
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 than 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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