

Press release

Lucerne, 1 March 2017

**Press embargo till 1 March 2017, 2 p.m.**

## **Switzerland has the potential to become a global FinTech hub**

**For the second time, the Institute of Financial Services Zug IFZ of the Lucerne University of Applied Sciences and Arts has carried out a comprehensive evaluation of the Swiss FinTech market. The study comes to the conclusion that Switzerland, in comparison with other countries, is able to provide FinTech companies with excellent basic conditions. This verdict is supported by the substantial 17% increase in the number of FinTech companies to 190 companies in 2016.**

The «IFZ FinTech Study 2017» of the Lucerne University of Applied Sciences and Arts will be released today. It provides interested parties with a comprehensive overview of the Swiss FinTech sector (a detailed definition of the term can be found in the box below). The first part of the study describes the ecosystem of FinTech: On the one hand, it deals with the political and legal, economic, social, as well as technological environment. On the other hand, it provides the reader with an evaluation of the business models of 190 Swiss FinTech companies. The second part of the study introduces the reader in more detail to 104 Swiss companies that offer digital financial services. These overviews of the companies include information about target markets, distribution channels and revenue models, as well as various business performance indicators.

### **Switzerland offers excellent conditions for the FinTech sector**

In order to assess the capabilities of the Swiss FinTech ecosystem in an international context, the project team has issued a global ranking for FinTech centres. This ranking confirms that the FinTech sector is able to benefit from very good conditions in Switzerland: The analysis of 27 business centres led to a ranking, in which Zurich and Geneva occupy the second and third place, trailing only behind Singapore. In particular, both Swiss cities display a need to catch up in the economic and technological dimension as compared with Singapore. The ranking is based on 68 indicators, which rate the basic conditions with regard to the political and legal, economic, social, as well as technological environment. Among the indicators that were taken into account are the political stability, efficiency of administrative bodies, access to credit and venture capital, number of university graduates in the fields of science and technology, as well as access and implementation of information and communications technology.

The great conditions payoff: «The Swiss FinTech scene continued to grow in 2016», says Thomas Ankenbrand, project manager of the «IFZ FinTech Study 2017». In the past year, 190 FinTech companies conducted their business in Switzerland, which is shown by the database that was developed by the Lucerne University of Applied Sciences and Arts and lists the FinTech companies based in Switzerland. This amounts to an increase of 17% compared to 2015. In 2010, the number was significantly lower with 24 FinTech companies. With regard to the number of domestic companies, Zurich, now hosting 84 (a plus of 12) FinTech companies, was able to extend its lead over other cities. It is followed by Zug, hosting 29 (a plus of 8), and Geneva, hosting 19 (a plus of 6) FinTech companies. «This growth could not yet be fully converted to new jobs or higher company valuations, despite the increasing number of FinTech companies. The Swiss FinTech sector still has a lot of potential for growth», says Thomas Ankenbrand.

**FinTech is global**

The Swiss market by itself is too small for most FinTech business models. As a consequence, the global orientation and specialization of Swiss FinTech companies continued to intensify in the past year. Approximately 60% of the companies pursue an international business-to-business strategy. This means that they are often specialized global suppliers for established financial services enterprises. Incubators/accelerators and venture capital investors act on an international level as well. In order to guarantee the continuing growth of the Swiss FinTech industry, it will therefore be crucial to distribute its products and services worldwide, as well as to ensure a global access to talented employees and venture capital. Furthermore, it will be necessary to continue to dynamically adjust the regulatory environment to upcoming developments, as is shown in detail in the study. «Otherwise, many companies will stop serving the global market from Switzerland», says Thomas Ankenbrand.

**FinTech companies are generally not in competition with banks**

Finally, the project team has examined the general assumption that FinTech companies are in direct competition with banks. The researchers have come to the conclusion that, for the most part, FinTech companies cooperate with banks or act as their suppliers. Additionally, the revenue models of FinTech companies have shifted towards license fees and SaaS (Software-as-a-Service) in the past year, as is quite common for technology-based business models. The typical revenue models of established financial enterprises either have little relevance for FinTech companies (interest and trading operations), or are losing relevance (commission business). «FinTech companies tend to support banks in their digitalization efforts and thus act as an innovative spearhead rather than directly competing with them», says Thomas Ankenbrand.

Further findings of the «IFZ FinTech Study 2017» will be published on the IFZ Retail Banking Blog at 2 p.m. on the 1st of March 2017: <https://blog.hslu.ch/retailbanking>. The complete 125-page study (in English) costs 290 Swiss Francs and can be ordered at [ifz@hslu.ch](mailto:ifz@hslu.ch).

**What is FinTech?**

FinTech is defined as software solutions for innovative products, services, and processes in the financial industry, improving, complementing, and/or disrupting existing offerings. Among others, some of its selected branches are Big Data, Artificial Intelligence, Crowdfunding, Mobile Payment, API Banking, Robo Advisory and Blockchain.

**Appendix:**

Diagram FinTech Hub Ranking: a comparison of 27 cities with regard to their basic conditions for FinTech companies.

**Contact for media:**

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 Reachable 1 March 2017, 10 a.m. till 12.00 noon

**Lucerne University of Applied Sciences and Arts**

The Lucerne University of Applied Sciences and Arts is a university of applied sciences that is supported by the six cantons of Central Switzerland. It comprises of the Lucerne Schools of Engineering and Architecture, Business, Information Technology, Social Work, Art and Design and Music. With 6,000 students attending bachelor's and master's degree programmes, more than 4,400 students attending continuing and executive education programmes, and 308 projects in research and development, it is the largest educational institution in this region, the heart of Switzerland. [www.hslu.ch](http://www.hslu.ch)

**Appendix:**

Diagram FinTech Hub Ranking:

A comparison of 27 cities with regard to their basic conditions for FinTech companies (source: Lucerne University of Applied Sciences and Arts)

