

[Home \(/en\)](#) / [News \(/en/news\)](#) / [Innovation \(/en/news/innovation\)](#) /

Canada has a rosy future in fintech, but obstacles remain, expert says

INNOVATION (/EN/NEWS/INNOVATION) | TRENDS

Canada has a rosy future in fintech, but obstacles remain, expert says

11.4.2019 | MARGARET CRAIG-BOURDIN

As a hub for AI, our country has a distinct role to play in driving innovation. But funding challenges and the relatively small size of our market hold us back



The Toronto-Kitchener-Waterloo corridor is home to 194 startups and 20-plus incubators/accelerators and boasts a compound annual growth rate of 118 per cent—one of the highest in the world (Getty Images/Hero Images)

Fintech is alive and well and growing like wildfire in Canada. For proof, simply do a search for upcoming conferences in the country. You'll be rewarded with a flurry of homegrown forums, roundtables and informal events. We even had a fintech week in August. Not to speak of all the other events happening internationally.

Why all the talk? Because there is plenty to talk about. After all, this is a relatively new area, and a broad one as well (generally speaking, the term fintech (</en/news/pivot-magazine/2019-05-03-fintech-revolution>) refers to the use of technology to support financial and banking services).

As Mukul Ahuja, financial services and insurance strategy and AI leader with Deloitte, points out, "Fintech is a broad space. There are at least 10 areas where significant development is taking place—from insurtech to personal financial management. (</en/news/pivot-magazine/2019-09-12-personal-finance-products>). And Canada is quite interesting in that it has followed the lead of what is happening globally, and it's really picked up steam in the last while. There are at least 1,000 fintech companies here, and every day there's a new one popping up."

Here are some of the ways in which Canada stands out in this rapidly evolving space.

PAYTECH IS NO. 1

Within the fintech industry in Canada, paytech is definitely the leader, says Ahuja. "It constitutes about 25 per cent of all the fintechs in the country," he says. (The term paytech is used because the players are mainly focused on deposits, savings and payments, and are often tied to larger financial institutions. They are not involved in lending, mortgages, insurance or wealth advisory services.)

Players include Koho, which purports to "make banking simple and human" with its full service, no-hidden-fees bank account and Paytm Canada, which offers a dynamic mobile payments app. As Ahuja points out, a number of banks have created their own versions of a fintech: for example, Meridian Credit Union has launched Motus Bank, its own challenger bank, as has CIBC with the re-brand of its virtual bank, Simplii.

THE TORONTO REGION IS A MAJOR HUB

The Toronto-Kitchener-Waterloo corridor plays a starring role in the country's fintech scene. As a 2019 [report](https://tfi.ca/policy-research/seizing-the-opportunity-building-the-toronto-region-into-a-global-fintech-leader-update-2019) (<https://tfi.ca/policy-research/seizing-the-opportunity-building-the-toronto-region-into-a-global-fintech-leader-update-2019>) from Toronto Finance International (TFI) points out, the region is home to 194 startups and 20-plus incubators/accelerators and boasts a compound annual growth rate of 118 per cent—one of the highest in the world.

As Ahuja puts it, “I would say about 65 per cent to 70 per cent of the energy generated by fintech is focused on the Toronto region and Ontario as a whole.” And that makes sense, he says. “Many financial institutions are headquartered in Toronto and fintechs are looking to do business with them directly, complement or compete with them.”

Among homegrown standouts are [Wealthsimple](https://en.news/pivot-magazine/2018-05-07-pivot-kitchen-boy-wonder) ([/en/news/pivot-magazine/2018-05-07-pivot-kitchen-boy-wonder](https://en.news/pivot-magazine/2018-05-07-pivot-kitchen-boy-wonder)), an online brokerage, and League, a health-insurance platform. Both made the [Fintech 100 list](https://h2.vc/wp-content/uploads/2018/11/Fintech100-2018-Report-Final-22-11-18sm.pdf) (<https://h2.vc/wp-content/uploads/2018/11/Fintech100-2018-Report-Final-22-11-18sm.pdf>) for three years in a row in 2016, 2017 and 2018.

AI DRIVES FINTECH—AND CANADA IS A POWERHOUSE

[AI](https://en.news/accounting/the-profession/2019-05-13-jesse-hirsh-ai) ([/en/news/accounting/the-profession/2019-05-13-jesse-hirsh-ai](https://en.news/accounting/the-profession/2019-05-13-jesse-hirsh-ai)) and advanced [analytics](https://en.news/innovation/2019-03-13-data-analytics) ([/en/news/innovation/2019-03-13-data-analytics](https://en.news/innovation/2019-03-13-data-analytics)) drive many of the advancements in fintech. This means that Canada, as a hotbed for AI, is well-placed to take advantage of that connection, says Ahuja. Not only does Montreal play host to the highest concentration of researchers and students of [deep learning](https://en.business-and-accounting-resources/other-general-business-topics/information-management-and-technology/publications/a-cpa-introduction-to-ai) ([/en/business-and-accounting-resources/other-general-business-topics/information-management-and-technology/publications/a-cpa-introduction-to-ai](https://en.business-and-accounting-resources/other-general-business-topics/information-management-and-technology/publications/a-cpa-introduction-to-ai)) in the world; Toronto has the highest concentration of AI startups globally.

“There’s a natural energy and momentum in Canada to build breakthrough solutions using emerging technologies,” says Ahuja. [See [How CPAs can dive into the thriving fintech market space](https://en.news/innovation/2019-11-04-fintech-cpas) ([/en/news/innovation/2019-11-04-fintech-cpas](https://en.news/innovation/2019-11-04-fintech-cpas))]

BLOCKCHAIN IS A MAJOR FORCE

While many industries are now exploring applications for [blockchain](https://en.business-and-accounting-resources/other-general-business-topics/information-management-and-technology/publications/cpa-perspectives-on-blockchain) ([/en/business-and-accounting-resources/other-general-business-topics/information-management-and-technology/publications/cpa-perspectives-on-blockchain](https://en.business-and-accounting-resources/other-general-business-topics/information-management-and-technology/publications/cpa-perspectives-on-blockchain)), the financial services industry is expected to continue to lead investments. And Canada is a perfect launching pad. For example, as the TFI report points out, half of Canadian blockchain startups have their headquarters in Toronto, and the city is also home to the Blockchain Research Institute.

Other hubs and associations are also starting to emerge across the country, such as the Chamber of Digital Commerce Canada and ColliderX, which calls itself the world's first open-source, crowdsourced, and crowdfunded blockchain research and development hub.

CANADA IS A TESTING GROUND

Canada often serves as a test market for proving a proposition. As Ahuja explains, a company might begin operations here, then go global, starting with the U.S.

“Of the 1,000 fintech companies in Canada, I'd say 10 per cent to 15 per cent of them plan to set up or have already set up operations in the U.S.—or they might have even moved their headquarters there,” he says. “And I'd say about 100 to 150 U.S. companies have set up operations in Canada as well. So, you see a bit of that cross-border influence.”

THERE IS ROOM TO GROW

While many signs point to a rosy future for fintech in Canada, there are still factors—some difficult to change—that could impact development. For example, as Ahuja points out, many of the fintechs in Canada are still fairly small; their valuations are low. This is partly because of the relatively small and dispersed nature of our market and the resulting adoption trends. For the same reason, even though Toronto is Canada's fintech hub, it still lags behind other major centres such as Silicon Valley, New York and London.

That is probably why various initiatives have been suggested to help drive growth in the sector. These include modernizing regulatory frameworks to reflect changing business models and priorities; ensuring the Toronto region has access to funding at the seed level; and collaborating with other countries to develop fintech policy. That way, as fintechs worldwide continue to drive new growth, Canada will be right there with them— and possibly even helping to direct the action.

PAVING THE WAY TO THE FUTURE

Want to learn more about how blockchain, AI and other technologies are changing the business landscape and how this will affect the role of the accounting profession?

Read the [report from Phase 1 \(/en/foresight-initiative\)](/en/foresight-initiative) of CPA Canada's Foresight: Reimagining the Profession—an initiative that will create a new strategic direction for the profession over the next 10 years.

About the Author



Margaret Craig-Bourdin

Margaret Craig-Bourdin is a digital writer and editor with CPA Canada. She is the recipient of many business press awards, and is also a certified member of the Association of Translators and Interpreters of Ontario.

What do you think?

2 Responses



Like



Funny



Love



Surprised



Angry



Sad

0 Comments

CPA Canada



Disqus' Privacy Policy



Login ▾



Recommend



Tweet



Share

Sort by Best ▾



Start the discussion...

LOG IN WITH

OR SIGN UP WITH DISQUS [?](#)

Name

Be the first to comment.

Related Articles

INNOVATION (/EN/NEWS/INNOVATION) | TRENDS

4 retail e-commerce insights leading us out of the pandemic (/en/news/innovation/2021-04-19-retail-ecommerce-insights)

4.19.2021 | SOPHIE NICHOLLS JONES

More than a year in and retailers big and small remain in reaction mode

INNOVATION (/EN/NEWS/INNOVATION) | TRENDS

Blockchain: 4 powerful ways it is making a difference in the world (/en/news/innovation/2021-01-18-blockchain-impact)

1.18.2021 | SOPHIE NICHOLLS JONES

The digital ledger technology's social impact is stretching from food delivery and vaccine distribution to helping fight COVID-19

INNOVATION (/EN/NEWS/INNOVATION) | TRENDS

Prep your business for the next industrial revolution (/en/news/innovation/2020-08-06-digital-transformation-tips)

8.6.2020 | SOPHIE NICHOLLS JONES

From building a strategy to co-ordinating efforts across the organization, stay ahead of the Industry 4.0 curve with these tips