

For Immediate Release

Toronto region’s Fintech sector poised for growth but “siloeed” resources and players preventing formation of a true ecosystem

TORONTO, November 5, 2015 – Today [The Innovation Policy Lab at the University of Toronto’s Munk School of Global Affairs](#), released a report on the region’s financial services technology (“Fintech”) sector and its impact on the region’s future economic success. The report, which was commissioned by the [Toronto Financial Services Alliance](#) (TFSA), states that although there is great potential in the region, there is no true Fintech ecosystem and various factors are inhibiting its development – this comes at a cost to the region’s overall economic growth.

Professors Dan Breznitz and David A. Wolfe, Co-Directors of the Innovation Policy Lab at the University of Toronto’s Munk School of Global Affairs, with support from Assistant Professor Shiri Breznitz, undertook a strategic mapping study of the key Fintech players, resources and innovation assets in the Toronto region. The report’s findings led the authors to make recommendations on how to support Toronto’s financial services industry and the Fintech sector, and to establish the Toronto region as a global Fintech hub.

“We have most of the right ingredients, but we are operating far below our real potential,” said Professor Dan Breznitz. “Our study revealed that on a global basis, Toronto’s Fintech growth is falling behind in comparison to other cities that have established hubs, such as New York and London.”

Between June and August of this year, researchers interviewed a number of key decision makers from banks, insurance companies, professional services firms, industry associations, Fintech firms, government incubators and venture capital firms in preparation of the report. The key findings from the report include:

- Despite having the necessary components, the lack of strong connections between Fintech firms and financial institutions is undermining our ability to create an effective ecosystem to drive economic growth.
- While progress is being made, Canadian financial institutions do not act as true partners to Fintech start-ups to the same extent that other leading global centres do – where relationships do exist they tend to be located at the margins of the financial institutions’ main operations, in incubators or accelerators.

- The consequence of this disconnect is that the successful Fintech firms in the region become disruptors: they create products and strategies that do not require the banks as partners and customers, and instead become competitors of the banks.
- Canadian banks may be more vulnerable to unbundling and disintermediation than has been assumed; Canada's regulatory environment provided an effective 'moat' around the banks to weather the financial storm in 2007-08, but this protection has made the banks slower to react to the emerging challenges posed by the Fintech start-ups than in other global centres.
- Also, current regulations make it very difficult to undertake the low-level-rapid-experimentation that is necessary to develop safe, useful Fintech products – even what are considered the most basic Fintech offerings such as crowd-sourcing and loans cannot be developed and offered in Canada without the participation of a licensed bank.
- A critical element that is missing in Toronto is the presence of large, inexpensive incubator centres within the financial district, offering basic services with high connectivity at highly discounted rates. While a number of incubators exist, they are either more expensive than their counterparts in London and New York, are located far away from the financial industry or are not yet working collaboratively as they need to.
- Although the federal and provincial governments have made efforts to increase the supply of seed and early venture capital to start-ups, there is still a shortage – a more direct approach through grants or conditionally repayable loans should be considered as policy reform by government.

“Both Fintech innovators and what we have defined as the ‘traditional’ financial companies are both essential to our growth and prosperity,” said Janet Ecker, President and CEO of the Toronto Financial Services Alliance. “The benefit of collaboration between these two groups is that financial companies have large existing customer bases that the Fintech community can leverage and cross-sell to, and the Fintech start-ups tend to have effective and significantly lower customer acquisition costs that can help financial companies. Partnership could be a solution to the issues each group is facing.”

This approach is supported by the report's authors who also argue that a vision is critical – one that determines what the best policy interventions are to increase connections and opportunities that will lead to the development of a successful Fintech sector as a regional and global advantage.

Added Professor David A. Wolfe: “The findings of this report are an important call-to-action for the TFSA and its partners, like the Ontario Centres of Excellence, to address the current silos between Fintech firms and the large financial institutions, if we're going to drive future growth. The impact of not seeing and grasping the opportunity could result in a slow decline in relevance and importance of both the financial services and the Fintech sector in the Toronto region.”

A copy of the report is available for downloading at: <http://tfsa.ca/resources/reports-studies/>

About the MUNK SCHOOL OF GLOBAL AFFAIRS:

The MUNK SCHOOL OF GLOBAL AFFAIRS at the University of Toronto is home to more than 35 programs of advanced research and education on the challenges, organizations, and ideas that are reshaping the global landscape. Munk School scholars and practitioners tackle global problems in research labs on the geopolitics of cyberspace, digital diplomacy, innovation policy, environmental governance, and global justice, and through a flagship professional Master of Global Affairs.

The Innovation Policy Lab (IPL) is the exciting new hub within the Munk School of Global Affairs whose mission is to study, teach, and apply novel methods and disciplines to the study of innovation and its impact on growth and society.

Bringing together teams of researchers from multiple schools and departments at the University of Toronto, as well as from other institutions in countries across the globe, the IPL focuses on core questions in a number of areas including innovation and growth, innovation and inequality, globalization and innovation, social innovation, new technologies and their impact on society, innovation in traditional industries, and arts and innovation. Since our aim is not only to advance basic research but also to effect change, we pay particular attention to the role of public policy in nurturing innovation, while at the same time enhancing its positive impacts on society and limiting its negative consequences.

About the TFSA:

The Toronto Financial Services Alliance (TFSA) is a unique, public–private partnership dedicated to growing Toronto region’s financial services cluster and building it as a “top ten” global financial services centre. Established in 2001, TFSA is a collaboration involving three levels of government, the financial services industry and academia. Working collaboratively with industry and government, it builds international awareness of the advantages offered by the Toronto region and works with financial services companies from around the world that are exploring business opportunities in Toronto. To leverage the financial industry’s global reputation for stability, TFSA established the Global Risk Institute in Financial Services. To capitalize on Toronto region’s talent advantages, it also established the Centre of Excellence in Financial Services Education. For more information, please check the website at www.tfsa.ca

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To request an interview with Janet Ecker of the TFSA and the authors of the report, Professors Dan Breznitz and David A. Wolfe, please contact:

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