

Technology

October 4, 2016

OSC Announces Launch of Innovation Hub for Fintech Companies

The Ontario Securities Commission (OSC) recently announced the creation of OSC LaunchPad; the first innovation hub introduced by a Canadian securities regulator aimed at improving the integration of Fintech companies entering the regulatory framework. The Fintech industry comprises firms that use technology to make financial services more efficient and includes online advisory firms, peer-to-peer lending services, crowdfunding platforms and angel investor organizations. Details of OSC LaunchPad are set to be unveiled in the coming weeks.

In a recent keynote address at the Toronto Region Board of Trade, Chair and CEO of the OSC, Maureen Jensen said, “As a securities regulator, the OSC must balance protection of investors and the integrity of the financial system, while allowing innovation and avoiding over-regulation... quite simply, I do not believe the status quo is an option.”

The OSC LaunchPad was created in response to the realization that new Fintech businesses “do not fit neatly” into the current regulatory framework. Regulators are under increasing pressure to find ways to evolve with and adapt to the changes occurring in the financial services industry. Current regulatory and compliance requirements “may not make sense” in the context of new business models and may pose unnecessary burdens and barriers on new tech startups trying to enter the market.

The purpose of the OSC LaunchPad is twofold: Firstly, it seeks to guide and help Fintech companies navigate through the regulatory framework. “Fintech companies often don’t know what they don’t know about

operating in a regulated industry,” Jensen said. Startup companies operating as IT service providers may not be aware of regulatory and investor protection requirements that apply to their business operations. Failing to properly understand the regulatory framework “can threaten their ability to launch their business model.”

Secondly, the OSC will work directly with Fintech companies to tailor regulations and oversight to their business models, where possible, as long as investor protections remain in place. The results of and lessons learned from the OSC LaunchPad will be applied to the OSC registration model and compliance expectations going forward.

This announcement by the OSC illustrates a commitment to ensuring securities regulators are not impeding innovation but are evolving alongside new business models. Jensen stressed that efforts toward change would be balanced with the OSC’s key objectives of investor protection and fair and efficient markets.

Jensen also acknowledged the existing regulatory burden on the financial industry since the financial crisis: “[...] Given the size of the Ontario Securities Act, its rules and regulations, there’s no question there is a compliance burden...we are looking to streamline disclosure requirements, eliminate duplication and improve the public offering process.” The Canadian Securities Administrators, an umbrella organization made up of securities regulators from each of the ten provinces and three territories in Canada, will publish a Staff Notice early next year outlining areas of priority and inviting comment.

For further information on the OSC LaunchPad or the regulatory and compliance obligations on Fintech companies, please contact any member of our Technology Group.

Goodmans^{LLP} Update

Goodmans Tech Group

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Goodmans continues to lead in the technology sector and has recently partnered with The DMZ at Ryerson University. The DMZ is a leading business incubator

(selected by BMI as the top-ranked university incubator in North America, and third in the world), which connects its startups with resources, customers, advisors, investors, and other entrepreneurs. Through this partnership, Goodmans provides mentorship and networking opportunities to assist startups in maximizing their potential. Members of our Technology Group teach internet and communications law at Canada's largest law schools, are regular lecturers at technology industry events and legal conferences, and have published articles in the technology law field.