

## Who should be Canada's FinTech champion?

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Most commentators agree Canada has many of the elements required to support a vibrant FinTech sector, notably a stable and secure financial system, a high-concentration of financial institutions, access to a large pool of talented employees, and expertise in the underlying ABCDs: artificial intelligence, blockchain, cryptography, and data science.

But a key shortcoming is the absence of a clearly defined FinTech strategy championed by the federal government.

The UK, Australia, and Hong Kong have published national strategies for this key sector over the past 18 months, seeking to create jobs domestically and exports globally. But Canada has no national strategy. Instead we are witnessing regional fragmentation, with separate reports commissioned by Toronto, Montreal and Vancouver arguing each should be the centre of FinTech in Canada. Sound familiar? We only have to look at Canada's system of provincial securities regulations to see where this is heading.

While each of Canada's regions has clear strengths, doesn't this approach miss the point? Why are we competing internally, rather than coordinating nationally and competing globally to dominate the emerging FinTech industry? The answer is a lack of federal leadership.

In the UK, Australia and Hong Kong, the equivalent of the Finance Minister has taken charge, creating a FinTech advisory council with private sector expertise, consulting with key stakeholders, coordinating different levels of government, and publishing a national strategy. As Australia's Treasurer stated in the 2016 report [Backing Australian FinTech](#): "I want to help create an environment for Australia's FinTech sector where it can be both internationally competitive and play a central role in aiding the positive transformation of our economy". Recall that Australia has the same federal system as Canada, with a smaller population and a financial sector dominated by a few large incumbents.

In a 2014 speech UK Chancellor Osborne said: "Key to the government's long term economic plan is cementing Britain's position as the centre of global finance. It's only by harnessing innovations in finance... that we'll ensure Britain's financial sector continues to meet the diverse needs of businesses and consumers here and around the globe, and create the jobs and growth we all want to see in the future." Following the Brexit vote, the UK is highly aware of the risk of losing its dominant financial sector. In a recent speech, Bank of England Governor Mark Carney threw his voice behind FinTech, noting that it will democratise financial services and contribute to a more resilient financial system.

While Canada often looks south for inspiration, in this case the United States is showing us what not to do. The U.S. FinTech sector is being held back by regional competition between Silicon Valley and the Big Apple and regulatory uncertainty. A 2016 report by KPMG ranked California and New York as distinct FinTech regions alongside Australia, Germany, Hong Kong, Singapore and UK. (Canada did not make the list.) A key shortcoming: FinTechs are subject to supervision at the state-level and separately by the Department of Financial Oversight in California and the Department of Financial Services in New York. Regional competition and regulatory uncertainty may have contributed to last year's 23 percent drop in

FinTech venture investment, with KPMG reporting US\$4.6 billion invested in 2016 vs. US\$6.0 billion in 2015. While Canada bucked this trend with a record US\$138 million of venture capital invested in FinTech last year (vs. US\$100 million in 2015), Canada's investments are measured in millions, not billions.

Finance Minister Morneau's Budget 2017 "Building a Strong Middle Class" is headed in the right direction with its focus on innovation, networks and clusters, and the digital economy. The budget highlights that Canada's financial system should work for all Canadians. FinTech provides the means to make financial services available more broadly and more cheaply online or by mobile phone. Startups create jobs and increase competition, which will benefit consumers and small businesses the most.

A great model is the federal government's commitment of C\$125 million towards a *pan-Canadian* Artificial Intelligence strategy with centres of expertise in Toronto–Waterloo, Montréal and Edmonton. This expertise will benefit many sectors, with the budget highlighting agriculture (AgriTech), natural resources (CleanTech), and health care (HealthTech). Banking and financial services will similarly benefit from this investment. But Budget 2017 only mentions FinTech three times, despite the financial sector representing 7.0 percent of GDP and 4.4 percent of all jobs in Canada. That seems like an oversight.

Minister Morneau, Canada's financial sector is looking to you to champion our FinTech sector. As your own budget states, "The Government has an opportunity – and a responsibility – to lead the way when it comes to digital innovation". When it comes to FinTech, the time to lead is now.