

OSC

INNOVATION
OFFICE

OSC TestLab 2022

RegTech Innovation in Action

Exploring RegTech Solutions for
Ontario's Capital Markets

EXPERIMENT.
LEARN.
IMPROVE.

 TESTLAB





ONTARIO
SECURITIES
COMMISSION

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As the regulatory body responsible for overseeing the capital markets in Ontario, the Ontario Securities Commission administers and enforces the provincial Securities Act and the provincial Commodity Futures Act, and administers certain provisions of the provincial Business Corporations Act. The OSC is a self-funded Crown corporation accountable to the Ontario Legislature through the Minister of Finance.

| | | | |
|---|-----------|---|-----------|
| A message from our CEO | 4 | 6. Insight: Competition in the RegTech ecosystem | 39 |
| A message from the OSC Innovation Office | 5 | Vantage Point: TestLab 2022 highlights | 42 |
| 1. Executive summary | 6 | RegTech can foster competition that benefits registrants and their clients | 42 |
| 2. Wayfinding: The TestLab 2022 journey | 10 | RegTech can reduce barriers to entry | 43 |
| 3. Pioneering: Meet the innovator | 16 | Access to reliable data presents an opportunity and challenge | 44 |
| Start-ups and SMEs | 18 | Outlook: Towards open finance | 45 |
| LockDocs Inc. | 18 | Vantage Point: Innovator perspectives | 46 |
| Mako Financial Technologies Inc. | 19 | | |
| Syntoniq Inc. | 20 | 7. The path ahead: Challenges for innovators, registrants, and regulators | 47 |
| PW Portfolio Analytics Inc. (Wealthscope) | 21 | Challenge 1: Collaboration with market participants | 49 |
| Multinational Enterprises | 22 | Challenge 2: Explainable and interpretable solutions | 50 |
| TMX Group Inc. | 22 | Challenge 3: Accessible regulation | 51 |
| Broadridge Investor Communications Corp. | 23 | Vantage Point: Innovator perspectives on challenges in the RegTech ecosystem | 52 |
| Morningstar Research Inc. | 24 | | |
| 4. Insight: RegTech reaches beyond compliance | 25 | 8. Reaching our destination and beyond | 53 |
| Vantage Point: TestLab 2022 highlights | 27 | Next Steps: Supporting the RegTech ecosystem | 54 |
| Problem statement #1: Making product information more accessible | 27 | Next Steps: Making regulation more accessible | 55 |
| Problem Statement #2: Improving information sharing and enhancing client interactions | 29 | Next steps: Building support for capital markets testing among market participants | 56 |
| Simple solutions can be impactful | 31 | Next steps: Shaping and sharing RegTech standards | 57 |
| Vantage Point: Innovator perspectives | 32 | | |
| 5. Insight: Empowering investors | 33 | Where we go from here: | |
| Vantage Point: TestLab 2022 highlights | 34 | OSC TestLab continues | 58 |
| RegTech can make risk assessments more engaging for investors | 34 | Eager to see where TestLab takes us next? | 59 |
| RegTech can support investor knowledge and decision-making | 36 | About this report and acknowledgements | 59 |
| Vantage Point: Innovator perspectives | 38 | | |



A message from our CEO

At the Ontario Securities Commission (OSC), we're committed to promoting innovation and propelling progress in our capital markets. This model relies upon strong engagement from all parties with an interest in building a diverse and resilient economy that attracts new ideas, talent, and capital from around the world.

OSC TestLab was created to be a collaborative program for capital markets testing that can benefit Ontario's businesses and investors.

TestLab represents a paradigm shift at the OSC. Historically, regulators have used a top-down approach to regulation. Today, we're modernizing our method by engaging with and learning from collaborative networks to determine what can be done better, together. We will do our part and take steps to address our learnings.

But we can't do it without your support and participation. Market participants, innovators, and investors all play an important role in helping our capital markets evolve, adapt, and innovate in ways that accelerate progress and contribute to our collective success. As our OSC team learned from this test, there are still challenges for us to overcome. Supporters of innovation must have an enthusiasm for trying new solutions, tolerance for risk taking, and an unshaking commitment to share data and learnings with those in the value

chain. That's why I am asking for your help in supporting this important initiative by participating in a future test. Whether you bring forward an innovative solution or become a testing partner, your participation is an essential part in the greater TestLab journey.

The time for change is now. Together, we can create more innovative, competitive, and prosperous capital markets for all Ontarians.

With gratitude,

Grant Vingoe

CEO, Ontario Securities Commission



A message from the OSC Innovation Office

Innovation is a key that unlocks unmatched opportunity. As the Office of Economic Growth and Innovation (the OSC Innovation Office), our vision is to be a catalyst for innovative regulation that strengthens Ontario's capital and innovation ecosystems and contributes to better outcomes for Ontario's investors.

That's why we're excited to share more about our newest program and the focus of this report: OSC TestLab – Canada's first group testing environment for capital markets. Embodying our proactive approach to regulation, TestLab is a forum for market participants and the OSC to explore new and better ways of doing things by enabling solutions that drive efficiency, quality, and opportunity in our capital markets to benefit Ontario's businesses and investors.

As we prepared to launch OSC TestLab, we sought feedback from stakeholders to help identify areas where testing could benefit our markets. We heard about opportunities for regulatory technology (RegTech) to make information more accessible and enhance interactions between registrants and their clients. Our inaugural test under the TestLab program (TestLab 2022) explored RegTech's potential to help registrants, investors, and regulators alike by improving the speed and ease of compliance functions, facilitating access

to information, and reducing human error and operation costs. This report discusses what we learned and identifies ways we can further support RegTech development and adoption.

Our goal is to champion beneficial and responsible innovation in our capital markets – but we can't do it alone. Your participation is essential. Thank you for embarking on your own RegTech exploration by engaging with this report. Your interest in innovation in our capital markets fuels our work, and we are deeply appreciative of your partnership and support.

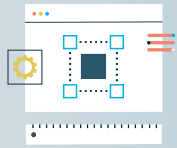
Pat Chaukos

Director, OSC Innovation Office

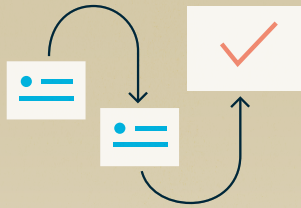
1

Executive summary





1 test



7 innovative
solutions
+
customized
testing plans



2

**problem
statements**

6 months
of testing



111 testers

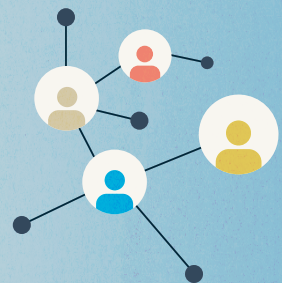


50 investment advisors
59 investors
2 compliance staff

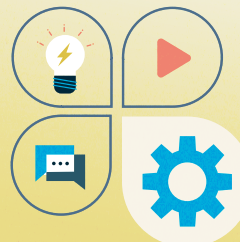


23
subject matter
experts from
across the OSC

19
networking
opportunities



100+
collaborative
meetings



14
feedback, learning,
and demo sessions

Executive summary

OSC TestLab is a group testing environment for capital market innovations, enabling market participants and the OSC to experiment, learn, and improve, *together*.

TestLab's inaugural test took place from June to December 2022 and explored the potential of RegTech to address challenges and opportunities in Ontario's capital markets in response to **two problem statements**:

- **1: making product information more accessible;** and
- **2: improving advisor-client interactions.**

LockDocs, Wealthscope, Mako Fintech, Syntoniq, TMX, Morningstar, and Broadridge each tested solutions with Ontario registrants and investors as part of TestLab 2022. The OSC Innovation Office observed testing and facilitated dialogue and collaboration among test participants and subject matter experts from across the OSC. Through this report, the Innovation Office is sharing what was learned about the potential for RegTech in Ontario's capital markets as part of TestLab2022.

Nothing in this report should be interpreted as an endorsement or recommendation for a particular solution or solution provider.

TestLab 2022 highlighted the significant and varied opportunities for RegTech solutions to support registrants and investors in Ontario's capital markets. From onboarding and risk assessments to product research and comparisons, the Innovation Office heard that RegTech has the potential to enhance client engagement and improve efficiency in key aspects of a registrant's operations.

Ongoing feedback from the testing process helped test participants improve their solutions and helped the OSC gain insight into the challenges and opportunities for RegTech innovation and adoption in Ontario's capital markets.

Key insights that emerged from TestLab 2022 were that:

- **RegTech can support registrants and their clients** through improved information sharing, more accessible product information, and better advisor-client communications.
- **RegTech can empower investors** through engaging risk assessments and knowledge building that contributes to more informed decision-making .
- **RegTech is about more than compliance**, as it can drive efficiency, quality, and variety in our capital markets.
- **RegTech adoption faces a range of challenges**, from development and testing hurdles to an evolving regulatory framework, requiring innovators to be agile in building solutions that support registrants with accurate, explainable, and interpretable results.

Reflecting and building on TestLab 2022, the OSC Innovation Office identified four ways to better support RegTech innovation, through:

- **Supporting the RegTech ecosystem** by expanding its RegTech network through regular meetings, events, and information sessions to enhance regulatory knowledge and facilitate collaboration within the industry.
- **Making regulation more accessible** by assessing opportunities for machine-readable regulation to support automation in developing and updating solutions to respond to regulatory change.
- **Building support for capital markets testing among market participants** by building a broad community of potential test partners to foster collaboration and enhance networks to help support future testing.
- **Shaping and sharing RegTech standards** by being an active contributor within domestic and global networks.

TestLab 2022 has ended, but the next OSC TestLab test is just getting started. With new themes in Ontario's evolving capital markets shaping each test, the next one will look quite different, but will have an important thing in common with TestLab 2022: striving to create more innovative, competitive, and prosperous capital markets for all Ontarians

2

Wayfinding: The TestLab 2022 journey



**Testing
Begins**

Wayfinding: The TestLab 2022 journey

We built OSC TestLab to provide a controlled environment for the OSC, capital market participants, and other innovators to experiment, learn, and improve together in a real-world testing environment.

When we embarked on our journey

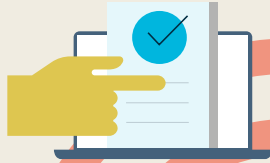
of designing TestLab, we were determined to focus our first test on an area that could have an immediate impact. We set our sights on RegTech and its potential to transform the way registrant firms, advisors, and investors approach and benefit from evolving regulatory requirements, including the recently implemented [Client Focused Reforms \(CFRs\)](#).

Why RegTech? It offers a unique opportunity to address regulatory change, simplify workflows, reduce friction, and improve outcomes for investors – but its adoption has been a gradual process. According to Thomson Reuters' [Fintech, RegTech and the Role of Compliance in 2022](#) special report, there has been a steady increase in the consideration of RegTech solutions to help manage compliance, with 49% of survey respondents considering it in 2022, up from 34% in 2021 and 21% in 2016.

To better understand RegTech's potential, we surveyed key stakeholders to hear their perspectives on its use. Specifically, we wanted to know how technology could help improve the advisor-client relationship and support better outcomes. Respondents revealed that registrants manually complete processes like the know-your-client (KYC), know-your-product (KYP), and suitability assessments — indicating a strong potential for RegTech to help. Registrants and investors alike shared insights into opportunities they saw for leveraging RegTech solutions to ease some of their current pain points.

We listened to...

128
registrants



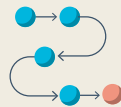
256
individual investors



**...and heard about
the potential
they saw
for innovative
solutions to ...**



Enhance information
sharing



Streamline processes



Cultivate more authentic
and efficient registrant-
client interactions



Achieve better outcomes

We heard our respondents and used their feedback to develop two distinct “problem statements” that we posed to RegTech innovators:



Problem Statement #1: Making product information more accessible:

How can technology or other innovative solutions help registrants more effectively share, collect, assess, and compare current product information and provide this information to their clients?



Problem Statement #2: Improving information sharing and enhancing client interactions:

How can technology or other innovative solutions help registrants collect and assess client information to better understand and respond to their clients' investment needs, and improve their communications with their clients?

We set out to find innovative solutions to our problem statements through an open call for applications. We were fortunate to receive diverse interest extending well beyond Ontario. In the end, we selected seven RegTech solution providers to be test participants based on the solution's responsiveness to the problem statements, the scope of the testing plan, readiness to test, and other factors. We then joined forces to experiment, learn, and improve together.

Here's the path the participant's journey followed, with testing spanning from spring to winter 2022:



3

Pioneering: Meet the innovators



Pioneering: Meet the innovators

The solutions explored during TestLab 2022 were as unique and varied as the innovators behind them. No matter their size, test participants all shared a similar goal: to **experiment, learn, and improve.**

Each test participant entered TestLab with their own unique solution. From wealth management to secure document storage, the range of solutions previewed the vast potential for leveraging RegTech in Ontario's capital markets.

By providing a real-world testing environment and welcoming feedback to make data-driven improvements, TestLab enabled test participants to enhance the impact of their solutions on users. Test participants also learned more about the OSC's regulatory framework

and unique challenges faced by registrants, making it easier for their solutions to hit the mark.

Test participants across various stages of business development unanimously agreed that their OSC TestLab experience encompassed the “ups and downs” of the development process – challenges, triumphs, and all.



Feedback is fuel:
With feedback in hand, several test participants enhanced their solutions by developing and adding features and functionalities that catered to the requirements of registrants.

Start-ups and SMEs

Emerging RegTech providers can inject fresh energy and innovative solutions into the market quickly, leveraging their smaller size to remain nimble and responsive to change. TestLab can help these RegTech innovators by providing a controlled environment for testing their new ideas and solutions, refining their products, improving their understanding of the regulatory framework they operate in, and ultimately, launching their products with greater confidence.

LockDocs Inc.

PROBLEM STATEMENT

#2: Enhancing advisor-client interactions

Profile

LockDocs is an identity-as-a-service platform that digitizes the customer experience, aiming to allow investors to securely enter their identity-related data once and reuse it across multiple financial institutions for onboarding, transacting, and maintaining compliance. LockDocs' customizable solution aims to save time, reduce administrative burden, improve compliance and cybersecurity, and deliver a seamless experience for advisors and their clients.

Partnering with an exempt market dealer, LockDocs created custom investor onboarding and subscription forms for its test partner to automate its client onboarding workflow. LockDocs' test assessed the effectiveness of its solution in collecting, tracking, managing, and processing personal information when completing investor forms. Through surveys and feedback, LockDocs gathered insights into the impact of its solution on efficiency, security, and compliance.

TestLab win

Test partners shared valuable insights with LockDocs, including practical suggestions for improving the solution's functionality, which LockDocs expects will further enhance the client experience and help registrants review forms for completeness faster and more effectively.



HEADQUARTERED
TORONTO



YEAR FOUNDED
2020



NO OF EMPLOYEES
<10



WEBSITE
[LOCKDOCS.COM](https://lockdocs.com)



We've been asked what the OSC thinks about what we're doing, so it's nice to be able to respond that, hey, the OSC is actually very open to innovation that benefits market participants and, in fact, we're actively working with them on testing our solution right now. It's exciting to be able to offer something novel in the marketplace.



Anne Marie Stetler
CEO and Co-Founder,
LockDocs

Mako Financial Technologies Inc.

PROBLEM STATEMENT

#2: Enhancing advisor-client interactions

Profile

Mako Fintech (Mako) designed an automated solution for refreshing client information for financial services firms. It aims to streamline KYC business processes and workflows, using customized algorithms and incorporating elements like e-signatures, identity verification, anti-money laundering (AML) validation, and connections to CRM, portfolio management, and recordkeeping systems.

Teaming up with a wealth management firm, Mako designed and delivered a customized digital KYC update process. Using an agile and collaborative approach to analyze current forms and processes, Mako created a tailored solution to meet the registrant's needs. During testing, clients received monthly reminders to update their KYC information alongside their account statements, with built-in survey questions at the end of the KYC update workflow. Mako conducted post-test surveys with advisors and clients for feedback on its solution.

TestLab win

Based on testing feedback, Mako enhanced its solution to notify advisors when clients changed certain categories of information themselves (such as risk tolerance) to help advisors engage their clients to discuss potential implications.



HEADQUARTERED
MONTREAL



YEAR FOUNDED
2018



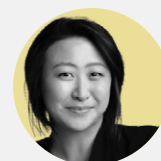
Nº OF EMPLOYEES
<50



WEBSITE
MAKOFINTECH.COM



It's important to have this participation from regulators as technologies enter the marketplace. Having the OSC lead TestLab is absolutely ground-breaking because the OSC won't just be seen as a regulator enforcing compliance, but also as fostering innovation that benefits registrants and investors. The outcomes of this important innovation initiative could really shape the ways Canadians invest in the not-so-distant future.



Sheila Chau
Vice President
of Solution
Engineering,
Mako Fintech

Syntoniq Inc.

PROBLEM STATEMENT

#2: Enhancing advisor-client interactions

Profile

Syntoniq is a behavioural tech company that developed Intelligo, a psychometric assessment solution that aims to help advisors and their clients gain an in-depth understanding of the behavioural levers that influence an investor's financial decision-making. The Intelligo assessment was developed based on research in psychology, behavioural science, and finance to measure cognitive and behavioural factors that directly influence how and why individuals make financial decisions. Upon completion, an analysis report addressing the investor's eight key behavioural and risk traits is generated and the investor's Financial Behavioural Personality type is identified.

Syntoniq tested this solution with advisors from a wealth management firm who used it to engage their clients in the risk assessment process. The advisors completed pre- and post-test surveys to track the solution's impact on their workflow and client engagement, as well as the client's response to the assessment results. Syntoniq also collected back-end system data to analyze the completion metrics and other quantitative data related to the advisors and clients.

TestLab win

Syntoniq had the unique opportunity to present its Intelligo solution to OSC subject matter experts and an OSC advisory committee to hear their thoughts as it considers broadening its solution to self-directed investors.



HEADQUARTERED
SEATTLE



YEAR FOUNDED
2017



Nº OF EMPLOYEES
<30



WEBSITE
SYNTONIQ.COM



I love that the OSC created an Innovation Office that actively does things to help better the investment community and investor outcomes, like OSC TestLab. It's a learning environment. Things go wrong. We make mistakes. We learn and we grow. That's the cool part. We're really excited to be part of it.



Brian Pasalich
CEO and Co-Founder,
Syntoniq

PW Portfolio Analytics Inc. (Wealthscope)

PROBLEM STATEMENT

#1: Making product information more accessible

Profile

Wealthscope joined TestLab for *Wealthscope for Advisors*, a suite of multi-dimensional portfolio analytics and financial planning tools that aim to help save advisors time and engage more effectively with their clients while also helping clients make more informed investment decisions. Key features include a portfolio scorecard that uses a familiar “A to F” letter grade rating, as well as side-by-side product comparisons, ESG analytics, portfolio builders, and financial planning tools.

As part of TestLab 2022, Wealthscope collected feedback from advisors and compliance staff at registered firms through focused discussions on effective KYP processes under CFRs, limitations and hurdles to adopting RegTech solutions, and Wealthscope’s portfolio scorecard and scenario analysis features.

TestLab win

Through TestLab, Wealthscope used feedback it received to improve its solution, including adding informational “dynamic context boxes” to explain specific insights from financial planning simulations, and a “replace” function so advisors can select a proxy investment product to substitute portfolio holdings that have been excluded from a portfolio analysis due to insufficient trading history. Wealthscope used additional feedback collected from TestLab to inform its roadmap for 2023.



HEADQUARTERED
TORONTO



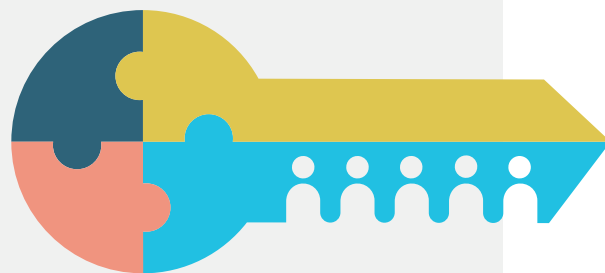
YEAR FOUNDED
2017



Nº OF EMPLOYEES
<10



WEBSITE
[**WEALTHSCOPE.CA**](https://www.wealthscope.ca)



Collaboration is key

Fostering an ecosystem of innovation, TestLab connected RegTech solution providers with each other, registrants, and subject matter experts.



In the product development cycle, it’s really important to get feedback from your target audience. I love that conversation with our users.



Armaan Zaffino
Product Manager,
Wealthscope

Multinational Enterprises

RegTech innovation is not limited to start-ups and SMEs; multinational enterprises also play a critical role in developing innovative capital market solutions. While they benefit from experience, expertise, and resources, they can face hurdles in navigating conflicting priorities and differences across domestic and international regulatory requirements. These factors can add complexity to development processes, making it difficult to quickly test and implement new technology to meet the needs of their global customer base. TestLab can help these firms by providing regulatory support for testing in Ontario, enabling them to obtain direct and actionable feedback on their solutions at an earlier stage. This support can help multinational enterprises scale faster and adapt their solutions to Ontario's capital markets.

TMX Group Inc.

PROBLEM STATEMENT

**#1: Making product information more accessible
and #2: Enhancing advisor-client interactions**

Profile

TMX Logicly is an investment research and portfolio analytics solution that seeks to automate the portfolio management process and streamline investment research for advisors and investors through benchmarking, comparison, and correlation features. TMX Logicly includes an AI-driven portfolio management feature designed to help registrants optimize client portfolios and monitor changes in real-time.

TMX tested with advisors and compliance staff from multiple registrants who used TMX Logicly to support their day-to-day KYP and KYC workflows, compliance tasks, and client interactions. TMX also recruited investors to test the solution for their own portfolio management purposes. Testing was conducted using pre- and post-test surveys, and system usage metrics were collected to assess registrant efficiency and experiences while using the solution.

TestLab win

With support from the OSC Innovation Office, TMX expanded its testing plan to include a risk tolerance and capacity questionnaire that provided insights on the potential to expand TMX Logicly's scope to be both a KYP and KYC solution.



HEADQUARTERED
TORONTO



YEAR FOUNDED
1861 (TSX) / 2008 (TMX)



Nº OF EMPLOYEES
1,500+



WEBSITE
[TMX.COM/ANALYTICS](https://tmx.com/analytics)



OSC TestLab helps us in three ways. One is helping us to understand market priorities. Secondly, gaining feedback and a comprehensive view of the industry. Lastly, it helps get the word out there. It's an innovative offering that we're excited to be a part of.



Daniel Mirsaeid
Sr. Product Manager,
Data & Analytics,
TMX Datalinx

Broadridge Investor Communications Corp.

PROBLEM STATEMENT

#1: Making product information more accessible

Profile

Broadridge joined OSC TestLab to test a new feature in its *Smart Advisor* platform, designed to provide advisors with objective and consistent investment comparisons on a wide range of investment funds, equities, and ETFs. This enhancement in the Smart Advisor platform aims to highlight the information most sought-after by investors for decision-making purposes in a user-friendly format.

Broadridge recruited advisors from three registered firms to test a demo version of its solution. Test partners provided feedback on the product information sharing and investment comparison capabilities, and how the solution could support client communications. Testing included post-test discussion panels.

TestLab win

Broadridge adopted an agile process to fast-track solution development to align with TestLab 2022, moving away from its standard development process, providing new insights into how it can accelerate development and testing for new features for existing solutions.

Partners in progress: Our first event, OSC TestLab Talks, connected 50+ stakeholders to collaborate on how we can create a more dynamic regulatory environment to support innovation in our capital markets while maintaining essential pillars of investor protection and regulatory oversight.



HEADQUARTERED
NEW YORK + MARKHAM
(CDN OPS)



YEAR FOUNDED
1962



Nº OF EMPLOYEES
14,000+



WEBSITE
[BROADRIDGE.COM/CA](https://www.broadridge.com/ca)



Being in OSC TestLab really sharpened our thinking, taking us to a great solution, smarter and faster. It was extremely helpful to have real-time feedback from the OSC as we tested and developed our solution. This program enhanced the development of innovative solutions which ultimately leads to better outcomes for Ontario's capital markets.



Martha Moen
General Manager,
Investor Communication
Solutions, Broadridge

Morningstar Research Inc.

PROBLEM STATEMENT

#2: Enhancing advisor-client interactions

Profile

Morningstar developed the *Morningstar Risk Ecosystem* as a methodology that aims to support investment recommendations by assessing a client's risk tolerance and capacity (KYC) and aligning it with portfolio risk (KYP), on a single measurement scale. The solution uses those results to calculate a total risk comfort range and provide suggestions for client investment portfolios, using a firm's approved product shelf to aid advisors in making a suitable recommendation.

Morningstar tested its prototype solution with advisors through a guided workflow in a simulated web-based testing platform. The goal of testing was to understand the effectiveness of the Morningstar Risk Ecosystem in meeting regulatory requirements and helping advisors communicate more effectively with clients. Morningstar collected feedback from advisors through post-test surveys and interviews, gathering views on potential of the solution to enhance workflows, suitability determinations, and communications with clients.

TestLab win

Morningstar used unmoderated user acceptance testing as the main technique for the purposes of OSC TestLab. Through this experience, the firm gained insights into how to better incentivize solution feedback from registrants going forward and gleaned valuable feedback on the tested solution set.



HEADQUARTERED
CHICAGO + TORONTO
(CDN OPS)



YEAR FOUNDED
1984



Nº OF EMPLOYEES
8,500+



WEBSITE
MORNINGSTAR.COM



Testing is what turns a great concept or methodology into a scalable and usable product that can be adopted en-mass. That said, the intricacies of the Canadian market often require a detailed look especially when adapting products from our southernly neighbours. To this end, we're thrilled to have Canadian advisors testing our solution and giving us feedback to improve. It's spectacular that the OSC's TestLab has been supportive of this endeavour, and we look forward to further collaborations.



Ian Tam
Director of Investment
Research, Canada,
Morningstar

4

Insight: RegTech reaches beyond compliance



Insight: RegTech reaches beyond compliance

The Innovation Office saw a unique opportunity for TestLab’s inaugural test to explore how technology could support registered firms in achieving their operational priorities while satisfying their regulatory obligations.

While the OSC does not regulate RegTech, we recognize the benefits that it can provide to registrants, investors, and Ontario’s capital markets more broadly.

This is especially true where RegTech innovators respond to changes in Ontario’s regulatory framework such as the CFRs under [National Instrument 31-103 – Registration Requirements and Exemptions \(NI 31-103\)](#). CFRs aim to deliver stronger protection for retail investors through expanded registrant KYC and KYP obligations that better align registrant and client interests, improve overall outcomes for investors, and enhance registrant-client communication. These regulatory changes are rooted in the fundamental concept that clients’ interests are paramount when it comes to their dealings with registrants. TestLab 2022 explored how RegTech solutions could help registrants fulfill these obligations.

All seven test participants developed solutions that support aspects of the regulatory requirements in NI 31-103. While testing

had its ups and downs, with results limited by the duration of testing and the number of advisors participating, test participants turned these challenges into opportunities.

We saw firsthand how test participants respond to evolving regulations, investment trends, and economic conditions and incorporate feedback from their testing partners into their development process. A testing environment like TestLab 2022 can provide meaningful insights and highlight challenges into the ways that advisors think RegTech can support them and their clients. As well, some of our OSC colleagues saw opportunities for these RegTech solutions to modernize our own work and are exploring how we can leverage these solutions for our own regulatory operations.

TestLab 2022 demonstrated that RegTech solutions can support regulatory workflows, are agile in their responses to regulatory change, and can be both simple and impactful.

RegTech innovators develop solutions that aim to help registrants meet their regulatory obligations, and, in some cases, design or modify solutions to help registrants adapt to regulatory changes and requirements more effectively and efficiently.

Vantage Point: TestLab 2022 highlights



Problem statement #1: Making product information more accessible

Canada's securities regulatory framework requires that registrants know the investment products they offer and recommend to their clients.

Registrants must understand a product's structure, features, risks, initial and ongoing costs, and the impact of those costs to be able to determine suitability. Once an advisor has determined suitability of an investment product for a client and included it in their portfolio, the advisor must monitor for and assess significant changes that could impact their client's suitability determination.

As both the number and complexity of investment products have increased, we have heard from registrants that it can

be challenging to identify, understand, and compare products, as well as to continuously monitor and manage diverse portfolios. Many of the registrants who responded to our outreach survey indicated that they only use manual processes for this work, suggesting an opportunity for RegTech to support registrants' KYP processes and potentially expand their product offerings to allow for better tailoring of client portfolios.

The first TestLab 2022 problem statement asked how innovative technology solutions can help registrants more effectively collect, assess, and compare current product information and share this information with their clients.

Test partners saw the potential for RegTech to improve their workflows. Among other feedback, we heard that:

- Product information and comparison tools can improve portfolio management, from monitoring and understanding portfolio fluctuations to assessing recommendations and supporting suitability reviews; and
- Automation and integration of product platforms with client information, onboarding, trading, or reporting systems can reduce friction in an advisor's daily workflows.

Test partners also saw the potential for RegTech to help them share information and explain their recommendations to clients. We also heard that:

- Tools that highlight product information in a straightforward manner, including through customized reports, can improve communications between advisors and their clients;
- Product information tools that incorporate additional data points (i.e., comparable securities, performance benchmarks, advanced risk metrics) and solutions that create highly customized reports can help advisors explain their recommendations to clients; and
- Solutions that include clear, simple, and intuitive visualizations for portfolio performance and benchmarking make the underlying data easier for advisors to understand and explain to their clients.



Problem Statement #2: Improving information sharing and enhancing client interaction

Registered firms and advisors collect and document crucial information about their clients' personal and financial circumstances to make suitability determinations and investment recommendations.

As part of the KYC process, registrants must make reasonable efforts to know and understand their clients and update their information regularly to meet regulatory obligations. RegTech solutions can provide effective and efficient methods to gather and maintain this crucial client information.

Our outreach survey responses indicated that the majority of registered firms rely on manual KYC processes, again suggesting an opportunity for RegTech to support registrants' processes.

The second TestLab 2022 problem statement asked how innovative technology solutions can help registrants collect and assess client information to better understand and respond to their investment needs and improve communication.

Test partners saw the potential for RegTech solutions to reduce friction and support more efficient and effective processes. Among other feedback, we heard that:

- Digital solutions can be more convenient and preferable to manual processes, as they can improve the speed and accuracy of onboarding and client information refreshes, potentially reducing the need for manual follow-up with clients;
- Centralizing records can save time by making documents more accessible;
- Automation can save time and effort, contributing to more effective workflows; and
- Enabling clients to easily update their own information in a secure system was a positive experience for both clients and advisors, with some test participants noting that it is important for both clients and advisors to be aware of these updates and to remain mindful of the potential impacts on product suitability determinations.

Test partners also saw the potential for RegTech to enhance communications between advisors and their clients. We also heard that:

- RegTech solutions can improve client engagement and increase “buy-in” from clients during the information gathering and risk profiling process when using novel approaches to facilitate client discussions;
- Solutions that help clients understand their own biases and preferences can improve risk tolerance discussions and generate new insights about a client’s risk preference; and
- Tools that help align client risk tolerance and portfolio risk can help advisors recommend suitable portfolios for their clients.

Simple solutions can be impactful

Beyond our observations on the specific problem statements, TestLab 2022 inspired us to think more deeply about innovation and technological adoption in capital markets. There can be a tendency to assume that progress can only come from revolutionary technologies that involve deep, wholesale change – but our first test showed us that simple solutions can have an oversized impact when they reduce friction for registrants and their clients.

We often hear about the manual effort involved in gathering KYC information and keeping it current. For RegTech solutions addressing pain points that arise when clients must complete and submit forms to a registrant, completion tracking and “blank field” checks result in real efficiencies by simply automating the work they are already doing.

We saw support for the theory that automation minimizes errors, for instance, when completing forms by pre-populating fields and showing a client their prior responses as a comparison, when available. We also saw positive feedback for solutions that allow advisors to group related accounts for aggregated review and management. Multiple advisors found these simple and intuitive features to be highly beneficial.

Similarly, one test participant recently added a calendar app integration to its solution to allow clients to check their advisor’s availability and send meeting requests. This simple value-add feature was created in response to advisor feedback, helping to streamline the client management process by reducing back-and-forth emails and calls to schedule meetings.





Vantage Point: Innovator perspectives

From the TestLab participants' perspective, we heard that “the magic happens” when their RegTech solution not only meets regulatory compliance needs but also creates synergies for advisors through features that enhance information sharing, improve the advisor-client relationship, and offer benefits to clients beyond compliance with regulatory requirements.

We heard from multiple test participants that the development and adoption of RegTech solutions is no longer solely focused on delivering functional capabilities. Rather, the real benefit of these solutions lies in their ability to seamlessly integrate with other systems. There is an increasing demand for “interoperability” across diverse client, portfolio, trading, and marketing platforms – a concept frequently referenced by RegTech solution providers.

5

Insight: Empowering investors



Insight: Empowering investors

The [International Organization of Securities Commissions \(IOSCO\)](#) sees the potential for the broader use of innovative financial technology solutions to improve outcomes for investors by “**expanding choice and lowering prices, fees and commissions, reducing transaction costs, improving transparency in products and markets, and increasing financial inclusion.**”

Through TestLab 2022, the OSC Innovation Office explored the potential for RegTech solutions to empower and educate investors by equipping them with tools to assess their risk

tolerance and capacity, as well as by making portfolio and investment product information available in a user-friendly format.



Vantage Point: TestLab 2022 highlights

RegTech can make risk assessments more engaging for investors

Through TestLab 2022, we heard that investors may lack a clear understanding of their own risk tolerance and capacity, and struggle to conceptualize the potential future impacts of taking on riskier positions.

As a result, when these risks materialize, investors may react emotionally, potentially disrupting their investment strategy. By promoting the use of interactive solutions that encourage investors to actively assess their own risk appetite, both investors and advisors may achieve better alignment. This approach can also provide advisors with a more holistic and

accurate understanding of their clients’ risk capacity and tolerance, leading to improved suitability determinations and personalized investment recommendations.

Some test participants trialed risk profiling techniques that incorporated behavioural science, psychometrics, and other questionnaire methodologies. Each of these methods offer a unique approach to looking at aspects of the attitudes, biases, goals, and financial capacity that impact a client’s risk profile.

Testing showed that using these tools to assist in risk profiling can support advisors, through:

- Creating a common foundation for the advisor and their client during a comprehensive risk assessment;
- Improving an advisor's risk assessment workflow by covering topics they may not have otherwise addressed;
- Encouraging more in-depth conversations with clients to enhance an advisor's overall understanding of their risk tolerance and capacity;
- Creating visualizations that make it easier to understand a client's risk tolerance and recommend a suitable portfolio; and
- Providing shareable risk profile results that can support discussions with clients about portfolio recommendations.

Testing also reaffirmed the importance of involving clients in the risk profiling assessment as a key step towards developing appropriate and suitable portfolios. In a few cases where a client's risk results did not fully match their self-perception, the discrepancy provided an opportunity for advisors and clients to discuss the results as part of a comprehensive risk assessment for the client.

Separately, at least one test participant sees an opportunity for self-directed investors to conduct risk profile self-assessments. It was estimated by FAIR Canada in December 2022 that 20% of investors do not use an advisor, and those investors may not have a good sense of their own perceptions of and tolerance for risk when managing their portfolio. Gaining a better understanding of their own financial perspectives and investment approach could help self-directed investors better align their investments with their financial objectives, time horizon, and risk appetite.



RegTech can support investor knowledge and decision-making

Stakeholders have shared with us that there is room to improve client investment knowledge through enhancements and supports for investors and their advisors.

A recent [OSC Investor Office report](#) found that while Canadian investors are among the most financially literate in the world, knowledge gaps still persist. The report found that investors correctly answered only half of the investment and financial literacy questions, while approximately 30% of them overestimated their financial knowledge. An even wider knowledge gap was noted in the December 2022 FAIR Canada Investor Survey, which found that 13% of investors “reported not knowing what types of investments they currently held,” suggesting that those investors lack basic knowledge of their own portfolios.

Some test participants developed their RegTech solutions to support advisors in presenting their clients with clear and effective information on investment recommendations, portfolio changes, or securities and product comparisons. When clients are better informed about their portfolios and investment options, they have better discussions with their advisors and can make better investment decisions that are reflective of their risk tolerances and preferences.

During TestLab 2022, we saw that RegTech solutions can support investors by providing them with product and market information in a clear and comprehensible way to support their financial decision-making. The most used features of a KYP solution for investors illustrated investment product information like performance, risk, cost, income or ESG ratings, as well as securities comparison tools. Advisors expressed that investment reports designed for retail investors could complement their onboarding and suitability review processes, as these reports highlight essential product information in a clear and easy-to-understand format. Additionally, advisors found data visualizations and customizable reports to be useful tools for sharing information with clients to help them build their investment knowledge.

We also learned that some RegTech solutions are available directly to investors. For instance, two test participants offer an investment and portfolio management solution to self-directed investors. [Given recent trends](#) towards self-directed investing in younger demographics, providing access and education for self-directed investors could help reduce knowledge gaps and support more informed investment decisions.



Vantage Point: Innovator perspectives

We heard from test participants about how they see their RegTech solutions impacting the investor experience.

One test participant commented that a mutually beneficial and meaningful client-advisor relationship relies on redefining engagement between the two and aligning their interests. Ideal solutions are those that empower investors to understand their own behaviour and decision-making processes and enable advisors to adopt a client-focused mindset. In their view, by promoting client engagement through the solution, the advisors can better attract and retain clients.

Another test participant is focused on shifting investor attitudes around impact (ESG) investing by building solutions that help advisors discover, record, and respond to their clients' sustainable investing preferences. The participant considers this approach to be a potential "game changer" as it allows advisors to build sustainable investing preferences directly into the client onboarding and suitability process. From their perspective, empowering investors to share their ESG preferences with their advisor can encourage better conversations with clients in an area of investing that is taking on greater importance for investors.

6

Insight: Competition in the RegTech ecosystem



Insight: Competition in the RegTech ecosystem

The OSC's mandate was recently expanded to include fostering “fair, efficient, and competitive capital markets.” As the OSC Innovation Office, we recognize the role of innovation as a powerful driver of competition and consumer choice, and the critical role it will play in Ontario's long-term growth. According to Canada's Competition Bureau, “competition drives our economy, helps Canada realize its full economic potential, and benefits consumers.”

Through TestLab, we saw how RegTech can drive growth and competition for registrants, while also creating new opportunities for RegTech firms.

We asked test participants for their perspectives on the competitive landscape for their firms and customers. We heard that smart competition is critical for their success. This includes strategic partnerships and collaborations with competitors to serve market demands where it makes sense, rising to the challenge of differentiating solutions in increasingly saturated markets, and, at times, choosing not to compete for certain business if the economic and operational realities do not align with their goals.

Test participants also shared their challenges in marketing solutions that may not always be seen as revenue generating, even though they can enhance efficiency and add value to the advisor-client relationship, a win-win for registrants and their clients. We also heard about the importance of being able to access reliable data, which poses both challenges and opportunities for RegTech providers.





Vantage Point: TestLab 2022 highlights

RegTech can foster competition that benefits registrants and their clients

Our outreach survey showed us that investors want to see improvements in the end-to-end investment experience, from better access to product and portfolio information to reducing friction in account administration tasks like onboarding, communications, and fund transfers. At the same time, the survey indicated that the number one registrant priority is client acquisition and retention. This appears to present an opportunity for registered firms and advisors to consider how RegTech solutions can help them effectively engage the clients they seek to attract and retain.

Registrants know their own business needs best and can focus their RegTech adoption efforts where they will be the most impactful. When selecting test participants, we noted that multiple RegTech solution providers developed solutions that addressed the same market needs, sometimes in similar or very different ways. Registrants can choose between available solutions by coverage and features, cost, interoperability with their existing internal systems, and other factors to ultimately select the best solution for their needs.

For instance, client onboarding and KYC solutions may offer comparable features and seek to solve similar registrant pain points in a customizable, easy-to-use manner that engages clients in the KYC

process, distinguishing themselves from competitors that still rely on manual or time-intensive methods.

Opportunities may also exist for services and platforms to offer RegTech solutions for educational purposes to self-directed investors. Integrating investor-focused solutions through Application Programming Interfaces (APIs) could support self-directed investors by giving them direct access to market information, securities analytics, and portfolio creation and monitoring tools. At least one test participant has partnered with online brokerages to offer educational and planning supports to investors. Investors could use those tools to design and efficiently maintain investment portfolios that are better aligned with their objectives.



RegTech can reduce barriers to entry

We heard from multiple test participants that newer entrants and registrants with more adaptable systems may be better positioned to take advantage of cutting-edge solutions that meet the evolving needs of the firm and their growing client base, as they are less likely to have interoperability requirements for their own systems to integrate with new solutions.

Finding and implementing innovative RegTech solutions is clear goal for Gillian Kunza, the CEO of Designed Wealth Management (DWM), a securities dealer founded in 2021. Kunza told us how DWM's experience as a test partner in TestLab aligned well with its technology-forward stance: "In today's world, we have to be prepared to accommodate multiple perspectives with speed and accuracy. RegTech, in our experience with TestLab, considers and incorporates the perspectives of clients, advisors, head offices, back offices, regulators, and technology partners. Adopting new technology enables us to consider multiple perspectives early and helps to avoid miscommunications and administrative work down the line in a major way."

The adoption of RegTech solutions also has the potential to reduce barriers to entry for new registrants by making compliance with KYC and KYP regulations, a core operational requirement, more affordable and less burdensome. New registrants implementing RegTech solutions into their workflow could benefit by setting up their processes and procedures more quickly and efficiently.



Test participants shared their views on how RegTech solutions could aid registrants in their client acquisition efforts to support their growth as a new firm. One test participant noted that they have seen their solution successfully used for client prospecting and acquisition as it helps advisors to quickly forge an understanding of the client. Similarly, another test participant pointed out that their solution can reduce administrative pain points by making it easier to switch to a newer registrant in search of better services or fees.

Access to reliable data presents an opportunity and challenge

Ontario's capital markets produce a plethora of data: market and trading data, financial and other continuous disclosure documents, and current news and media reports. Registrants increasingly want innovative solutions that enable them to ingest, track, and analyze investment data continuously, while also supporting them in meeting KYP-related regulatory requirements. However, many technology firms rely on multiple external market and trading data feeds to ensure a robust foundation for their solution. We heard from some of the test participants that obtaining quality data coverage can be one of the biggest pain points due to the high costs of available sources, but that obtaining comprehensive data can also be a major differentiator from their competitors.

The reliability and integrity of external data sources is crucial to developing effective RegTech solutions for market participants. Where data conflicts, or is simply not available, solution providers need to ensure that registrants and investors using the solution for decision-making understand data coverage and gaps.

Firms with a long-standing presence in the market may be better able to leverage existing data, or relationships with data providers, to access and use that data. However, new market entrants may not have those same industry connections or lack the financial resources to purchase data. RegTech innovators have addressed this challenge in different ways. One of the test participants informed us that there was no single, reliable, commercially available data set for ETF and mutual fund data. As a result, they purchase data from multiple providers and use a complex rule-based system for determining the correct data source and presenting that information to their clients.



Outlook: *Towards Open Finance*

Discover the initiatives building momentum for open finance and unlocking new opportunities for Ontario's businesses and investors.

RegTech uses and relies on data to deliver impactful solutions to registrants, but the data they currently have access to can be limited. The OSC is just one of the many organizations from industry and government that are working to change this in the future, with the goal of supporting RegTech and other technology firms and creating more opportunities for innovation.

Data portability gives individuals more control over their own personal information and reduces the friction when sharing data between organizations, while protecting the privacy of the data. We saw at least one of our test participants incorporating data portability into their solution by supporting frictionless data sharing among their customers. Data portability has not yet been formalized in Canada, though it is included in the proposed [Bill C-27: Digital Charter Implementation Act, 2022](#).

Open banking as a concept incorporates the idea of data portability by empowering individuals to share their banking data with chosen third parties. The Government of Canada is currently considering implementation of an [Open Banking Framework](#). Open banking can give consumers access to a wide range of competitive financial products, real-time access to all of their banking information in one place, and increased personalization to address an individual's unique financial needs.

Building on open banking and data portability initiatives within private and proprietary networks leads us to open finance, a system where individuals and companies can freely share their personal information between and among financial institutions and third-party service providers. The growth of open finance may unlock new avenues for RegTech and other technology providers to build solutions that offer personalized experiences, offer intelligent data insights, and support holistic financial experiences.

Open data, a distinct but related concept, also has the potential to create new opportunities. Through the systematic publication of data in a structured and useable format by governments, open data allows access and use of data for new applications and holistic, cross-industry services, and is anticipated to foster innovation and competition. Technology solution providers can use open data to build and tailor their solutions in any multitude of ways and offer seamless convenience to end users.

In support of open data efforts, the Government of Ontario established the [Digital and Data Directive](#) in 2021, which requires ministries and provincial agencies to publish their datasets in an open format, subject to certain conditions. The [OSC shares datasets online](#) and continues to consider new ways to facilitate open data.



Vantage Point: Innovator perspectives

We've heard insights on how firms of all sizes, from start-ups to multinationals, navigate the competitive landscape and maintain their competitive edge. One common thread was a drive to provide unique, value-added services. RegTech innovators seek to differentiate their offerings on concept, price, target market, data coverage, underlying technology, system interoperability, or other features. Some build and rely on strategic partnerships, even with competitors, to offer customers seamless and integrated solutions.

One of the start-ups that participated in TestLab emphasized that competition spurs innovative thinking and development, compelling them to continuously improve their solution. We also noted that some test participants are carefully assessing their competitive landscape to identify market opportunities to develop new solutions. For example, when a competing RegTech provider introduces novel features, it motivates others to address the same need or trend. We saw the unique ways that test participants' solutions were developed to address investment trends, such as ESG-focused products and the growing popularity of crypto assets.

Interestingly, another test participant pointed to the competitive landscape for registrants as an opportunity for RegTech innovators to distinguish and differentiate themselves. In their view, registrants and advisors now have access to the same or similar products and investment strategies, so they aim to provide registrants with value-added services that cater to the client experience in ways that their competitors can't.

7

The path ahead: Challenges for innovators, registrants, and regulators



The path ahead: Challenges for innovators, registrants, and regulators

Our learnings in TestLab 2022 underscored the importance of an ecosystem approach to promote RegTech innovation and increase adoption of beneficial RegTech solutions.

Solution providers, regulators, and capital market participants all play critical roles in shaping the future of the RegTech innovation ecosystem. The OSC's mandate is to protect investors from unfair, improper, or fraudulent practices, to foster fair and efficient capital markets and confidence in capital markets, and to contribute to the stability of the financial system and the reduction of systemic risk.

To drive innovation and improve outcomes for all stakeholders, it is important that we understand the unique motivations, responsibilities, and challenges of each group. In doing so, we can work towards more productive, efficient, and robust capital markets for all.

In TestLab 2022, we observed barriers to adoption and development difficulties that RegTech innovators of all sizes often face, including challenges building collaborative relationships with registrants, monitoring regulatory changes, and ensuring that registrants understand their solutions.

Despite being a short-term testing environment, TestLab 2022 offered us insights into the real-world challenges in the RegTech space.



Challenge 1: Collaboration with market participants

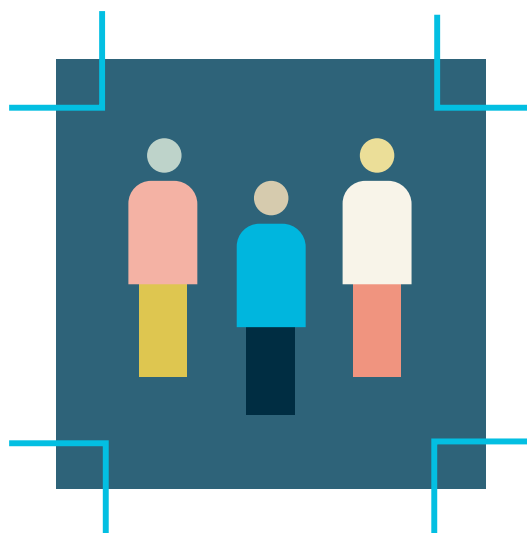
RegTech solution providers face a complex and fragmented environment with a variety of stakeholders - regulators, registrants, and investors - all of whom have different goals and points of view. Our conversations with test participants highlighted the need for consistent collaboration between regulators, RegTech solution providers, and capital markets participants during the RegTech design and development process. This includes market research, user testing, and community building efforts to design efficient and responsive solutions that meet registrants' needs.

Most of the test participants experienced issues in testing and data collection due to frictions at the test partner level, and those experiences echoed the normal development hurdles experienced by these firms. Low engagement from registrants for testing impacted the testing process and limited the scope of the data collected. These challenges faced during TestLab 2022 were not based on size or stage of the firm and varied across test participants.

Two test participants had registered firms confirmed as test partners that both backed out prior to testing. Other test participants simply had fewer advisors complete the testing process, or sharing feedback, than expected based on initial commitments.

Moving beyond TestLab 2022, active engagement and collaboration between RegTech solution providers and registrants is essential to support a stakeholder-led development process that delivers solutions that help Ontario's registrants benefit from new technologies and meet the evolving needs of their clients.

Learn how we're supporting the RegTech ecosystem and building support for capital markets testing.



Challenge 2: Explainable and interpretable solutions

In TestLab 2022, we saw that RegTech solutions can range in complexity from simple automation to artificial intelligence, have data inputs ranging from a single client to multiple overlapping external data providers, or be backed by a RegTech solution provider's industry expertise right through to peer-reviewed academic studies.

As technology solutions become more sophisticated and comprehensive, registrants need to understand how RegTech solutions are producing actionable outputs, especially in subjective areas typically determined by registrant expertise and experience, such as suitability and investment recommendations. A registrant's understanding of how and how well a RegTech solution may aid the fulfillment of their regulatory requirements is key, but the variety across RegTech solution providers, and the complexity of the underlying technologies, means that registrants must make a concerted effort to understand any given solution that they intend to implement and rely on. The challenge is for RegTech solution providers to explain their solutions in such a way to make this process simple and smooth for registrants.

During TestLab 2022, we saw that there was no standard method used to share this information with registrants:

- All of the test participants conduct live demonstrations or offer temporary accounts that provide registrants with a real-world view and experience with the solution.
- Four test participants share comprehensive technical documentation detailing how their solution's technology works or how its methodology is backed by science or leading practices.
- Two test participants offer user- support guides and how-to materials, such as informational pop-ups outlining the meaning of terms or the basis for a calculated data point, to dedicated sections with informational articles relevant to the solution.

At the same time, the Innovation Office heard from multiple test participants that different interpretations of regulatory requirements across registrants can also make it difficult to confirm for a registrant that a solution meets its specific needs. [Here's how we're playing our part.](#)

It is important for RegTech solution providers to be transparent by making solutions explainable and interpretable in order to create trust in their solutions. They need to offer plain and clear explanations so that registrants fully understand a solution's capabilities and limitations, including around data sources, methodology, biases, privacy, cybersecurity, and beyond.

Challenge 3: Accessible regulation

The common goal of RegTech solution providers is to help their customers operate in regulated sectors. The issue then lies in the development of RegTech solutions that are reliably responsive to the regulatory framework in the local jurisdiction of its customers. As a result, RegTech solution providers need to both know the world of the regulations, but also the context and varied interpretation of those regulations, and then monitor for regulatory changes that may impact the solution and the firm's customers. These challenges are amplified when a firm operates internationally or wants to offer its RegTech solution in multiple jurisdictions.

During TestLab 2022, we noted that some test participants had trouble finding and interpreting rules or guidance in ways that impacted their solutions. We worked with the test participants on how to finetune their respective solutions, such as reviewing a newly developed solution feature, providing regulatory reference materials, or arranging

informal discussions with OSC subject matter experts relevant to the solution. For instance, during TestLab 2022 one test participant beta tested a new KYC feature for their solution and sought feedback from the OSC Innovation Office on the content in the feature. We worked with the test participant to review certain requirements under [NI 31-103](#), and provided the firm with practical suggestions which were used to support further development of the solution.

While we supported test participants in building regulatory knowledge by directing them to relevant current guidance and regulations, the challenge remains outside of TestLab. To support innovation, regulators should consider how we can make current regulations easier to access – and we invite you to [join the conversation](#).





Vantage Point: Innovator perspectives on challenges in the RegTech ecosystem

We've heard insights from test participants about the challenges they face, including the need for more engagement and communication between RegTech firms, registrants, and regulators, the difficulties of building sufficient regulatory knowledge to develop responsive RegTech solutions, and the hurdle they face in ensuring registrants can understand their solutions enough to adopt them.

Multiple test participants shared that they have seen a noticeable mindset shift in the RegTech space recently – they are partnering with each other more than ever before, realizing that they can't offer all the tools needed by industry. We have heard that collaboration benefits everyone involved, from partnering firms to registrants and clients, but the collaboration required for better innovation and RegTech solutions goes beyond partnerships between RegTech firms and includes regulators, such as the OSC, and capital markets participants themselves. We also heard from multiple test participants that regulators' efforts should focus on regulatory information sharing and promoting collaboration across the innovation ecosystem.

Several test participants suggested that regulators could help RegTech by making our regulatory framework easier to understand and navigate, which would greatly help the industry. One test participant, a multinational RegTech solution provider, sees keeping up with regulatory developments as crucial – but it struggles to automate and integrate regular updates from regulators with its solution.

Improving the overall understanding and increasing engagement among all members of the RegTech ecosystem would benefit all stakeholders and contribute to the overall success of Ontario's capital markets.

8

**Reaching our destination
and beyond**



IMPROVE

LEARN



EXPERIMENT

Reaching our destination and beyond

While TestLab 2022 is complete, our support for RegTech innovation and adoption in Ontario's capital markets does not stop here.

During TestLab 2022, several key learnings emerged that will guide the OSC Innovation Office's future support and involvement in the RegTech space. But we are not alone on this journey – market participants also have a significant role to play in ensuring that Ontario can reap the benefits of RegTech innovation.

Having gained valuable insights, our next step is to turn these learnings into action. By promoting greater collaboration among innovators, regulators, and market participants, we believe we can chart a path forward toward more efficient, responsive, and innovative capital markets in Ontario.

Next Steps: Supporting the RegTech ecosystem

During TestLab 2022, we held numerous meetings with test participants, where we were able to share insights, build a continuous dialogue, and develop strong relationships. We organized the first OSC TestLab Talks event, which brought together regulatory experts, solution providers, and Innovation Office stakeholders for a half day at the MaRS Discovery District to discuss the current regulatory environment and opportunities for RegTech innovation. We also arranged monthly informal coffee chats between test participants so they could connect to share perspectives, learnings, and advice.

All seven test participants expressed gratitude for these unique opportunities to meet and discuss their solutions with other ecosystem stakeholders and connect directly with OSC team members.

We aim to continue community building beyond TestLab 2022. To this end, in the near term we will plan and host periodic RegTech information sessions where multiple stakeholders in the innovation community can come together, meet the Innovation Office team, learn about our program offerings and ongoing work, and get pointers to helpful regulatory resources.

Next Steps: Making regulation more accessible

We have heard from stakeholders that locating and navigating regulation such as National Instruments and Companion Policies, currently published in PDF format, can be difficult. This sentiment was expanded on by one test participant who stated that we should make our securities regulation machine-readable to make them more accessible and easier for computers to decipher. RegTech firms would be one of the many beneficiaries of machine-readable regulation, as we understand that this format will support automation in developing and updating solutions when necessitated by regulatory change.

We are closely following the [machine-readable rulebook initiative](#) of the US-based Financial Industry Regulatory Authority (FINRA), which has focused on implementing machine readable rules for its 40 most frequently viewed rules. As an investment industry self regulatory organization, FINRA's initiative is designed to enhance firms' compliance efforts, reduce costs, and aid in risk management. It is a leading example for machine-readability of securities regulation that we can learn from and consider for future OSC efforts to implement machine-readable rules.

Visit [OSC IdeaHub Beta](#) to join the conversation. Share your ideas and let us know:

Would machine-readable securities regulation (including securities laws, rules, regulations, and guidance) help support you or your business? How?

If the OSC developed machine-readable securities regulation, what technical specifications (taxonomy, file format, download or API options, etc.) would you like to see implemented?

Is there anything else you'd like the OSC to take into account when considering machine-readable securities regulation?



Next steps: Building support for capital markets testing among market participants

During TestLab 2022, we witnessed firsthand how vital registrant feedback is to RegTech solution providers and saw multiple examples of real improvements made to test participants' solutions based on direct feedback from their test partners. All stakeholders benefit from better solutions when both RegTech solution providers and registrants invest the time to work together.

To that end, we will be reaching out to registrants and other capital markets participants to better understand their pain points and challenges, why some may be reluctant to test new solutions, and what we can do to increase their participation in future TestLab tests. While each TestLab cohort will be different, we will aim to do our part and address any upfront questions and work to build a broad community of potential test partners to foster collaboration and enhance networks to help support future testing.



Visit [OSC IdeaHub Beta](#) to join the conversation. Share your ideas and let us know:

Do you see any benefits to you or your firm from participating in regulatory testing?

What would prevent you or your firm from participating in regulatory testing?

What are the key factors you would take into account when considering whether to participate in regulatory testing?

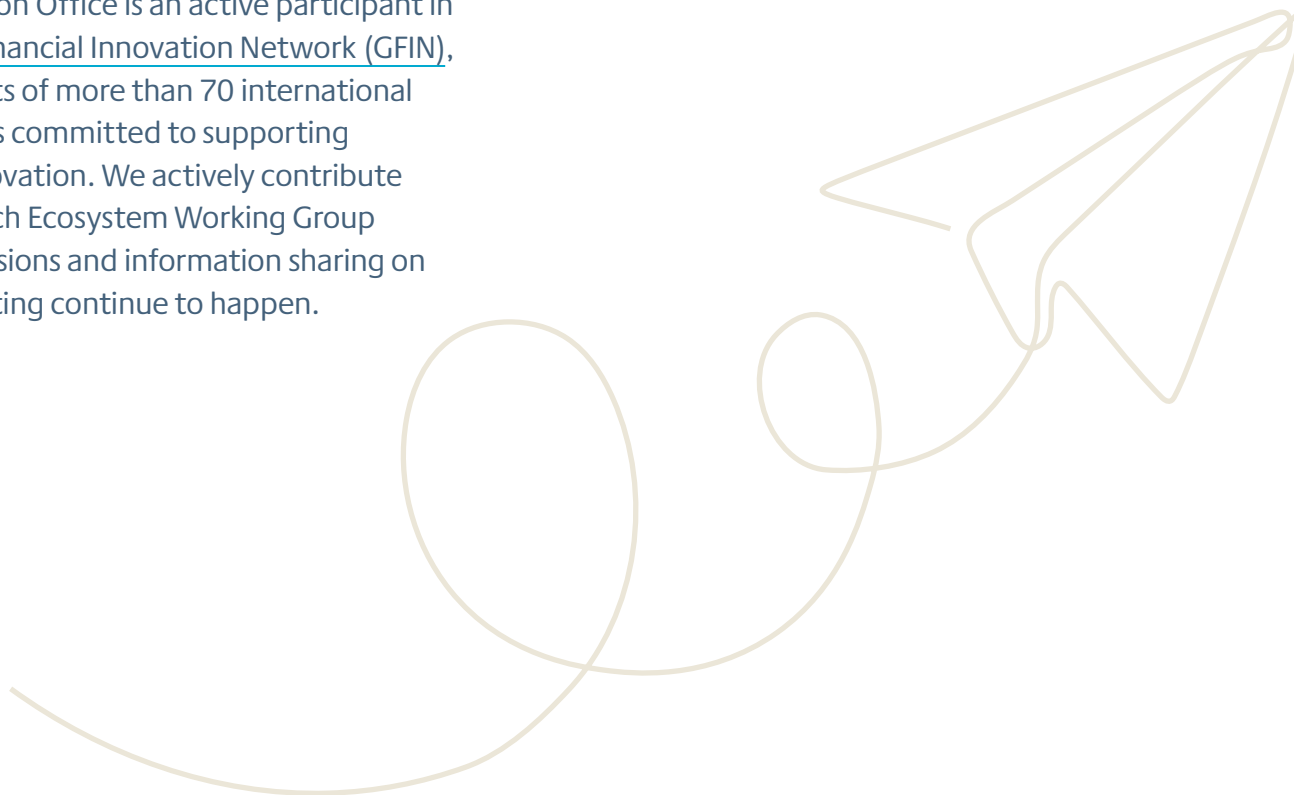
Is there something the OSC could do to make it more likely that you'd participate in a future TestLab test?

Next steps: Shaping and sharing RegTech standards

Our test participants shared that industry standards for RegTech solutions would make development easier, help clarify roles and responsibilities and reduce friction that arises during procurements or as the result of conflicting interpretations of regulations. As one example, standards can help facilitate leading practices for RegTech solution providers to make their solutions explainable and interpretable which can enable the adoption of new and beneficial technologies.

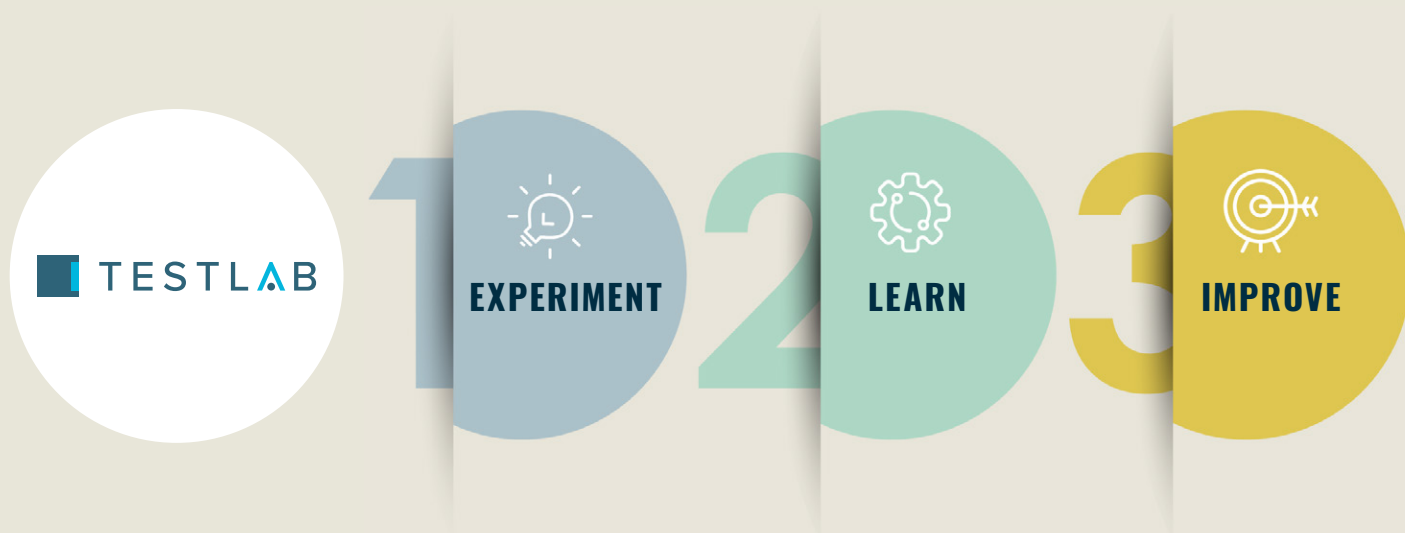
Domestic and international standard setting is one process that can help support RegTech innovation and adoption. For this reason, the OSC Innovation Office is an active participant in the [Global Financial Innovation Network \(GFIN\)](#), which consists of more than 70 international organizations committed to supporting financial innovation. We actively contribute to the RegTech Ecosystem Working Group where discussions and information sharing on standard setting continue to happen.

Moving forward, we will continue to be an active participant in this and similar initiatives to contribute perspectives that can help support Ontario's RegTech innovators and registrants. We will also share key developments and invite input from our stakeholders on the approaches that work for Ontario's capital markets. We recently [shared](#) the GFIN RegTech Ecosystem Special Unit report on our social media channels. We invite you to review the report and share your comments with us.



Where we go from here: OSC TestLab continues

What an adventure! From developing the program to launching and running TestLab 2022, it was a true team effort from start to finish. Ultimately, we accomplished exactly what we set out to do:



We've laid a strong foundation for OSC TestLab — but there's still more to build. Our journey is far from over as we continue to explore uncharted territories and blaze trails for responsive regulation.

Eager to see where TestLab takes us next?

Stay in touch and get involved. Together, we can help make Ontario's capital markets work better for everyone.



Visit OSC IdeaHub Beta

to join the conversation on how to make regulation more accessible and build support for capital markets testing.



Connect with us



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to stay in the know and join us in a future test.



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About this report and acknowledgements

This report was created by staff of the OSC Innovation Office to share our learnings from OSC TestLab's inaugural test with regulatory partners and innovation and financial ecosystem participants.

Innovation is a team sport, and we are tremendously thankful to our OSC TestLab participants for their collaboration, time, and dedication to the program, as well as the registrants, advisors, and investors who contributed to innovation in such a meaningful way.

Special thanks to our OSC colleagues from the Compliance and Registrant Regulation Branch, Investment Funds and Structured Products Branch, Digital Solutions Branch, Communications Branch, General Counsel's Office, and the Investor Office. Your partnership made all the difference, and we appreciate your efforts in bringing TestLab 2022 to life.



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