Report on the Finance-ICT Innovation Ecosystem in the Toronto Region

A Joint Project of the TFSA and the IPL
Discussion Points

• Benchmark

• Main findings

• The way forward
Benchmarking

• The Financial Industry in GTA
  • Index after Index and study after study – stagnant international ranking
    – “We are no longer competing with the top, only with the secondary clusters”
Main findings I

• All the ingredients – no ecosystem

• Different patterns of relationships between the financial institutions and Fintech start-ups vis-à-vis NYC & London

• Disconnect = opportunity set for Canadian Fintech companies (that want to stay Canadian) are different

• Canadian banks might be more vulnerable to unbundling and disintermediation then assumed
Main findings II

• Fit of the regulatory system with new technological era

• Lack of large inexpensive incubation spaces in the vicinity of the financial industry

• Lack of very early and scale-up finance (both public and private)

• Combined impact: even in cases of success, scale-up (while staying Canadian) is an issue
How to build a unique vision of growth

1. Stimulating EcoSystem Melding

2. Fiscal and Physical Concerns
Stimulating EcoSystem Melding I

• **Regulatory environment – make it a source of strength**
  – Procedures to stay abreast of new technologies and their predicted impact on the market, while allowing for very rapid small-scale experimentation

• **Financial Institutions**
  – The issues are structural and misalignment, hence, collective not individual, approach should be emphasized
Stimulating EcoSystem Melding II

• **Infusing Collaboration: Pain-points, Platforms and Mentoring**
  
  – Multiple structural and systemic problems need to be addressed (security or the mobile payment infrastructure)
  
  – Have shared features that make them especially suitable as venues on which to promote greater collaboration:
    
    1. Real pain-points to all the established players
    2. Cannot be solved by any one company alone
    3. Once solved, they can serve as an open platform for rapid application development = Hub of fintech ecosystem
Stimulating EcoSystem Melding II

• Networking and knowledge sharing

  – Lack of meaningful network venues is the most common complaint

  – Fintech companies openly admit that this makes it very difficult for them to improve on their worst weakness – knowing how to work with big financial institutions and regulators

  – Calls for meaningful and sustained intervention by organizations such as the TFSA, OCE and others to deepen and institutionalize the networking and knowledge sharing opportunities in the GTA.

  – Mentorship program in which mid-level executives from the leading financial institutions serve as mentors for local fintech startups
Fiscal and Physical Concerns

• Finance
  – Lack of both public and private funds especially for very early, early and rapid scale-up stages
  – Persistent for the last several decades
  – Need for P&P policy experimentation and not more of the same thing!

• Space
  – Issues of cost
  – Issues of location (co-location with financial industry)
  – Issues of quantity
Thank you!

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