Digital Finance
3. Why Switzerland is one of the Hotspots for FinTech

1. Trends in FinTech

- Fintech is evolving into **all financial domains** including payments, investments and financing and especially RegTech, Capital Markets and InsurTech.
- Fintech becomes part of cross-industry “**Digital Ecosystems**” evolving into centralized and / or decentralized approaches.
- A third and currently emerging trend is the use of FinTech in the domain of **sustainability** which allows to increase the impact on economic, social and environmental conditions.

2. Deep Dive to Sustainable Digital Finance

- The **financial sector is one of the key pillars of sustainability**. (e.g., digital financing enabled agricultural supply chains).
- **Sustainable Digital Finance** has an enormous impact on social and environmental conditions (e.g., Task Force on Climate-Related Financial Disclosures (TCFD) from the Financial Stability Board).
- A new **Global Center for Sustainable Digital Finance** from Stanford University and the University of Zurich (www.sustainable-digital-finance.org) aims at conducting research and creating innovations (e.g., accelerator, start-ups, etc.)

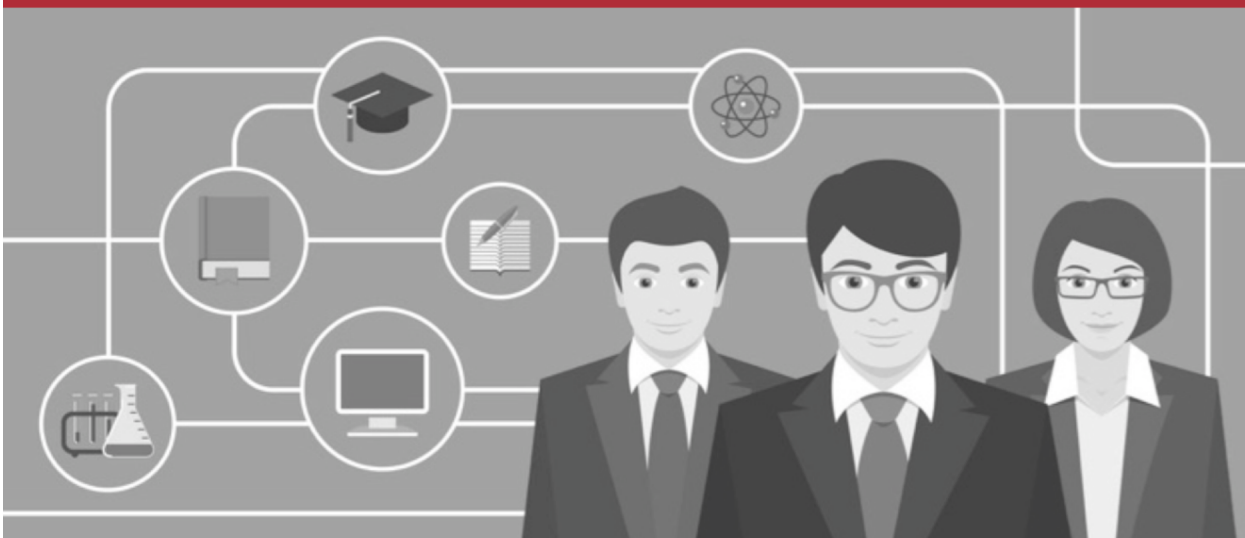
3. Why Switzerland is one of the Hotspots for FinTech

- Switzerland is Europe's **No. 1 innovation champion** and the **No. 1 wealth management financial center** in the world.
 - Switzerland has evolved into **one of the major FinTech hubs in the region** with more than 360 FinTech start-ups and a broad variety of blockchain and crypto start-ups.
 - Switzerland has a **very well regulated financial services industry** including novel (de-)regulations for FinTech and blockchain.
 - South Korea and Switzerland have an **innovation agreement** which allows funding of science-based innovation from both national innovation agencies (Korea Institute for Advancement of Technology (KIAT) and Innosuisse).
-

Swiss FinTech Innovation Lab

Thomas Puschmann
University of Zurich
Swiss FinTech Innovation Lab
E-Mail: thomas.puschmann@uzh.ch
Mobile: +41 79 364 12 33

www.swissfintechinnovationlab.ch



research.
education.
innovation.
community.

The image features a hand holding a smartphone, which is the central focus. The phone's screen and the surrounding space are filled with numerous white, hand-drawn style icons representing various digital concepts: a smartphone, a lightbulb, a mail envelope, a padlock, a calendar, a magnifying glass, a speech bubble, a gear, a document, a person, a location pin, a bar chart, a pie chart, a clock, a magnifying glass over a document, a speech bubble with a checkmark, a speech bubble with an 'X', a speech bubble with a question mark, a speech bubble with an exclamation mark, a speech bubble with a plus sign, a speech bubble with a minus sign, a speech bubble with a multiply sign, a speech bubble with a divide sign, a speech bubble with a percent sign, a speech bubble with a dollar sign, a speech bubble with a pound sign, a speech bubble with a yen sign, a speech bubble with a euro sign, a speech bubble with a rupee sign, a speech bubble with a won sign, a speech bubble with a dollar sign, a speech bubble with a pound sign, a speech bubble with a yen sign, a speech bubble with a euro sign, a speech bubble with a rupee sign, a speech bubble with a won sign. The background is a deep blue with soft, out-of-focus light spots (bokeh). A semi-transparent horizontal band across the middle of the image contains the main title.





Fintech in Korea

Fintech Center Korea

I. Fintech by sector in Korea

Banking(Simple Payment& Remittance)

Comparison of Top 4 Simple Payment Service Platform

				
	Samsung Pay	Kakao Pay	Naver Pay	Toss
Monthly Transaction	KRW 1 Trillion (USD 835 Million)	KRW 4 Trillion (USD 3342 Million)	KRW 1.4 Trillion (USD 1169 Million)	KRW 4 Trillion (USD 3342 Million)
Accumulated User	14 Million (04.2019)	30 Million (08.2019)	30 Million (08.2019)	30 Million (08.2019)
Note	<ul style="list-style-type: none"> Released in 08-2015 NFC, MST method No.1 Market share in offline Service in 20 countries 	<ul style="list-style-type: none"> Released in 2014 (The first) The highest monthly transaction 	<ul style="list-style-type: none"> The highest accumulated user 190K online member stores Plan to proceed financial service with Mirae Asset 	<ul style="list-style-type: none"> Released in 02.2015 Sell the Mini-Insurance Expansion Life-Finance Services

Simple payment market rapidly grows in Korea(tripled in last 3 years)

Neo Bank

Current Status of Neo Bank

Success Factors	Effects
<ul style="list-style-type: none"> 40 million KakaoTalk members Customer-friendly UI, UX Mobile-only strategies → Focusing on mobile Unconditional Loan at low interest rate 	<ul style="list-style-type: none"> Digitalization Non-face-to-face accounts & transactions High competition in bank ecosystem Importance of security Catfish effect Fusion and bundling service expansion → Strengthen link with other industry

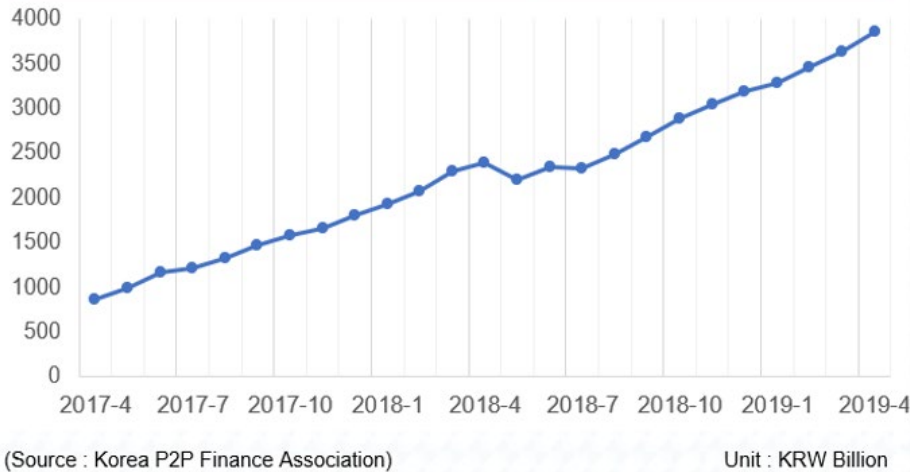
- Kakao Bank accumulated 4.35 million non-face-to-face accounts within 100 days after start of services
- It turned to a surplus in two years

I. Fintech by sector in Korea

■ P2P Lending

Current Status of P2P Lending

Accumulated P2P Amount of Loans' Increasing Progress in Korea



Risk management Know-how
Stable management of overdue · poor
Various investment product

Rapid growth of
P2P finance



It is concerned because real estate-related loans are significant portion(86%) of total P2P lending

■ Robo-Advisor

Current Status of Robo-Advisor

'Koscom' Robo-advisor Test-bed

Robo-advisory Test-bed Rate of Return for 5 Months (Unit : %)

Type	Algorithm	Rate
Korean	Data and Analytics FASST Korea	9.7
	Kium Momentum	6.3
	QV Pension Portfolio	6.2
	KFI I77	6.0
	KB Robo-rider	5.9
	KODEX Robo-solution 1	5.5
	Daishin Robo-balance	5.4
	Kium Multi Asset	4.4
	KEB Hana_Craft Asset Allocation Alpha	4.1
	Samsung POP Robo Stock Fund	3.2
	KimRobo Global 01	9.1
	December USA Stock Solution	4.3
Overseas	ATOM Global Dynamic	2.5

* 22-May-2017~26-Oct.

Source : Koscom

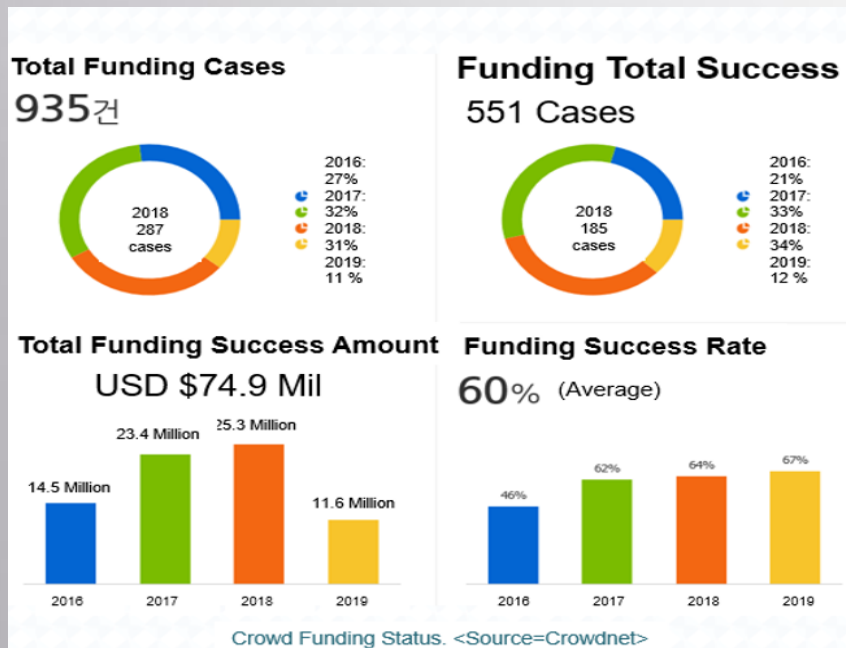
Robo-Advisor's growth potential is relatively high

→ estimated KRW 2 trillion(USD 1,670) in 2021

I. Fintech by sector in Korea

■ Crowdfunding

Current Status of Crowdfunding



50mil US\$ in 2017 -> 260 mil US\$ in 2019(5times in 3 years)

-> very rapid growth

■ Insurance

Major Insurance companies' Insurtech innovation

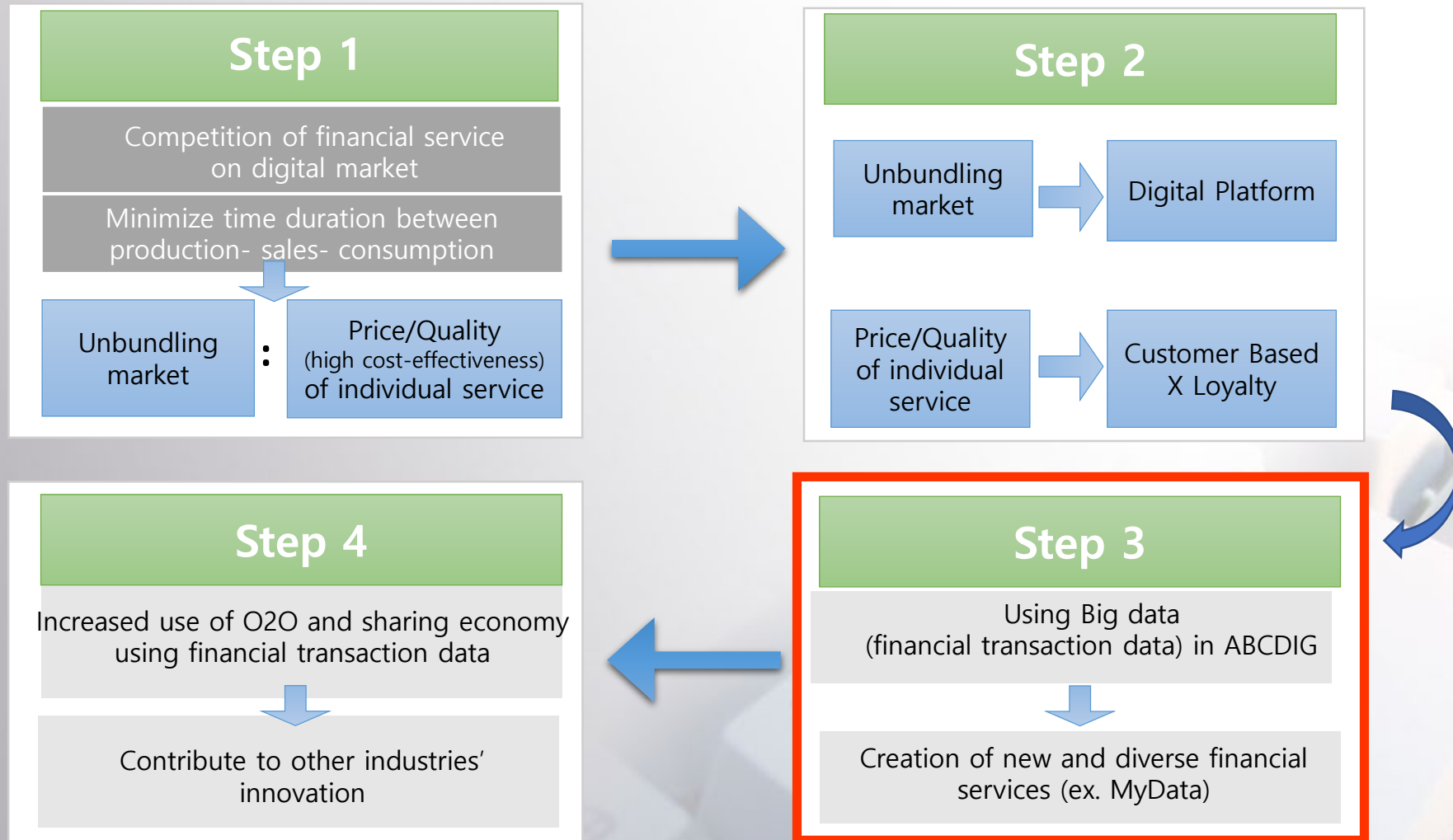
Insurance Company	Contents
SAMSUNG LIFE INSURANCE	Establish CVC for Insurtech Startup Investment
KYOBO LIFE INSURANCE	Launch Blockchain Combined Disease Prediction Service
HANWHA GENERAL INSURANCE	SK telecom- Hyundai Motor establishes "Internet based Insurance company"
DB INSURANCE	Signed an MoU for Insurtech research with Korea Internet&Security Agency
KB INSURANCE	MoU signed by three parties to prepare a simple claim system
HANA LIFE INSURANCE	Signed with InsureTech Company "Ubicare" to develop health-enhancing products

Driving habit-linked & Health-linked insurances start to release onto the market

→ Health care Insurtech products have increased in recent years due to aging society and bigdata analysis

II. Fintech Innovation Stage

- Four step of innovation in finance to support innovative growth



IV. Environmental Change in Fintech Industry

- **2 environmental changes based on the Financial Innovation Support Act**

The Korean National Assembly passed a legislation called the Financial Innovation Support Act (the “FinISA”) on December 7, 2018. Base on this Act, **Regulatory Sandbox policy** and **Open Banking** came into force.

- ① **Regulatory Sandbox**
- ② **Buckle down to Open Banking**

- **The amendments to the three major data privacy laws**

- ① **Personal Information Protection Act**
- ② **Act on Promotion of Information and Communications Network Utilization and Information Protection**
- ③ **Credit Information Use and Protection Act**

- **FinDX(Financial Data Exchange Platform, www.data.go.kr)**

- ① Opening “FinDX” in May 2020
- ② **Trading Data** : financial, e-commerce, distribution, real-estate, AI, telecommunication, medical(Only partially allowed by law) etc.

V. Challenge for Fintech Industry

▪ New Business Model : MyData

Concepts & Business Model of MyData

① Concepts

- Gather MyData based on the “Right to Data Portability” collected by a third party(MyData company)

② Business Model

- To see integrated individual's own financial information
- More efficient asset management for individual

Open Banking

+

Amended Credit Information Act(deregulation on Big data)

+

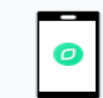
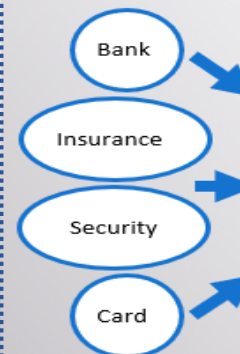
ABCDIG(early stage on technology convergence)

=

MyData

MyData Financial Experience

Solve financial chronic problem, simplify comprehensive asset management and provide personalized financial curation



General
Asset
Manage
ment

Provide comprehensive personalized financial service using ONE app.

1. Integrate entire financial
2. Customized asset management
3. Recommend customized product

V. Challenge for Fintech Industry

- **Go Global Financial Market through Fintech**

- ◆ **Questions for Korean fintech firms to do business in EU**

- **Do you have regulation Sandbox in EU?**
- **European tax structure**
 - What kind of tax structure(ex. holding company) has benefit in EU? (ex : Luxembourg, Netherland etc.)
- **European demand for Fintech technology and business model**
 - What kind of business models and technologies are strong in demand in EU?



Regulatory landscape for FinTech in Switzerland

Ronald Kogens, LL.M.



REGULATION AND AUTHORITIES

- The Swiss Financial Market is regulated on a federal level – there are no local differences
- Although many Swiss financial market laws have similarities to the laws of the European Economic Area, they differ as Switzerland is separate
- All activities related to the financial market are supervised by the Swiss Financial Market Authority (FINMA) that acts as a single authority – conflicts of competences do not exist
- FINMA maintains a FinTech desk with specialists that have a deep-understanding of various technologies – you can have a conversation on the same level of knowledge
- FINMA offers the possibility to submit FinTech projects for review – if FINMA agrees with the legal analysis in the project description they issue a non-action letter

SPECIFIC AREAS OF FINTECH

DLT/Blockchain projects

- Switzerland is a hub for DLT-blockchain projects
- Clear guidance by FINMA on the qualification of tokens (publicly available guidance on the regulatory qualification of ICO's and tokens)
- ICO-Guidance <https://bit.ly/2DoekzN>
- Stablecoin-Guidance <https://bit.ly/3e810Mx>

Neo-Banking/Payment Solutions

- Promotion of innovation “Sandbox-Solution” – no banking license for payment systems required for accepting of funds up to CHF 1m or less than CHF 3k per client
- FinTech license/Banking license – special license for FinTech companies that permits accepting of funds up to CHF 100m – pre-stage of becoming a bank.

Crowdfunding

- Money can be held by the crowdfunding provider for up to 60 days (no amount limitation) without the need of a banking license

OTHER ASPECTS OF SWITZERLAND

Technology affinity of other authorities

- Likewise FINMA, other authorities such as the tax authorities are also tech affine – tax authorities are also open for project discussion and issue tax ruling on national and cross-border matters
- All Swiss authorities apply the laws in a technology neutral way – tech projects shall not be treated worse than traditional projects

Optimization of laws to enable technology

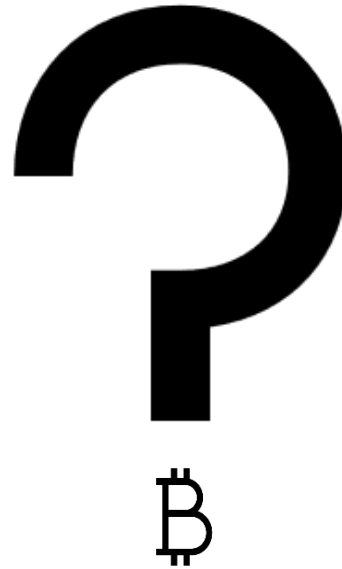
- Legal certainty - Switzerland has initiated a process in 2017/2018 to verify whether certain laws (civil and public laws, including financial market laws) must be adjusted – instead of creating a new law, Switzerland focused on fine-tuning that is based on well-established legal principles.
- The Swiss government strives to create technology neutral laws.

Large Ecosystem

- Switzerland has a large ecosystem of FinTech companies and service providers. It also has a strong position in the “old-financial” world and provides access to major financial institutions that are now also focusing on technology.



QUESTIONS?



RONALD KOGENS, LL.M. ATTORNEY AT LAW

SPECIALIST IN DISRUPTIVE TECHNOLOGIES



- Ronald Kogens specializes in disruptive and new technologies and represents companies at all stages of their life cycles – from formation, business model/product structuring and fundraising through strategic transactions and public offerings.
- He has a profound knowledge of technology, IP and financial market law, in particular in the legal and technical aspects of FinTech business models and the tokenization of financial products, cloud infrastructures (SaaS, IaaS, PaaS), data centers, licensing of IP rights (proprietary licenses, open source licenses such as MIT, Apache, BSD, MPL 2.0, GPL 2.0, GPL 3.0 or AGPL 3.0), software development, and forming decentralized ecosystems (decentralized, autonomous organizations or full economies) using DLT as well as blockchain technology (industry related permissioned blockchains, public-chain layer-two scaling solutions or side chains).
- Ronald Kogens is also specialized in angel investor financing (seed financing), venture capital financing (series A, series B, series C and series D) and private equity financing transactions.



5 LOCATIONS

ZURICH

FRORIEP Legal AG
Bellerivestrasse 201
CH-8034 Zurich
Tel. +41 44 386 60 00
Fax +41 44 386 60 50
zurich@froriep.ch

GENEVA

FRORIEP Legal SA
4 Rue Charles-Bonnet
CH-1211 Geneva 12
Tel. +41 22 839 63 00
Fax +41 22 347 71 59
geneva@froriep.ch

ZUG

FRORIEP Legal AG
Grafenaustrasse 5
CH-6302 Zug
Tel. +41 41 710 60 00
Fax +41 41 710 60 01
zug@froriep.ch

LONDON

FRORIEP LLP
17 Godliman Street
GB-London EC4V 5BD
Tel. +44 20 7236 6000
Fax +44 20 7248 0209
london@froriep.ch

MADRID

FRORIEP AG
Antonio Maura 10
ES-28014 Madrid
Tel. +34 91 523 77 90
Fax +34 91 531 36 62
madrid@froriep.ch