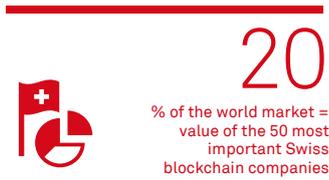




KEY FIGURES



Sources: IFZ FinTech Study; CV VC, 2019

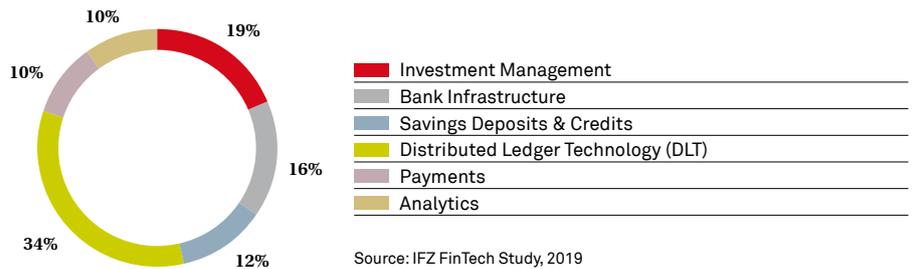
FINTECH SWITZERLAND

AT A GLANCE

Switzerland enjoys an international reputation as a trustworthy, reliable and innovative financial center. Years of experience in the banking and insurance sector combined with technological expertise and a well-developed infrastructure provide excellent conditions and a first-class ecosystem for the fintech sector. With the amendment to the Banking Ordinance and the creation of a business-model-neutral fintech license, Switzerland did pioneering work: market entry barriers for fintech companies have been reduced and the competitiveness of the Swiss financial center sustainably increased.

Swiss fintech landscape

Financial functions (n=356)



RESEARCH AND DEVELOPMENT (R+D)

- As a traditionally strong financial center with infrastructure close to universities, Switzerland offers ideal conditions for driving innovations in the fintech scene. **Key locational advantages** include political stability, regulatory efficiency, access to venture capital, the availability of highly qualified professionals and graduates in ICT and a dense cluster of world-renowned universities and research laboratories that work closely together with business.
- The IHZ FinTech Study 2019 shows that global innovation drives fintech companies in Switzerland. On the one hand, the tech-driven fintech companies, namely in the areas of Distributed Ledger Technology (eg. Blockchain) and Analytics, have an international orientation. On the other hand, the finance-driven companies (eg. Payment) set their focus on the domestic market. This pattern is observed among the local, as well as international fintech companies.
- Thanks to extremely favorable conditions and a **liberal attitude of the authorities**, Switzerland has been regularly producing **world premieres**: in 2016, Zug became the first city in the world to accept bitcoin payments for tax purposes; in 2017, Crypto Valley announced the introduction of a decentralized Ethereum-based digital ID system; and in 2018, the fintech company Amun launched the world's first crypto index product on the Swiss stock exchange.
- Launched in June 2017, the Swiss "Cryptocurrency Fund" based in Zug became **the world's first regulated fund** to provide secure and easy access to cryptocurrencies.

Swiss fintech ecosystem in international comparison

Fintech hub ranking

City	Rank
 Singapore	1
 Zurich	2
 Geneva	3
 London	4
 Amsterdam	5
 Toronto	6
 New York City	7
 San Francisco	8
 Hong Kong	9
 Stockholm	10
 Tokyo	11
 Sydney	12
 Berlin	13
 Frankfurt	14
 Vienna	15

Source: IFZ Fintech Study, 2019

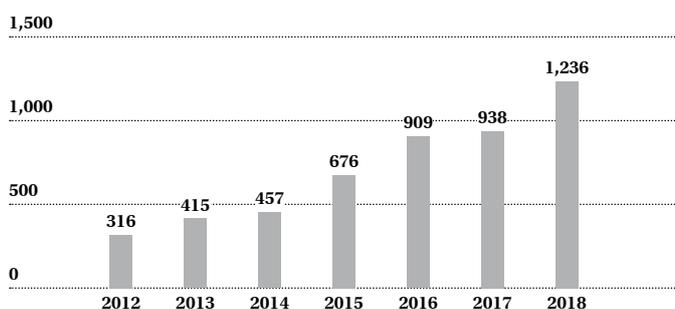
- Switzerland's fintech and crypto ecosystem is clustered around four areas:
 - Most of the fintech, DLT or crypto crowdfunded projects have their roots in **Zug**. Known as Switzerland's **Crypto Valley**, Zug is home to many well-known projects such as Monero, Ethereum, Bancor, Convista, Golem, Tezos, Lykke or Dfinity.
 - A cluster of crypto-related companies has emerged in Southern Switzerland (**Lugano-Chiasso**). Some of these companies are involved in exchange or brokerage activities or offer platforms for the launch of crypto crowdfunding projects.
 - In the fintech cluster around **Geneva and Neuchâtel**, there are new banking projects as well as public private initiatives which are focusing on the adaption of DLT for a variety of activities outside of the crypto finance area.
 - The Swiss National Bank is working on a fintech project with the Swiss stock exchange to explore technological options to make digital central bank money available. The study is being conducted at the new Swiss BIS Innovation Hub Center in **Basel**.
- Under the name "**Trust Square: Blockchain Swiss made**", a Swiss-based blockchain research and innovation center with international significance is being set up in the canton of Zurich. With over 300 workstations to startups and researchers, Trust Square claims to be the largest blockchain hub in the world.
- Alongside favorable conditions with regard to financial regulations and ecosystems, Switzerland's long tradition of stability and protection makes it the ideal location for digital assets. The Swiss mountains are regarded as a safe and proven data storage facility, which increasingly attracts fintech companies from Silicon Valley to Switzerland. **Bitcoin pioneers such as Xapo or Breadwallet have already moved their headquarters to Switzerland** and are strengthening the innovative cluster.
- The "**Center for Innovative Finance**" (CIF) of the University of Basel is dedicated to researching practical issues in the fields of fintech, digital banking and innovative finance. Its research focuses on the scientific analysis and practical implementation of blockchain projects, venturing and innovative financial solutions. With this research focus, the CIF is unique in Switzerland and makes a decisive contribution to the research and application of future-oriented technologies.

COSTS AND FINANCING

- In 2018, venture capital investments in Swiss startups rose by 32% to a record 1.2 billion Swiss francs. 40% of the total invested capital went into ICT startups, 15% into fintech startups.

Invested capital in Swiss startups, 2018

Yearly development (in CHF million)



Source: Swiss Venture Capital Report 2019

- In 2017, Switzerland hosted four of the world's five largest Initial Coin Offerings (ICOs). Switzerland also remained **Europe's most important ICO hub** in 2018: between January and October 2018, 86 ICOs with a total volume of 1.65 billion US dollars took place here. This puts Switzerland in the top 10 internationally and, alongside Singapore, makes it particularly strongly represented among ICOs in financial services.
- In February 2018, the Swiss Financial Market Supervisory Authority FINMA published **guidance on how to deal with ICOs** on the basis of existing financial market legislation. It defines the minimum information for inquiries and the criteria for answering them.
- As the **first regulated bank in the world**, the Swiss online bank **Swissquote** has been processing ICOs since October 2018. It all started with the ICO of the Lausanne startup LakeDiamond, which produces diamonds for industrial applications.
- Incubators, accelerators and awards have noticeably developed in Switzerland in recent years, offering startups and international companies a variety of services, support and opportunities to build a successful business here. Furthermore, a large number of competitions and awards promote innovative solutions and ideas, including: Swisscom StartUp Challenge, Swiss FinTech Award, SIX Hackathon, Swiss START Summit, CV Competition and many more.

FRAMEWORK CONDITIONS AND MARKET ENTRY

The Swiss state has recognized the huge potential of the fintech industry and blockchain technology and adapted legislation accordingly. Thus, measures have been in place since July 2017 that facilitate market access for fintech companies:

• Amendment to the Banking Ordinance

In July 2017, the Swiss Federal Council passed an amendment to the Banking Ordinance, which came into force on August 1, 2017. The amendment aims to regulate fintech companies providing services outside of the typical banking business in accordance with their risk potential. The revision minimizes market entry barriers for fintech companies and significantly strengthens the competitiveness of the Swiss financial center.

• Fintech license up to 100 million Swiss francs

Many fintech business models require a banking license, even though they do not conduct typical bank lending business. Banking licenses are associated with high costs, however. In order to facilitate these kinds of innovative business model, Switzerland introduced a fintech license at the beginning of 2019, which permits institutions to accept public deposits of up to 100 million Swiss francs.

• Sandbox for everyone

Innovations often arise in young startups that possess scarce financial means. In this early phase, high regulatory requirements may weigh heavily on them. That's why Switzerland has introduced a sandbox in 2017: Companies can receive customer funds of up to 1 million Swiss francs without having to comply with complex regulatory requirements. This allows market entrants to test their business model for its conceptual and economic effectiveness before deciding on a license. In contrast to the United Kingdom, for example, the sandbox is open to all market participants, there is no involvement of the Swiss Financial Market Supervisory Authority and there is no time limit.

A further easing has been created especially for crowdfunding. Crowdfunding platforms are now able to process a large number of projects without restriction, as long as money received from customers is not in their account for more than 60 days.

TESTIMONIAL



“The fintech scene in Switzerland has the ideal conditions for innovation, speed and sustainability. The knowledge gained from a traditionally strong Swiss financial center as well as an excellent education system combined with a politically reliable environment form the ideal basis for innovative companies. In addition, regulatory adjustments, such as simplified licensing and operating requirements for fintech companies, make it quick and easy to bring new business models to market.”

ROLAND RUETTIMANN
CEO CB Financial Services AG
www.c-b-f-s.com

CURRENT DEVELOPMENTS

- A report adopted by the Federal Council at the end of 2018 on the legal conditions for blockchain and DLT in the financial sector shows that the Swiss legal framework is well suited to dealing with new technologies, including blockchain. The report emphasizes the government's pragmatic attitude: In contrast to other countries, Switzerland does not want a blockchain law, but wants to integrate the new technology selectively into the existing legislation.
- In August 2019, FINMA has for the first time awarded banking licenses to two blockchain companies, the two “crypto banks” SEBA (Zug) and Sygnum (Zurich). They have been cleared to operate in the new world of tokenized digital securities, a major milestone for the Swiss financial center.
- The Swiss stock exchange is currently building the world's first end-to-end platform for digital assets under the name SIX Digital Exchange (SDX). A prototype has already been launched. The full launch is expected by the end of 2020.
- Facebook, together with other major companies, wants to create a digital currency called Libra. In May 2019, Facebook chose Switzerland as their location and founded the blockchain company Libra Networks in Geneva. The ambitious project has the potential to revolutionize global payment traffic and is being watched with great interest from all over the world.

CONTACTS AND FURTHER INFORMATION

Authorities and regulators

SIF, State Secretariat for
International Finance
www.sif.admin.ch

FINMA, Swiss Financial Market
Supervisory Authority
www.finma.ch, fintech@finma.ch or
+41 31 327 16 16
> ICO Guidelines

Associations and networks/

Financing

blockchainfederation.ch
bluelion.ch
cif.unibas.ch
cmta.ch
createchallenge.com
cryptopolis.swiss
cryptovalley.swiss
cvvc.com
www.f10.ch
www.fusion.xyz/fintech
gbbcouncil.org
innovation.thomsonreuters.com
www.kickstart-innovation.com
masschallenge.org/programs-switzerland
startsummit.ch
www.swissfinancestartups.com
swissfinte.ch
swissfintechinnovations.ch
www.swissstartupfactory.com
www.trustsquare.ch
www.venturekick.ch

Publications & Tools

IFZ FinTech Study 2019
www.hslu.ch

Swiss Venture Capital Report 2019
www.startupticker.ch

Crypto Valley Map
www.cryptovalley.directory

Swiss FinTech Ecosystem Directory
www.swissfinte.ch

S-GE resources

Handbooks for Investors
www.s-ge.com/handbookforinvestors

More fact sheets on Switzerland
as a business location
www.s-ge.com/factsheets

This fact sheet was created with the kind support of the State Secretariat for International Financial Matters (SIF) and the Swiss Finance + Technology Association.

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