A study conducted on the Swiss Fintech market has found: the ecosystem is alive. The challenges ahead must now be tackled in such a way as to ensure that this new territory prospers, says Martin Hess of the Swiss Bankers Association.

Last Wednesday, participants at the IFZ Fintech Konferenz (a Fintech conference hosted by the Institute of Financial Services Zug) had a similar experience to Christopher Columbus when, prior to its existence on any map, he discovered America in 1492. Despite the fact that Switzerland is nowhere to be found in the international studies comparing Fintech locations published by major consulting companies, the conference participants were introduced to a dynamic Fintech population.

**More Positive than Previously Assumed**

The study that was presented at the conference shows on a map an as yet incomplete, but distinct picture of the Swiss Fintech sector – one could call it a typical picture for Switzerland itself: small, but impressive.

The Fintech landscape in Switzerland is very diverse with regards to business models and the size of companies. Zurich, Zug and the Lake Geneva region are the key hubs. The Fintech ecosystem, consisting of investors, clients, accelerators, awards, experts and associations, is a lively one. The picture painted by the study’s authors is more positive than was previously assumed.
Choppy Waters Make it Difficult to Dock the Ship

Three major challenges, however, remain:

- The fact that the Swiss market is too small for the economic breakthrough of a large number of companies is first of all neither specific to Fintech, nor something that can be changed. This holds particularly true in light of the fact that many Fintech offerings focus on scalability. Therefore, only a location that produces global solutions and global leaders can be a Fintech hub. The encouraging signs, particularly in the B2B segment, that Swiss companies are internationally oriented must still, however, become more broad-based.

- **Regulatory** requirements are another limiting factor that restrict internationalisation. Regulation in Switzerland is considered to be less restrictive than the large variety of international regulations and the obstacles for the provision of cross-border services. Banks and Fintech companies therefore share the same affliction with regards to market access.

- The third challenge is the common difficulty for startups to secure financing. This does not, however, apply across the board. While there is enough seed capital and venture capital available during the expansion phase, there are at times bottlenecks when it comes to early stage venture capital. In Switzerland, both the average deal size in industry comparison, as well as the 27 million francs of total volume, are relatively small. Due to a lack of investment opportunities, the outflow of venture capital to countries abroad is too great.

Competitive at the International Level

Despite the challenges, the Swiss Fintech market is competitive at the international level and is positioning itself for further growth. Optimism is being fuelled by the efforts of important players in the financial market, as well as by the authorities. The launch of a programme to promote Fintech under the umbrella of Kickstart-Accelerator, for example, was recently announced.

And just last Thursday, Finma stated that it supports a new licensing category for financial innovators, and a licence-exempt space for development for startup companies. Looking at these advancements, I take the same view as Columbus did and say: «Land ahoy!»