

Fintech Innovation

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2018 Emerging Fintech

Short Term

- **Fintechs disrupting the existing payment systems**
 - Nano Pay – instant clearing value transfer in secured way
 - Wealth Simple – Robo-advising investment advisor for ETFs

Medium Term

- **Fintechs using AI to disrupt the credit space**
 - Borrowwell – immediate pre-approved credit loans <35K on credit, credit monitoring service
 - Mogo - immediate pre-approved credit loans <35K on credit, cryptocurrency trading platform

Long Term

- Blockchain & Ethereum Technology platforms – starting to take shape now
- On the horizon, but not yet materialized completely, restricted by outstanding policy issues and regulatory challenges

Where is the Canadian Fintech Industry Today?

October 2017

OSC & CSA announced they're going to develop the first provincially-regulated Cryptocurrency platform; *Tokenfunder*, within a regulatory sandbox. This was the first ICO in Canada, available to retail investors

June 2018

Government of Canada drafted regulation over 'virtual currencies', set to be released late 2019. This will work towards regulating cryptocurrency, blockchain technology, and improve Canada's reputation internally to make it easier for crypto businesses in Canada to deal overseas

September 2018

Canadian Ministry of Finance has called for a consultation paper to be written focusing on advising on the possibility of building an *open banking system*, following the appointment of Advisory Committee on Open Banking in September 2018.

December 2018

G20 Argentina Communique announced G20 leaders, would be taking collective action to regulate cryptocurrencies to better deal with global issues such as money laundering, risk, and terrorist finance

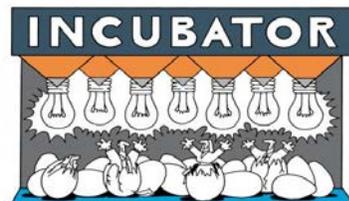
Regulation Developments in the Canadian Fintech Industry in 2018



Regulating Virtual Assets
on the Blockchain



Regulating unregistered
cryptocurrency ventures,
exchanges, and ICOs/ITOs



Investment Competition in
Incubators & Fintech start-ups

Evolution of Canadian Fintech Regulation 2018-2019



Is this enough?

Can we be doing more?

Further Developments Expected in 2019

- Financial service providers continue to update their AML and regulatory compliance policies and processes to ensure compliance with new requirements throughout 2019 onwards
- Continued shift towards a more active enforcements of this will continue to be enforced by OSFI with influence from the FCAC framework
- We can expect a continued modernization journey of Payments Canada and national retail payments framework continuing to develop open banking possibilities going into a 2nd phase in late 2019
- Canadian Securities regulators will continue to enforce against entities engaging in ICOs or ITOs that contradict Canadian Security Laws
- Expecting tokens will be issued this year that are fully compliant with Canadian Securities Laws issued, including some that where the issuer has obtained exemptions from compliance with certain laws

International Influence & G20 Mandate 2019



Why is this important?

Leaders of G20 countries are expected to make adequate strides to their commitments made, by either creating new policies, regulations, laws, and or forums to comply with this commitment before 2019 Osaka Summit

This issue and requirement is on the international radar of the 20 most economically powerful countries in the world

Canada being part of the G20, is expected to be working to implement this commitment domestically, where we should expect to see some progress towards achieving this

What impacts can this have?

This is now more in the international spotlight, all 20 member states have committed to this, and are also working on implementing this commitment domestically

Is this a step in the right direction?

Yes!... and will continue to be for the foreseeable future

G20 in Osaka, Japan July 2019 will focus specifically on Digital Innovation, where fintech regulation and digital payments have been announced to be 1 of 4 key topics of discussion amongst G20 leaders

*Commitment 25: "...Open and resilient financial system grounded in agreed international standards, is crucial to support sustainable growth. **We remain committed to the full, timely, and consistent implementation and finalization of the agreed financial reform agenda, and the evaluation of its effects. We will continue to monitor and tackle emerging risks and vulnerabilities in the financial system; and, through continued regulatory and supervisory cooperation, address fragmentation...** We will step up efforts to ensure that the potential benefits of technology in the financial sector can be realized while risks are mitigated. **We will regulate crypto-assets for anti-money laundering and countering the financing of terrorism in line with FATF standards and we will consider other responses as needed**"*

Open Banking and Data issues most pressing concerns today

Ownership?

Value?

Access?

Storage?

“Innovation in this area could have a fundamental impact on social welfare and research and policy work is needed in guiding it to the best outcome for the people in the economy.”

- Carolyn Wilkens, Senior Deputy Governor of the Bank of Canada, speech on fintech at Princeton University 2018

1. What was your key research question and what is your major finding from the research?

- How is Canada making its fintech sector into an opportunity for economic growth?
- A focus on governance and regulation of this new and growing sector will stand Canada in good stead.

What do your research findings mean for our understanding of Canada's digital opportunity?

Canada's fintech sector development lags behind many of its G20 peers in myriad ways.

What it can and should leverage in the G20 context is its reputation for prudent regulation as the biggest current issue facing the fintech sector is its regulation and governance, witness the G20 commitment in Argentina last year to focus on fintech regulation and digital payments at the next G20 summit in Japan in July this year.

Key Policy implications from the research findings?

“Stay the course” in terms of our international reputation for financial stability as other economic benefits accrue from that reputation (particularly in the G20 context.).