FutureMatters™
Centre of Excellence

BUILDING THE GREEN FINTECH ECOSYSTEM: INSIGHTS FROM SWITZERLAND AND BEYOND

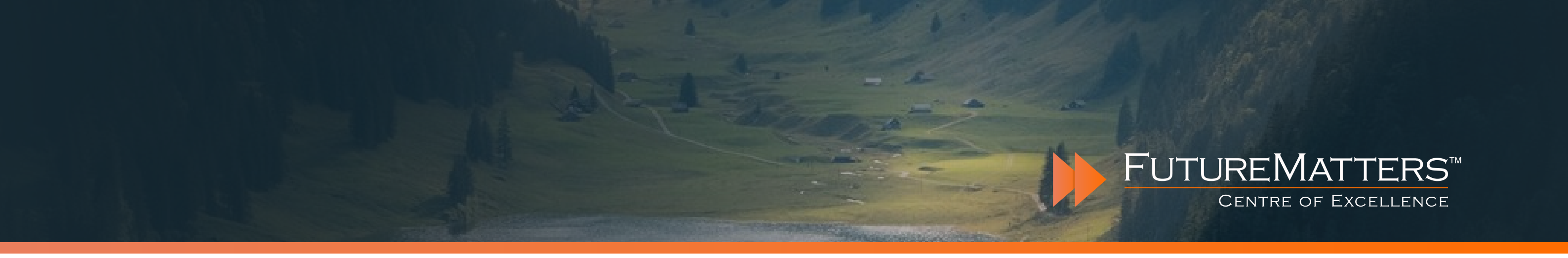
December 2024

CO-PUBLISHER:

Green Fintech Network

Point Zero Forum™

GFTN Global Finance & Technology Network



Contents

ABOUT

The Global Finance & Technology Network (GFTN) (formerly known as Elevandi) is a not-for-profit organisation established by the Monetary Authority of Singapore (MAS) in 2024 to harness technology and foster innovation for more efficient, resilient, and inclusive financial ecosystems through global partnerships. GFTN organises convening forums, offers advisory services on innovation ecosystems, provides access to transformative digital platforms, and invests in technology startups with the potential for growth and positive social impact through its venture fund.

For more information, visit www.gftn.co

The Swiss Green Fintech Network is a multi-stakeholder association dedicated to nurturing the green digital finance ecosystem in Switzerland. Guided by its ambition to position Switzerland as a global leader in green digital finance by 2030, the Network is devoted to facilitating optimal conditions for green fintechs and fostering innovative, sustainable solutions.

For more information, visit www.greenfintechnetwork.org

Executive Summary

The Swiss Green Fintech Network, which brings together incumbent financial and accounting institutions, academia and Switzerland's exchange SIX, has seen a productive year since its inception at the Point Zero Forum (PZF) 2023.

At PZF 2024, members of the network gathered once more to take stock. Beyond shedding light on the initiatives that have arose in the past year, this report dives into three key insights highlighted by members that will chart its course forward:

1. A dynamic regulatory environment and growing reporting demands are priming the landscape for the rise of green fintechs.
2. With reporting becoming compulsory and increasingly granular, the cooperation of GFN with the regulator is vital.
3. Switzerland is observing a shift towards a broader application of distributed ledger technology, with possible applications for greening the financial system.

Introduction

In 2020, the Swiss government adopted a new strategy with digital finance and sustainable finance as two major pillars for a future-proof Swiss financial centre. Several key regulatory frameworks followed. Most importantly, the government introduced mandatory climate reporting by large Swiss companies[1] as of 1 January 2024. In 2022, the government had published its own definition of "greenwashing", and agreed, in October 2023, with Swiss financial industry associations on self-regulatory measures to prevent greenwashing. In December 2022, the government provided (and in 2023 refined) a set of voluntary "Swiss Climate Scores" – a set of guiding indicators that present best-practice transparency to foster investment decisions that contribute to reaching the climate goals, in line with international standards.

At the intersection of digital finance and sustainable finance, the vibrant Swiss ecosystem of green fintechs played a major role and became a key discussion partner of the regulator. Even before its constitution as a network (see below), an informal group of green fintech start-ups were regularly invited by the government to brainstorm the introduction of new legislation.

To channel and focus its activites to serve as a platform for new ideas and for better coordination and impact, Switzerland announced the creation of a formal Green Fintech Network[2] (GFN) at the Point Zero Forum (PZF) 2023.

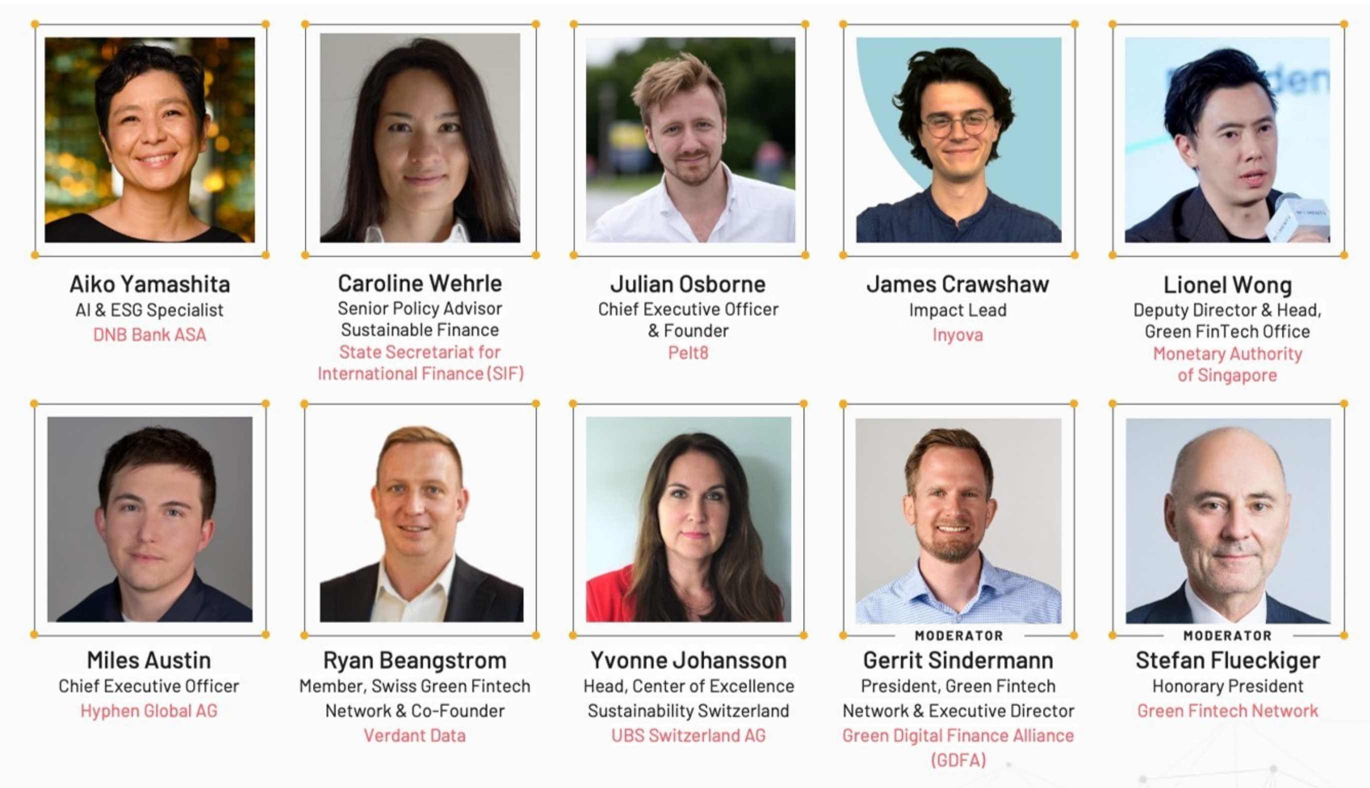
[1] This includes publicly listed companies, banks and insurance companies with 500 or more employees and at least CHF 20 million in total assets or more than CHF 40 million in turnover.

[2] The GFN comprised reputable incumbent financial and accounting institutions (UBS, PostFinance, EY), Switzerland's exchange SIX, and major learning institutions (Zurich University, ZHAW, IMD).

The past year has seen the GFN establishing itself as a key voice in the sustainable finance and fintech space. Today, it is an important pillar in assisting in the green transition and making Switzerland a leading place for sustainable finance through its network of contacts and expertise concerning technology-assisted aspects in the green fintech space.

At PZF 2024, GFN members gathered at a roundtable titled 'Building the green fintech ecosystem: Insights from Switzerland and beyond' to gather learnings from the past year and determine the way forward. The learnings were distilled into three key takeaways, highlighted in this paper.

Participants at the 'Building the green fintech ecosystem: Insights from Switzerland and beyond' roundtable, held during the Point Zero Forum 2024.

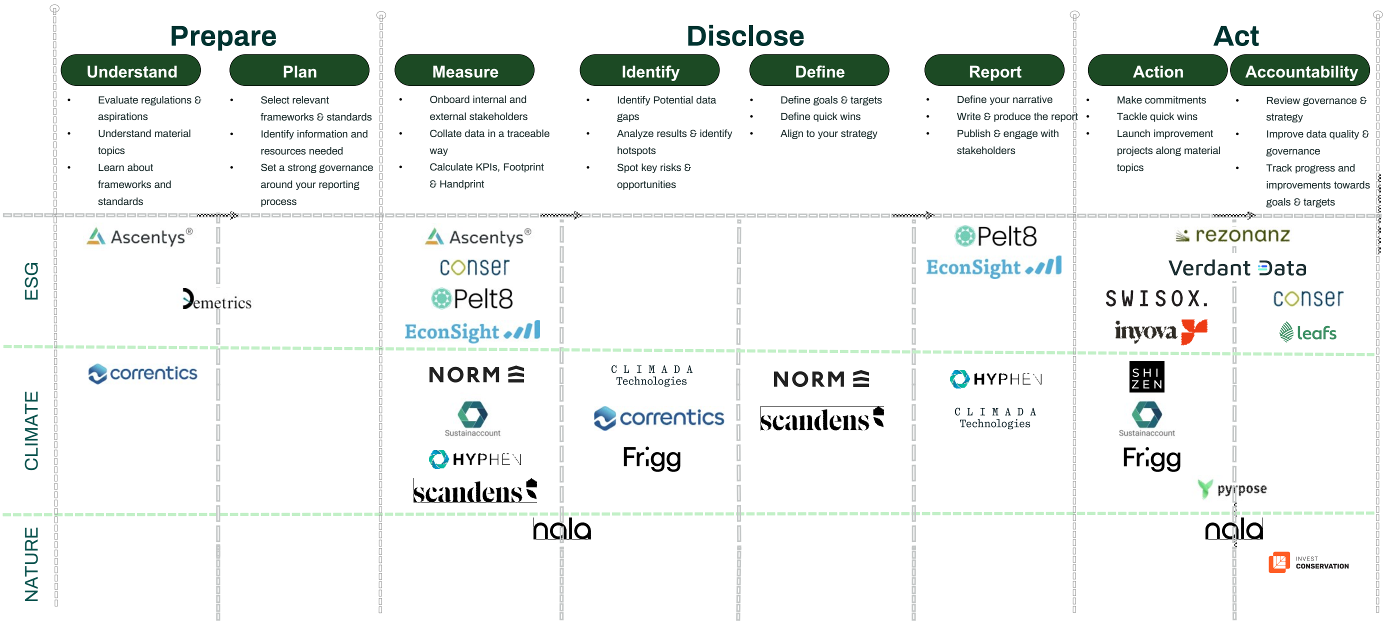


Insights:

1. The real economy perspective: The sustainability reporting value chain

Recent years have seen rapid regulatory development and the growing demands on corporates in the real economy to report sustainability. As of 2024, reporting is compulsory for some 300 large companies in Switzerland. Yet, the profusion of domestic and international standards and requirements, often varying from sector to sector, can be confusing. Providing accurate climate data is therefore a key challenge.

To address this, the GFN produced a concise value chain of the steps required to achieve a sensible reporting product. The map (below), put together by GFN member Verdant Data, illustrates where individual GFN members can assist companies on their reporting journey with customised tech-based solutions to align with emerging standards, recognising risks and identifying solutions.



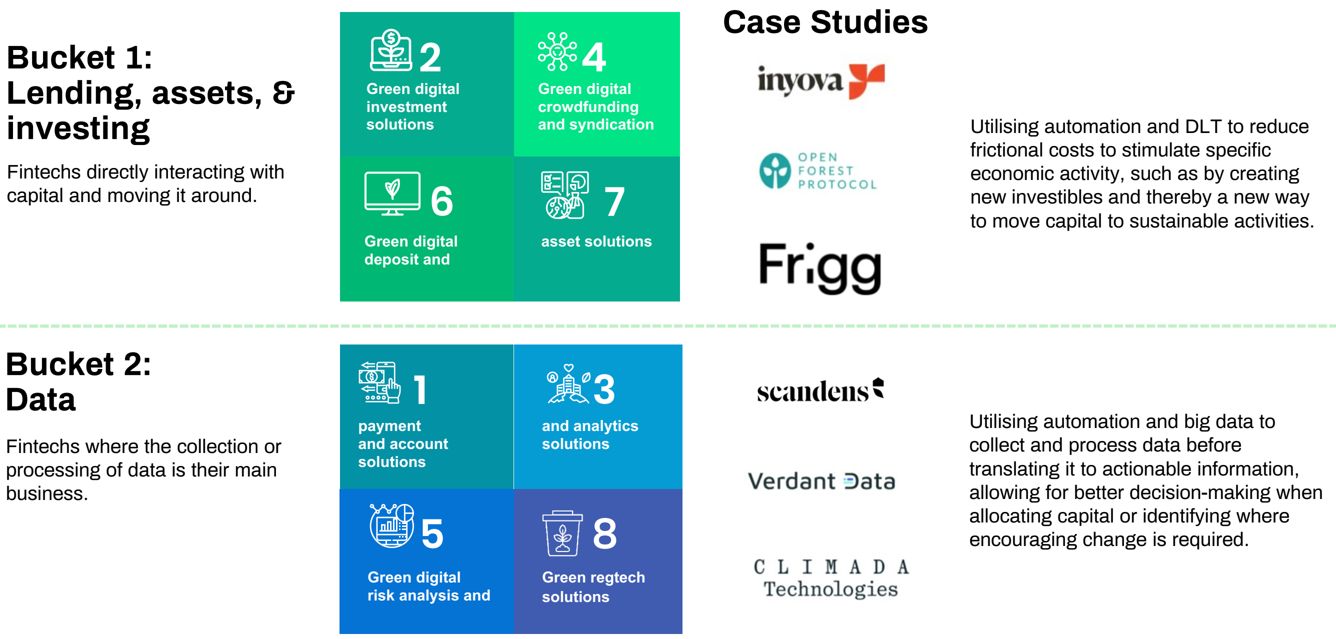
How fintechs can empower the sustainability reporting value chain. (Source: greenfintechnetwork.org)

2. The investor perspective: “Green Fintech Theory of Change”

While the reporting dynamic by the real economy is picking up speed, the investor universe (financial institutions, asset managers, pension funds, retail investors) is dependent on the quality of the data produced by individual company reports. Investors need clear guidance if they wish to achieve impact through their decisions towards a more sustainable world and secure long-term profitability.

In the face of a general lack of clarity, GFN members inyova and ZHAW have embarked on a white paper to provide an overall “Theory of Change” and the critical role that green fintechs in the transition and – in the case of climate - the overall alignment of financial flows with the Paris Agreement.

Finance can have an impact either by providing capital for new “green stuff” or changing existing less green stuff. Green fintechs play a pivotal role in helping to achieve this, but act in very different ways depending on which part of the value chain they are in. As such, we have split them into two distinct groups, as demonstrated in the figure on next page.



Green Fintech Theory of Change: A framework for their role in the transition of finance. (Source: greenfintechnetwk.org)

The first category of fintechs (Bucket 1) interact directly with capital, moving it around through lending, managing assets, and investing to fund new green things or change existing things to become greener. Using technologies such as automation or distributed ledger technology, these firms can stimulate specific economic activity - for example, by reducing costs and therefore access for retail investors to impact investments as with Inyova, or creating whole new investibles allowing new sustainable projects to be funded as seen with Frigg.

The second category (Bucket 2) comprises fintechs whose main business involves the collection or processing of data. They differ from the first bucket in that the data they generate is their end goal – i.e. the product they sell, versus the means to an investment end with bucket 1 firms. These fintechs utilise automation and big data/AI to collect and process data before translating it to actionable information. This information affords the finance industry clearer, more transparent decision-making when allocating capital or identifying where change is required. A perfect example of this is the UBS cooperation with NORM, providing data solutions on how to decarbonise the building stock in Switzerland – their data makes it possible for UBS to determine where to most effectively deploy their capital for maximum impact.

The road ahead

Regulatory developments: The regulator's focus is now on enhancing the transparency of sustainability disclosures. While presently only targeting large firms, compulsory reporting requirements will increasingly include more firms. Since many SMEs are linked to supply chains of larger firms, many are already required to collect sustainability information. Additionally, reporting frameworks are being developed beyond climate, and will include nature, biodiversity, as well as social aspects. Switzerland is looking to strengthen comparability through international platforms and open data, such as the Net Zero Data Public Utility (NZDPU). This presents a great opportunity for GFN fintechs to build tech-based tools and solutions, as the focus will be on raw data accessible to all, not analytics behind paywalls.

Blockchain: Switzerland has been a leader in the blockchain space and is home to the world's most important blockchain foundations. Recently, we observed a significant change from the “crypto hype” around cryptocurrencies toward the distributed ledger technology (DLT) itself and the tokenization of real-world assets. Moving forward, we see an increasing number of traditional institutions making use of DLT in the greening of the financial system. Immutable raw data can be validated in a blockchain, made comparable and auditable, and comparable with modeled information. This is particularly important to improve trust and transparency for carbon markets.

Compliance with EU regulation: Switzerland is greatly affected by evolving EU regulation, as many Swiss corporates are active in the EU market or are suppliers to larger EU corporates that require ESG data for their own reporting. This means that the real number of Swiss companies that will have to collect sustainability data is far beyond 300 – likely by a factor of 10. However, many Swiss SMEs affected do not have the required know-how. There is tremendous scope for green fintechs to assist SMEs on their coming reporting tasks.

Conclusion

The voices at the roundtable confirmed that the GFN has made a valuable impact in its initial year, with coordination among the members and regulator starting to bear fruit. While this is a promising start, the hard work lies ahead. The challenge will now be operationalise its convening power, collective knowledge, add value to its clients and foster the green transition.

The recent regulatory changes in Switzerland towards mandatory climate reporting requires the real economy to provide ever more granular climate data. This means that the data providers and processors among the GFN members are well positioned and find uptake in the market. As their products are available, one main challenge and the potential of the GFN going forward will be in the communication and coordination between members and the marketplace.

To access more reports, scan the QR code below: