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CONTACT: Media Relations  
613-782-8782

## Unlocking fintech's promise requires collaboration, says Senior Deputy Governor Wilkins

**CALGARY, ALBERTA**—Technological innovation in financial services could transform the financial system, Bank of Canada Senior Deputy Governor Carolyn Wilkins said today. But realizing the benefits of fintech, while guarding against the risks it could create, requires strong collaboration among actors in the financial system.

“By working together, we can unlock the full promise of fintech to ensure a smooth evolution to tomorrow’s financial system—safe, sound and serving the people who rely on it,” Senior Deputy Governor Wilkins said in a speech to Payments Canada in Calgary, Alberta.

Senior Deputy Governor Wilkins said she expects fintech to lead to an evolution across a broad range of financial services, rather than the revolution some predict. A combination of factors points to the potential for change: customers are more demanding, large non-financial players are entering the space and the inefficiency of some financial services is opening the door for competition. But, despite the hype, “incumbent financial institutions will adapt, new players will join the financial ecosystem and those with strong business models will survive,” she said.

“While fintech innovations promise to solve some current problems, they could also create new ones,” Senior Deputy Governor Wilkins noted. These include operational and financial risks, moral hazard and “too big to fail.” Authorities must assess these innovations in light of their impact on consumer protection, financial inclusion, market integrity, competition policy and financial stability. “Authorities should support innovation, but the bar will be high, especially for core financial services, and appropriately so,” she added.

The Bank of Canada’s priority is to see upgrades made to the core payment systems that the financial system relies on and that the Bank oversees. “Now is the time to make our core systems more efficient and competitive,” Senior Deputy Governor Wilkins said.

One area that is attracting attention is distributed ledger technology (DLT), the protocol that underpins Bitcoin. DLT may hold great potential, but important technical, governance and regulatory issues must be resolved before its benefits can be realized.

The Bank has an ambitious research agenda dedicated to fintech questions and has formed a partnership with Payments Canada, Canadian banks and R3, which leads a consortium of financial institutions, to conduct applied research into a DLT-based payment system. This experimental project will be an opportunity to deepen our understanding of the technology’s mechanics, limits, risks and possibilities, she said.