



BC Notice 2020/01

Solicitation of Members for New Fintech Advisory Forum

The British Columbia Securities Commission (BCSC) is seeking expressions of interest from financial technology (fintech) industry professionals and experts interested in joining its new Fintech Advisory Forum (the Forum). Membership to the Forum is on a voluntary basis.

The Forum will advise BCSC staff on fintech trends and developments, including opportunities and risks, and provide input on fintech issues in the securities industry and securities law issues affecting fintech.

The BCSC's Fintech & Innovation Team (FIT), formerly known as the Tech Team, will chair the Forum, which will mostly involve ad-hoc meetings with additional consultations by phone or email.

Selected members will be invited to serve a two-year term, and may be invited to serve multiple terms. Members will be selected based on their experience in one or more of the following fields:

- Distributed ledger technology (DLT)/blockchain (including crypto-assets and/or trading platforms);
- Artificial intelligence/machine learning (AI/ML);
- Investment services platforms (including crowdfunding platforms and online advisors);
- Data analytics and/or big data;
- Regulatory technology/Supervisory technology (Regtech/Suptech); and
- Other emerging fintech fields.

The following areas of expertise are also desirable for Forum members:

- Knowledge of systemic risk issues;
- Familiarity with B.C.'s capital markets;
- Knowledge of the practical issues faced by fintech companies (including access to capital and talent);
- Knowledge of global fintech trends and developments; and
- Technological expertise.

Members will be selected from a variety of organizations including:

- Fintech and financial industry companies;
- Innovator functions (such as incubators, research & development programs, labs/academics, and fintech industry groups);
- Business advisors, including lawyers and accountants;



- Marketplaces or related entities with relevance to the fintech sector (e.g. recognized exchanges developing blockchain clearing platforms or with other large-scale fintech initiatives).

Depending on the issues being discussed, some meetings might be attended only by relevant subsets of the Forum.

Forum Application Form and Deadline

If you are interested in becoming a member of the Forum, or have any questions, please send your resume and any additional relevant information to fit@bcsc.bc.ca by no later than, **Friday, February 28, 2020**.

Background: The BCSC and Fintech

One of the BCSC's 2018-2021 Service Plan objectives is to advance cost-effective regulation, particularly regulation of financial technologies, and supporting innovation in fintech. The BCSC has used these interactions to inform its policy approach towards fintech.

The BCSC's outreach and guidance to stakeholders on fintech issues has primarily occurred through the BCSC's Tech Team, which has been re-named the Fintech & Innovation Team (FIT). FIT engages in outreach with the B.C. tech community to better understand fintech issues, educate the fintech industry on how various fintech activities can trigger securities laws, and provide support to eligible businesses that are navigating securities regulatory requirements. FIT staff have presented at events across Canada and internationally, providing information on securities law, interacting with stakeholders about regulatory developments, and contributing to the Canadian and global development of consistent policy relating to fintech business models.

Since its creation in January 2017, FIT staff have responded to hundreds of ad-hoc fintech-related inquiries from B.C. persons, facilitated the authorization of innovative fintech business models (such as security token dealers, crypto investment funds, and AI-based onboarding processes), and worked with other regulators globally to evaluate dozens of B.C. and foreign companies wanting to engage in cross-border fintech activity.

The BCSC is also part of the Canadian Securities Administrators (CSA) Regulatory Sandbox (CSA Sandbox). The CSA Sandbox looks to facilitate testing novel and innovative business models from a securities law perspective. Through learnings gained by FIT staff, the BCSC works within the CSA Sandbox to advocate for cost-effective, practical regulation that addresses the key risks posed by fintech activities.

Updates on BCSC Fintech Activities

In February 2018, the BCSC published a notice consulting on the securities law framework for fintech regulation (Consultation Paper). The Consultation Paper provided



significant comments on specific fintech areas, which the BCSC has used to inform its work. Examples of the BCSC's initiatives since the Consultation Paper include:

Crowdfunding

Consultation Paper commenters stated that the greatest impediment to securities crowdfunding in Canada is the lack of jurisdictional regulatory harmony. As a result, the BCSC is working with other CSA members towards creating a harmonized national instrument with the aim of facilitating crowdfunding as a capital raising tool for start-ups and early stage businesses.

The BCSC has also been collaborating with other CSA members to facilitate crowdfunding distributions in anticipation of enacting the national instrument. This has resulted in the Alberta Securities Commission adopting Blanket Order 45-521 *Start-Up Crowdfunding Registration and Prospectus Exemptions* and the Ontario Securities Commission granting exemptive relief to an exempt market dealer, both of which contain similar provisions to BCI 45-535 *Start-Up Crowdfunding Registration and Prospectus Exemptions*.

Crypto-Assets and Blockchain

Commenters stated that a significant challenge to developing blockchain technology in Canada is the lack of legal certainty surrounding crypto-assets, given their novelty. In recognition of this, the BCSC has actively pursued facilitating tests across Canada through the CSA Sandbox. These tests include allowing a registered exempt market dealer to provide services in connection with blockchain token offerings and facilitating a distribution of crypto-assets by a remittance business. Where appropriate, BCSC staff have also responded to inquiries from stakeholders as to the likelihood that securities laws apply to particular crypto-asset business models.

Through the CSA Sandbox, the CSA has provided guidance particularly related to crypto-assets, including CSA Staff Notice 46-308 *Securities Law Implications for Offerings of Tokens*, which set out particular securities law considerations for businesses when selling crypto-assets of their own issue. The CSA Sandbox also consulted stakeholders on a proposed regulatory framework for crypto-asset trading platforms through CSA Consultation Paper 21-402. This consultation was derived in part from BCSC staff-led research and monitoring of crypto-asset trading platforms, as well as targeted FIT consultations with over 25 B.C.-based crypto-asset trading entities since late 2017. The CSA also recently published CSA Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets*.

AI and ML

Commenters noted that while AI/ML was still in its infancy, once developed it would result in efficiencies for registrants and adoption rates would significantly grow. As a result, the BCSC is testing AI/ML applications to determine benefits and risks from its



use, and through the Sandbox is allowing a registered dealer to test an AI methodology for making suitability determinations without prior review by a registered representative.

International Collaboration

Commenters also noted that fintech firms often need scale to achieve viability, and felt that greater international regulatory co-operation is needed to realize the efficiencies of fintech business models. Understanding the importance of international regulatory cooperation, in January 2019 the BCSC joined the Global Financial Innovation Network (GFIN) as a founding member. GFIN is an international group of over 50 financial regulators and related organizations committed to supporting financial innovation in the interests of consumers. GFIN also has workstreams devoted to regulatory collaboration and facilitating cross-border testing. Earlier this month, GFIN published a *Lessons Learned* report on the first cohort of applicants to its cross-border testing sandbox; this report is available on BCSC's website.

As part of its collaborative work, the BCSC and several other Canadian securities regulators have entered into co-operation agreements with the U.K. Financial Conduct Authority, the Monetary Authority of Singapore, the Australian Securities and Investments Commission, the French Autorité des marchés financiers and Abu Dhabi Global Market Financial Services. These agreements allow the regulators to share information about fintech and to refer fintech businesses intending to operate in the other jurisdiction.

January 27, 2020

Peter J. Brady
Executive Director