

FINTECH OPPORTUNITIES IN TORONTO

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Toronto, where Canada's five big banks have their headquarters, is an interesting market for Swiss fintechs, as Canadian banks are investing in transformative technology.



1. Financial Services in Toronto

Toronto, which has almost 300,000 people working in financial services, is the second largest financial services centre in North America and is ranked in the top ten global financial centres by both The Banker magazine and the Global Financial Centres Index. Canada itself is consistently ranked as having one of the most stable banking systems globally.

Toronto is home to:

- Canada's five largest banks (the big-five), four of which are among the world's 50 largest banks by market capitalization
- three of the top five largest Canadian insurers
- two of the top 20 global pension funds
- eight of the 10 largest Canadian asset managers
- the Toronto Stock Exchange (TSX), which leads globally in the number of total new listings and total mining listings, and ranks ninth in the world by market capitalization

The key industries within the Toronto financial services sector include:

- banking
- credit unions
- insurance
- asset management
- securities
- exchanges
- back office operations

Canadian banks are very profitable: after adjusting for dividends, the big-five banks generate almost C\$20bn of surplus profits each year. The big-five along with a smaller sixth bank comprise about 90% of banking assets in Canada. Banks are regulated under the federal Bank Act.

According to a recent ForexBonuses report, Canada is the world's most cashless society. This is driven by the second highest penetration rate of credit cards globally.

2. Technology in Canadian Financial Services

The big-five banks alone are expected to spend in the neighbourhood of \$9 billion in 2018 on technology of which up to 40% will be on "transformative" technology focused on either improving the customer experience largely through mobile applications or driving cost efficiencies. Canadians' uptake of mobile apps to access financial services has been much lower than the global average. According to Ernst & Young, in 2017 Canada's rate was 18% whereas the global average was 33%. However, in Canada the rate was only 8% in 2015 and EY expects that it will move quickly to 34%.

With regard to improving ongoing operations, financial institutions are interested in implementing technology to manage and extract value from their data, enhance security and meet regulatory standards.

AI and blockchain are both expected to have applications in insuretech, cyber, payments, and peer-to-peer lending.

3. Possible collaborations for Swiss SMEs

Canadian financial institutions have recently been playing catch-up by establishing linkages with fintechs through either partnerships with incubators such as [MaRS](#) or [The Creative](#)

[Destruction Lab](#), and by establishing their own in-house programs such as [Scotia Bank's Digital Factory](#) or [Aviva's Digital Garage](#).

Canadian financial institutions are very open to working with foreign companies that have a track record in their home or other countries. Often fintechs will start by having employees embedded at the financial institutions for a time to ensure the smooth implementation of their solution.

The Swiss Business Hub in Canada can provide introductions to the financial institutions and appropriate accelerators and help you open doors. If you'd like to find out more about the potential for Swiss Fintech companies in Toronto, contact our Canada Consultant, [Annina Bosshard](#) or the [Swiss Business Hub Canada](#) directly.