Schweizerische Eidgenossenschaft
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Swiss Confederation

Sustainable finance guidelines

Based on the Federal Council's report of 24 June 2020 entitled „Sustainability in Switzerland's financial sector. Situation analysis and positioning with a focus on environmental aspects".[1]

What are the objectives?

The Swiss financial centre should be a leading global location for sustainable financial services. To this end, the framework conditions must be designed in such a way that...

the competitiveness of the Swiss financial centre is continuously improved.

and at the same time

the Swiss financial centre can make an effective contribution to sustainability.

What principles are applied?

The Federal Council's policy on sustainable finance is based on the following principles:

Sustainability is key to financial market policy.

The authorities and the financial sector are jointly committed to a sustainable Swiss financial centre[2]. The financial centre uses sustainability as an opportunity and has the necessary framework conditions for this. It has a forward-looking approach to risk, assumes its global responsibility in view of achieving sustainability and environmental objectives and integrates digitalisation in the area of sustainability in an exemplary manner. The focus here is on ensuring that Swiss financial services continue to be of outstanding quality.

[1] In principle, sustainable finance involves financial market participants respecting the three factors of sus-tainability: environmental, social, and governance (the so-called ESG criteria). These guidelines focus on the role of financial market participants and financial investments in achieving environmental and climate targets. However, sustainability in the financial sector is part of the efforts to achieve the Sustainable Development Goals (SDGs) of the UN's 2030 Agenda for Sustainable Development.

[2] With a focus on environmental aspects as a first step.

Financial market and environmental policy instruments are used in a targeted and effective for specific objectives.

Financial market policy instruments such as financial market regulations are aimed at achieving the goals of financial market policy, for example client and creditor protection, stability and competitiveness. This also involves financial markets creating transparency, taking full account of long-term risks and appropriately pricing them, and thereby making an effective contribution to sustainability. A more extensive use of financial market policy instruments to achieve other policy objectives is often neither effective nor efficient and can lead to undesirable side effects and conflicts of interest. This should be avoided. The primary objective of environmental policy instruments is to achieve environmental policy goals such as internalising external costs caused by activities which are harmful to the environment. Environmental policy must define what these activities are. As a rule, these instruments influence the entire economy and thus also the financial sector. In addition, there are individual environmentally effective tools (e.g. voluntary climate compatibility tests) which specifically affect the financial sector. This also applies analogously to social and governance areas.

Long-term risks are taken into account, and efficient and risk-appropriate pricing and transparency are facilitated and serve as an effective basis for decision-making.

Transparency for investors, framework conditions that enable the pricing of all relevant risks, as well as outstanding, transparent and expert advice to clients on sustainability aspects increase the quality of the market and competitiveness. Financial market players, clients and the supervisory authorities can make informed decisions and thus indirectly support achieving sustainability and environmental objectives. Measures should help to reduce information asymmetries and thus enable the market to function optimally and take long-term effects into account. The state has a subsidiary role and becomes active if the market or sector is less effective and efficient than the state in implementing these measures.

Which measures are being taken?

The Confederation is optimising the regulatory framework to increase the quality and thus the competitiveness of the financial centre.

The aim is to create framework conditions that follow a market-based approach and allow for an efficient pricing mechanism. To this end, the Federal Council is analysing, in particular, whether there are any regulatory loopholes that could prevent a sustainable financial market from functioning efficiently and is examining possible adjustments, especially in the following areas:

Improve legal certainty: Legal certainty is being strengthened regarding fiduciary duties of financial service providers and with regard to the consideration of climate/environmental risks and impacts.

Increase transparency: The financial sector should be transparent with clients, owners, investors, the public and the supervisory authorities when it comes to sustainable investment opportunities. This includes the systematic disclosure of relevant and comparable environmental and climate information for financial products and companies. This can also counteract any potential greenwashing.

Consider risks correctly and consistently: Well-functioning financial markets adapt to changing real economic conditions. If, for example, activities with high CO2 emissions become less profitable and riskier through the use of climate policy instruments, this makes them more expensive to finance when the financial risks are correctly taken into account. Good financial market regulation ensures that financial market players correctly identify long-term financial risks and reflect them in their pricing. This also takes account of potential stability requirements for the financial system.

Monitor international developments: Together with the financial sector, the authorities closely monitor international developments (particularly in the EU) in order to as-sess any need for action, including regulatory action, with a focus on the Swiss financial centre's exportability.

The state performs its subsidiary role:

Excellent training and advice: The financial sector should provide competent advice both to companies on financing sustainable investments and to investors on sustainable investment strategies. Associations, in particular, actively promote excellent training and further education in this regard at all levels. Within the scope of its responsibilities, the Confederation can support the sector's activities in education. In particular, state-recognised and accredited Swiss higher education institutions conduct research in cooperation with the financial sector. This research should also provide additional findings for product development and client advisory services, so that the competitiveness of the Swiss financial centre is strengthened through effective sustainability contributions.

Credible sustainability or environmental labels: These lead to greater transparency and thus better comparability for investors. Competitiveness and the achievement of climate targets can be supported in this way. In Switzerland, the development of labels typically takes place within the sector. Governance mechanisms are essential for credibility.

New business opportunities in fintech and sustainable finance (green fintech): In combination with digital technologies, sustainability is an innovation driver for new business models in the Swiss financial centre. These are primarily the responsibility of the sector and individual institutions.

Switzerland is internationally active.

Switzerland is internationally committed to coherent, effective and efficient global framework conditions, open markets and the efficient handling of potential stability risks. The authorities closely follow international developments and are involved in international initiatives and partnerships[3], where they defend their guiding principles on sustainable finance.

In addition, Switzerland advocates the consideration of sustainable finance issues in the relevant international financial market bodies, such as the Financial Stability Board (FSB) and the G20, and is actively involved in these bodies. Switzerland also welcomes the fact that the Financial Action Task Force (FATF) is examining how sustainable financial markets can be protected against money laundering and terrorist financing.

At international conferences, the Swiss financial centre should be perceived as a leading sustainable financial centre. Switzerland is emphasising its qualitative approach in this respect as well.

The Confederation is engaged in intensive dialogue with all stakeholders.

The authorities maintain a close dialogue and exchanges with the financial sector and other interested parties, and take their needs and expertise into account. In this context, the Confederation's clear expectations of the sector with regard to voluntary commitments and increasing the competitiveness of the Swiss financial centre in the area of sustainability are also discussed.

The authorities promote, develop and make available appropriate data, methodological foundations and indicators in the area of sustainability. The anonymous, voluntary and free environmental impact tests launched by the Federal Administration will continue to be regularly carried out and expanded. Regular events are to be held in Switzerland to facilitate the exchange between the various players and focus attention on the presentation and ongoing improvement of the framework conditions of the Swiss financial centre in this area. In addition, the Federal Council is continuing to work towards agreements within the sector.

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[3] For instance, International Platform on Sustainable Finance (IPSF) or Coalition of Finance Ministers for Climate Action. The SNB and FINMA are members of the Network for Greening the Financial System (NGFS), see also https://www.sif.admin.ch/sif/en/home/dokumentation/medienmitteilungen/medienmitteilungen.msg-id-75599.html.