



To:  
Federal Department of Finance (FDF)  
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By email to:  
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Zurich, April 3, 2020

**COVID19: FEEDBACK AND PROPOSALS OF THE SWISS FINANCE + TECHNOLOGY ASSOCIATION**

Dear Sir or Madam

We thank you for the opportunity to comment on the ongoing assessment of current and potential additional measures by the Federal Department of Finance (FDF) with regards to the response to the Covid19 crisis.

On behalf of the Swiss Finance + Technology Association (hereinafter referred to as "**SFTA**"), we would like to take this opportunity to provide you with (i) a summary of the feedback from SFTA members, (ii) proposals on how FinTech companies can help in the area of fraud prevention, and (iii) suggestions for further possible measures.



## 1. Feedback from SFTA members

The feedback from our members can be summarized as follows:

- **Positive perception of the measures:** The SFTA and its member *welcome* the federal and cantonal measures taken so far, with the broad consensus that they are **needed, proportionate and generally well implemented**.
- **Gaps in financing:** Growth financing rounds already under negotiation are usually continued and concluded. The situation is, however, problematic for start-ups that are in the early stages of finding investors. Potential investors are busy elsewhere, potentially affected themselves and postpone investment decisions until 'after the crisis'. For such startups, **the required financing amounts typically far exceed what they would be eligible for under the current Federal credit scheme** as they have limited prior revenue.
- **Opportunities:** Many FinTech companies see the crisis as an opportunity to promote the broad acceptance of digital business models in society. The selective simplification of formal requirements is welcomed (digital shareholder meetings, video identification for the qualified electronic signature) and a subsequent implementation into law is desired.
- **Risks:** While there is consensus that stimulus measures are required, there are two risks that are regularly mentioned in relation to the Covid19 credit and guarantee program:
  - In case of wide-spread default or fraudulent credit requests, the public approval of credit programs may turn negative, making any additional or future measures more difficult to implement.
  - An overly favorable credit program may drive market-based financing and credit solutions out of the market.

The SFTA is currently collecting further feedback from its members and we it would be our pleasure to share any relevant insights with the FDF.

## 2. Fraud prevention

The Swiss Marketplace Association (SMLA) has already issued a statement to SECO dated 19 March 2020 regarding the availability of direct lending platforms to offer their scalable



and fully digitized customer onboarding solutions. The SFTA seconds the statement of the SMLA as these platforms have the technology and experience to check, grant and administrate credits at scale. At the same time, they can help identify and prevent fraud through their online credit checking systems that include a wide range of data sources of the applicants.

### 3. Further suggested technology financing

The Parliamentarian Group "Startups und Unternehmertum" has submitted a statement to the Federal Council dated 22 March 2020 regarding additional measures for the Swiss Ecosystem<sup>1</sup>, calling for access of startups to the Covid19 credit scheme up to CHF 500'000, the creation of a 'pandemic fund' as well as the extension of short-time work. The SFTA supports this submission, and also sees additional or alternative solutions to support technology companies:

- **Stability fund:** In the 2008 subprime crisis, the Swiss National Bank set up and funded a limited partnership for collective investments in the sense of art. 98 ss of the Collective Investment Scheme Act to support the financial system by investing in the illiquid assets held by UBS AG. The same structure could now be used to support to Swiss technology innovation system and to provide much-needed liquidity to the currently illiquid market of technology company investments. With a professional asset manager such as Partners Group AG or Redalpine Venture Partners AG in charge of the investment decisions, the fund could rely on existing private-market expertise in assessing technology investments. The fund structure has the additional benefit of allowing not only credit investments but also the more suitable equity investments for technology funding.
- **Technology financing:** For innovative technology companies, speed in development and go-to-market is critical for commercial success. Continued investment in research and development secures future jobs and is important to keep up with international competitors. The current credit scheme does, however, not cover investment needs of innovative companies, and obtaining alternative sources of funding proves difficult for high-risk high-reward investments. At the same time, it is not and should not be the role of the state to identify and fund private sector innovation. A solution could be to mirror any credits given by private investors to technology companies 1:1, i.e., for each Swiss Franc a private investors invests in a eligible company, the company would receive a guaranteed Covid19 credit in the same amount.

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<sup>1</sup> [https://team-start-up.ch/docs/schreiben\\_bundesrat\\_massnahmen\\_startups\\_nachtrag.pdf](https://team-start-up.ch/docs/schreiben_bundesrat_massnahmen_startups_nachtrag.pdf)



#### 4. Final remarks and feedback

The Swiss Finance + Technology Association is an association founded in 2015 under Swiss law with the aim of promoting a vital and internationally competitive Swiss FinTech ecosystem. We do not represent the interests of individual companies, but are committed to creating optimal conditions that promote Switzerland as a financial centre as a sustainable and innovative location. Our members are natural persons who share this objective. In addition, we have numerous partners such as banks, FinTech companies, technology firms, start-ups, stock exchanges, investors, consulting firms and law firms who support us and make their know-how available in various specialist groups.

We thank you for the opportunity to comment. We are at your disposal for any further questions and explanations. The Swiss Finance + Technology Association would be pleased to continue to support you with our network!

Yours sincerely

**Swiss Finance + Technology Association**

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