

October 11, 2018

BY EMAIL

Global Financial Innovation Network
GFIN@fca.org.uk

Ontario Securities Commission
Contact: Pat Chaukos
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Dear Sirs/Mesdames:

Re: Global Financial Innovation Network (GFIN), Consultation Document –published August 2018

The Canadian Advocacy Council¹ for Canadian CFA Institute² Societies (the CAC) appreciates the opportunity to comment on the Consultation Document. While some of the questions posed with respect to technological innovations are outside our specific expertise, we wish to provide the following general comments on some of the issues raised in the Consultation Document.

General Remarks

We are supportive of the intended mission of the Global Financial Innovation Network (GFIN), namely to create a collaborative global network that aims to help FinTech businesses that seek to operate in multiple countries. The multi-lateral approach of the GFIN offers a collaborative framework to pool knowledge and share experiences of new market developments while also providing firms with the ability to interact and engage with more than one regulator at a time. Leveraging expertise and local knowledge provides an opportunity to find global solutions to global challenges and promote thought leadership.

In the early stages of an emerging market for FinTech products, regulators should maintain a balance between espousing innovation by supporting the development of unconventional business models or products and imposing regulation on such entities. For instance, regulators should welcome new and innovative entrants to capital markets, while carefully monitoring their development and the potential risks associated with any FinTech products offerings. FinTech businesses are increasingly being relied on by investors to meet their financial needs and often offer low-cost platforms for investment or asset management. For instance, a study by CFA Institute of more than 3,000 individual investors and 800 institutional investors across 12 markets, including 501 retail investors and 36 institutional investors in

¹ The CAC represents more than 15,000 Canadian members of CFA Institute and its 12 Member Societies across Canada. The CAC membership includes portfolio managers, analysts and other investment professionals in Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. See the CAC's website at <http://www.cfasociety.org/cac>. Our Code of Ethics and Standards of Professional Conduct can be found at <http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx>.

² CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow. There are more than 154,000 CFA charterholders worldwide in 165+ countries and regions. CFA Institute has eight offices worldwide and there are 151 local member societies. For more information, visit www.cfainstitute.org or follow us on Twitter at @CFAINstitute and on Facebook.com/CFAInstitute.

Canada, identified that technology enhances investor trust. Investors of all ages and from all regions want more technology applied to investing, and trust in technology is generally high. Moreover, the effective use of technology increases trust in a financial adviser or firm, and new blockchain technology holds the promise of creating more trust in the system³.

The GFIN initiative also facilitates a symbiotic relationship between regulators and financial technology businesses seeking to innovate. It offers regulators the opportunity to enhance current regulatory processes and procedures (with regards to both local and cross-border practices) through the use of RegTech. A recent paper published by the CFA Institute states: “In the wake of increased compliance burdens, regulators will need to work with FinTech and RegTech players to (1) understand how data are being collected and processed, (2) take a coordinated approach to harmonizing compliance requirements across markets, (3) develop standardized reporting formats, and (4) enhance data sharing among regulators and transform the way in which such data are used...RegTech offers benefits to both industry and regulators.”⁴ A fruitful collaboration amongst regulators will hopefully culminate in the development of RegTech products that can offer cost-effective and efficient methods to provide protection to investors from unfair, improper or fraudulent practices and foster fair and efficient capital markets.

Overall, we believe it is important that the global approach taken by regulators to FinTech is sufficiently flexible to allow for new technologies and transactions, including for example in the context of digital currency, in order to bring legitimacy, attract investors and promote economic activity. Enforcement of the current framework should be a priority, while permitting potential exemptions when the framework is unable to accommodate the technology (and not the business model). It is also important for all regulators in the space to be transparent with respect to requests for exemptions received and policy options in order to land on a consolidated approach with a level playing field.

Concluding Remarks

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at cac@cfacanada.org on this or any other issue in future.

(Signed) *The Canadian Advocacy Council for
Canadian CFA Institute Societies*

**The Canadian Advocacy Council for
Canadian CFA Institute Societies**

³ CFA Institute, The Next Generation of Trust: A Global Survey on the State of Investor Trust, online <https://nextgentrust.cfainstitute.org/wp-content/uploads/2018/03/CFAITrust-Global-Report.pdf>

⁴ Douglas W. Arner, Janos Barberis, & Ross Buckely, “Fintech and Regtech in a Nutshell, and the Future in a Sandbox” (2017) CFA Institute Research Foundation at 19-20.