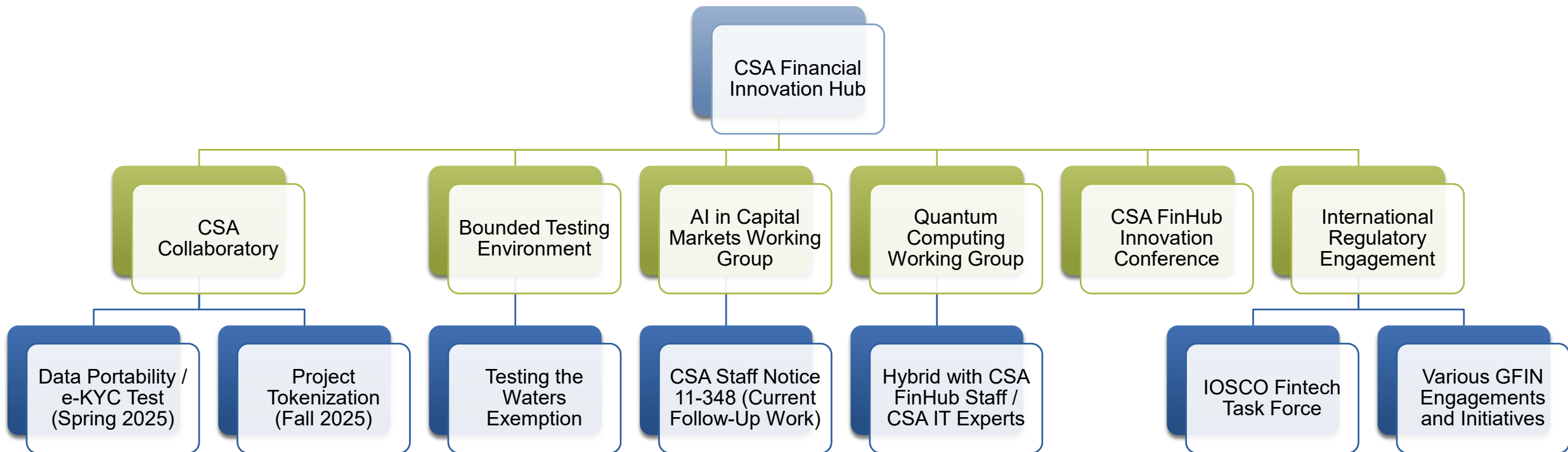


# Inside the CSA Financial Innovation Hub: The Next Wave of Capital Markets Innovation

**SIMA Webinar, Thursday, April 30, 2026**

Dr. Ryan Clements, Chair, CSA Financial Innovation Hub,  
Director, Advanced Research and Knowledge Management, ASC





<https://www.securities-administrators.ca/csa-activities/csa-finhub/>

# CSA Collaboratory

- CSA Collaboratory is a thematic cohort-based regulatory testing environment, within the CSA Financial Innovation Hub where participants can explore and test new financial concepts, new technologies, regulatory approaches and innovative business models in capital markets within a controlled and regulatory-flexible framework, with guidance from CSA staff.
- To facilitate regulatory flexibility and encourage participation, tests may include avenues to provide real-time feedback to the CSA and contribute to policy making.
- Insights from the Collaboratory can contribute to regulatory policy development and provide market participants with decision-useful intelligence.
- The CSA Collaboratory will be periodically launching tests based on themes. Themes may be determined by the CSA based on consultations, emerging trends and innovations, and national and international regulatory and policy developments.

# Desired Insights (CSA Perspective)

What do we need to learn as a regulator?

What assumptions or uncertainties we are testing?

What types of insights or evidence would be most useful?

What follow-up work may we need to consider?



### **Spring 2025 Theme – Data Portability and e-KYC**

Our first testing environment will take a phased approach and will seek to provide the CSA with a greater understanding of the potential impacts of data portability and the process of collecting client’s information using digital means, known as electronic know-your-client solutions (e-KYC), to reduce regulatory burden while still maintaining investor protection.



### **Fall 2025 Theme – Tokenization**

In response to this growing global momentum, the CSA has launched Project Tokenization, a new theme in the CSA Collaboratory. This initiative aims to examine how tokenized financial products intersect with Canadian securities laws, supporting informed, coordinated responses to innovation in capital markets.

# Data Portability and e-KYC test

- The CSA Collaboratory Data Portability Project is an initiative by the CSA to explore how data portability can enhance investor control over personal data, particularly in the context of electronic Know-Your-Client (e-KYC) portability, while maintaining market integrity and investor protection.
- Launched under the CSA Financial Innovation Hub's Collaboratory in early 2025, the project unfolded in **two phases**:
  - a discussion paper and comment period (**Phase 1**): <https://www.asc.ca/-/media/ASC-Documents-part-1/Regulatory-Instruments/2025/02/6207521-CSA-Multilateral-Discussion-Paper-11-406.pdf>
  - a series of industry roundtable meetings and bilateral meetings (**Phase 2**): <https://www.securities-administrators.ca/csa-activities/csa-finhub/collaboratory/data-portability/>
  - It also contemplates a third phase, a live testing environment, if warranted (**Phase 3**).
- To date, the project has engaged a wide range of stakeholders across Canada—including registered firms, financial institutions, fintechs, law firms, academics, regulators and investor advocates—to identify opportunities and challenges associated with enabling investors to port their data between financial service providers.

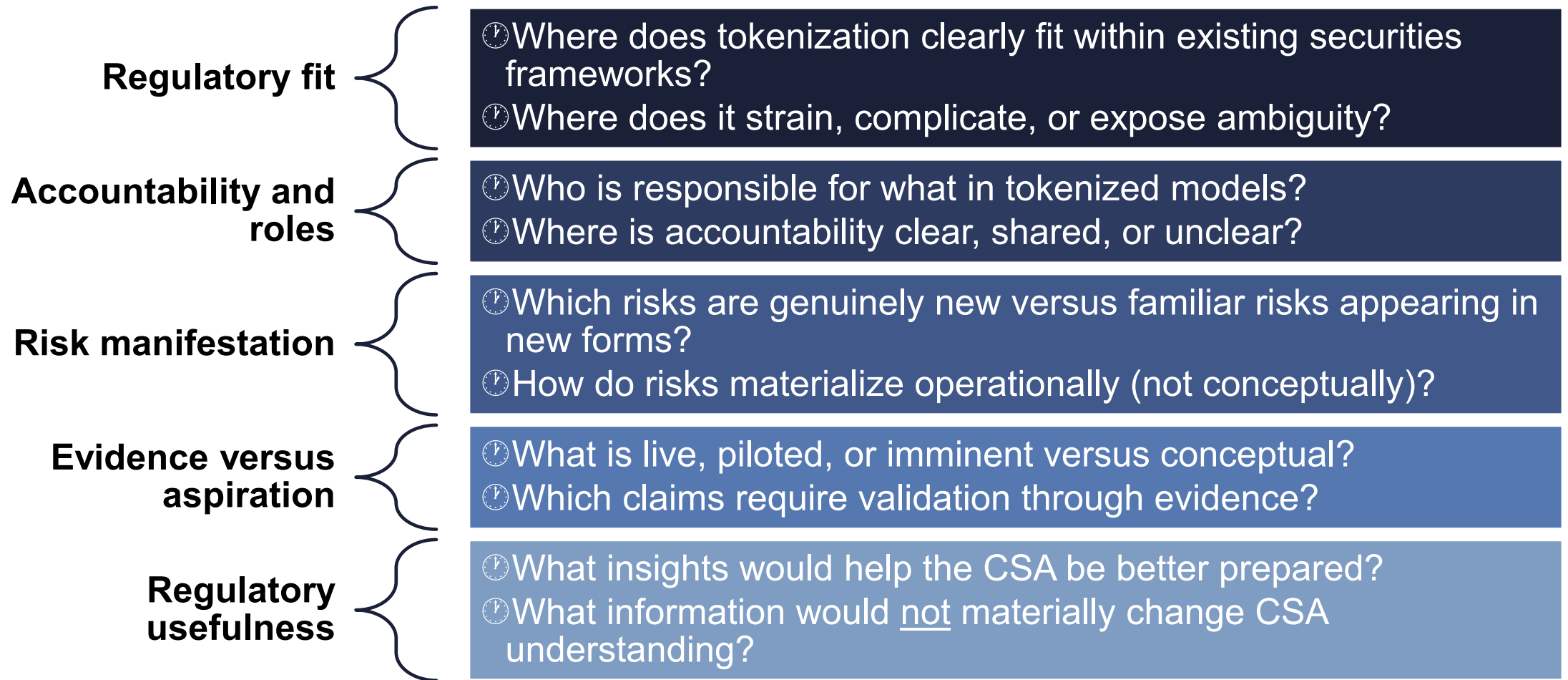
# Objectives of CSA Collaboratory Project Tokenization

- Establish a shared understanding of tokenization
- Frame key policy and market questions
- Explore benefits and challenges across asset classes
- Share perspectives from regulators, industry, and experts
- Identify practical insights for Canadian capital markets
- Support evidence-based regulatory understanding

# Why Tokenization? Why Now?

- Rapid global experimentation with tokenized financial assets
- Institutional interest from major market infrastructures and banks
- Global pilots and production systems emerging across asset classes
- Financial institutions exploring tokenized bonds, funds, cash and collateral
- Market infrastructure providers experimenting with distributed ledger technology clearing and settlement
- Regulators worldwide are examining implications for market integrity and investor protection

# CSA Learning Lense



# What did we learn in the first forum? Asset management



Level Setting  
(CSA)



Real and  
Alternative Assets



Investment Funds



Fixed Income



Trading, Clearing  
Settlement

- 78.6% of survey respondents stated that tokenized investment funds were top asset class of interest (other choices = shares, debt, real world assets).
- Significant debate on the viability of 24 / 7 tokenized investment fund trading, as concerns that there could be price dislocations between secondary price of fund and NAV of underlying basket for off-peak trading of tokenized ETFs. Others not as concerned about this and suggested that pilots are worthwhile. Also, suggestion that crypto ETFs could be good candidate for 24 / 7 tokenized trading (given 24 / 7 nature of crypto spot market). For tokenized mutual funds, suggestion that a “once a day” NAV calculation concept may be dated. Attendees suggested that lines are drawn based on current systems. Smart contracts may be able to facilitate 24 / 7 valuation / redemption in a way that is auditable by regulators. Interest in experimenting and prototypes for real time NAV calculation / fund redemption.
- Wide consensus that ultimately, “tokenization is a method of distribution.”
- Transfer agents (Computershare present) in “early stages” in looking at efficiencies / streamlining by going on-chain.
- Canadian sovereignty discussed – tokenizing an EFT is easy to do (technically). If we fall behind other jurisdictions, concerns that people will trade where they can, and Canadians will buy the funds that trade 24 / 7, and our domestic industry will be hurt.
- Will there be different uses for tokenized funds? Yes, they might be used as a payment. This brings up questions of regulatory jurisdiction. There is currently a regulatory jurisdictional issue for tokenized money market funds that can be used as payment instruments. Does this mean that the Bank of Canada will also have authority under the federal *Stablecoin Act*? The CSA still has asserted jurisdiction over stablecoins, and there is overlapping jurisdiction with the Bank of Canada.
- Suggestion of real-world use case for tokenization in asset servicing. Nearly 90% of the costs of asset servicing are downstream post-depository.

# FinHub Bounded Testing Environment

- The CSA Bounded Testing Environment (**BTE**), is a proactive, time-limited testing environment that enables Canadian businesses to test innovative financial products, services, or business models under specified parameters and a streamlined regulatory approach.
- The BTE: a) informs regulatory modernization by allowing the CSA to observe how new or adapted securities requirements function in practice during a controlled, interim testing period; b) supports the CSA FinHub's role in building expertise on emerging trends, technologies, and business models through direct, structured experimentation with industry, and c) complements the CSA Collaboratory, that provides capital markets participants an opportunity to participate in and collaborate with the CSA through broader themes.
- There are two different testing avenues under the BTE: (1) the standing “Testing the Waters” environment and (2) the “Bounded Test” environment. The “Testing the Waters” environment will be an ongoing offering for eligible innovative businesses to test a business model in the market to determine product-market fit prior to seeking full regulatory approvals. Bounded Test themes will be focused on providing time-limited testing for a specific type of innovative business model. If the CSA determines that a business model warrants broader testing, a specific Bounded Test can be developed to allow other market participants offering similar business models to participate (i.e., standardization of relief contemplated via blanket order).

# CSA Policy Response to the Use of AI in Capital Markets

- **CSA Financial Innovation Hub (FinHub) AI in Capital Markets Working Group**
  - Created in October 2023
  - Gathered evidence around the use of AI in capital markets, to date, by conducting targeted meetings with market participants, including CIRO
  - Examined potential regulatory developments on AI in capital markets
  - Promoted knowledge sharing across the CSA on AI applications in Canadian capital markets
  - Continuing mandate for stakeholder outreach and reviewing responses to CSA Staff Notice 11-348
- **CSA Staff Notice and Consultation 11-348**
  - <https://www.osc.ca/en/securities-law/instruments-rules-policies/1/11-348/csa-staff-notice-and-consultation-11-348-applicability-canadian-securities-laws-and-use-artificial>
  - Clarifies how Canadian securities laws apply to AI systems in capital markets
  - Covers overarching themes, specific requirements, and consultation questions
  - Responses received to the consultation questions assist in determining what regulatory action, if any, is required to support the responsible adoption of AI systems in capital markets. Any required new rules or changes to existing rules will be adopted or amended through established policy-making processes
  - Published **December 5, 2024**

# CSA Staff Notice and Consultation 11-348: General Overview

- This guidance does not create new legal requirements and SN 11-348 emphasizes key considerations for market participants, such as the importance of governance, risk management, and transparency, advising market participants to implement robust policies to address risks such as model drift and data inaccuracies.
- It also underscores the need for clear and comprehensive disclosure about AI's role in market operations, warning against overstating AI capabilities or misrepresenting its use.
- SN 11-348 aligns with internationally recognized frameworks, such as the *Organization for Economic Co-operation and Development* Principles, to ensure consistency and clarity.
- The notice also sought stakeholder feedback through consultation questions on the evolving role of AI systems and the opportunities to tailor or modify current approaches to oversight and regulation.

# Post Staff Notice 11-348 Developments: Current CSA Projects

## Governance Practices Relating to the Use of AI systems in Capital Markets

- **Step One – Assessing Current Guidance / Rules**
- **Step Two – Publishing Updated Guidance/Rules:** If found to be necessary, based on the findings of the work conducted under step one

## The Use of AI Systems in the Provision of Advice

- **Step One – Assessing Current Guidance / Rules:** Assessing whether current requirements and guidance address the risks posed by greater automation/use of AI systems in the provision of advice, and determining whether the CSA approach aligns with other jurisdictions internationally regarding the use of automated systems to provide advice.
- **Step Two – Financial Innovation Hub Testing:** Determining whether AI systems being used to provide advice could be part of the CSA Collaboratory or other forms of CSA Financial Innovation Hub testing (such as the Bounded Testing Environment)

# Post Staff Notice 11-348 Developments: Current CSA Projects

## Disclosure of the Use of AI Systems by Registrants and Reporting issuers

- Evaluate unique AI-related activities and risks – such as business risks, investment risks, model hallucination, algorithmic bias, third-party risk, vulnerabilities in models and data, or cybersecurity risk - that may need to be disclosed to investors. Assess whether additional guidance or rules may be necessary to ensure clear and consistent disclosure in those areas, such as: AI system risk management practices and mitigation measures.
- **Addressing AI Washing:** The Staff Notice outlined staff concerns relating to AI washing and provided guidance to reporting issuers to avoid instances of AI washing. Staff will continue to monitor disclosure for instances of AI washing and assess whether further regulatory action is needed to respond to any associated trend.

## Collaboration on compliance reviews and targeted sweeps and intra-agency and inter-regulatory coordination

- CSA Systemic Risk Committee / Operational Divisions / Heads of Regulatory Agencies / CIRO / IOSCO Fintech Task Force / GFIN AI Compass Project)

## Gathering information and data on AI systems / Engagements With Stakeholders / Research

- Impact of **Agentic AI**;
- **Sentiment Analysis** with Generative AI;
- **Educating Investors** on AI system use and limitations;
- **Testing** – innovative financial products and services that rely on AI systems (including technology sprints and synthetic data set construction)

# CSA Quantum Computing Working Group

- Developments in quantum computing technology are expected to impact capital markets worldwide over the next several years. The CSA Quantum Computing Working Group (**QCWG**) will work to understand and be prepared for these developments:
- There are internal and external dimensions to consider. Internally, we will focus on the impact of quantum computing for securities regulators. This can include challenges around post-quantum data security, but also opportunities for innovation, e.g., in market surveillance technology.
- Externally, we will consider the impact of quantum computing on market participants and market infrastructure. This may also encompass risks from data decryption, as well as risks and benefits from quantum computing being applied at scale to, e.g., portfolio optimization or traditional trading processes.
- The CSA may also consider potential future work based on our findings. This may include evidence-gathering (as needed), such as a survey or consultation paper, and/or policy recommendations or guidance on what regulators and market participants could be doing to prepare for or address the identified risks and benefits.