Fintechs Canada

Innovation, Science and Economic Development Canada (ISED)

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[Via email]

Fintechs Canada Response to the Department's Consultation on: Enhancing trust in artificial intelligence through increased transparency

Introduction

Fintechs Canada welcomes the opportunity to provide feedback on the Government of Canada's white paper, *Enhancing trust in artificial intelligence through increased transparency*.

Fintechs Canada is the unified voice for the most innovative financial technology companies in the country. Serving millions of Canadians daily, our more than fifty members include market-leading Canadian fintechs, fintech-friendly financial institutions, technology companies that power the credit union space, and global fintech companies. Our mission is to make Canada's financial sector more competitive and innovative while strengthening its stability and security. We strongly support the core tenets of the AI for All strategy: artificial intelligence will only deliver on its economic and social potential if Canadians are confident that AI systems are safe, reliable, and trustworthy.

Fintechs are building the very tools that can strengthen Canada's resilience against emerging threats, through real-time monitoring, AI-driven detection, and enhanced identity verification. Our industry's digital-first expertise is vital to supporting a technology-driven framework that is effective, adaptable, proportionate, and workable in practice. Moreover, fintechs operate on flexible, modern technology stacks that enable rapid deployment of real-time analytics and automated safeguards, enhancing the system's ability to detect and respond to threats as they emerge. Fintechs rely on these AI tools and new technologies to drive competition, expand access to financial services, personalized consumer experiences, and power sophisticated anti-fraud and cybersecurity defences.

While the white paper explores specific operational areas, from detecting AI-generated content to tracking AI incidents, this submission focuses on high-level principles that should guide the Government's approach across all of these domains. As an initial contribution to the dialogue on AI transparency, we urge the Government to adhere to the principles of proportionality, consistency, and effectiveness. We intend for this submission to serve as a foundation for Fintechs Canada's ongoing participation in future AI policy discussions.

Avoid Regulatory Duplication and Unnecessary Red Tape

The Canadian financial sector is already subject to rigorous regulatory oversight. Fintech companies navigate a complex web of requirements, including the Retail Payment Activities Act (RPAA), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), existing privacy and consumer protection laws and regulations, and upcoming modernizations to digital and data frameworks.

When introducing new transparency measures, such as requirements for providing information about AI systems or tracking AI incidents, the Government must ensure these do not duplicate or conflict with existing reporting obligations. We strongly recommend assessing whether existing financial sector regulation already addresses risk management, governance, consumer protection, and oversight. For example, payment service providers (PSPs) already have stringent incident reporting requirements under the RPAA. Therefore, adding a parallel, AI-specific incident reporting regime would create unnecessary red tape.

Looking ahead, the Government should build on the existing payment initiation rules under the RPAA as the single point of oversight for payment initiation, leapfrogging separate supervision of the same activities under phase 2 of the Consumer-Driven Banking framework and, where applicable, in agentic commerce, with the goal of simplification.

AI governance should further leverage existing, well-established international frameworks rather than creating bespoke Canadian requirements that complicate compliance and isolate our market. New requirements should complement, not replicate, existing frameworks. The Government should prioritize interoperability, so that Canadian firms can meet domestic expectations while competing in global markets.

Ensure Proportionality Based on Business Size and Risk

Transparency requirements must not be universally applied with a broad brush. The Government should ensure that obligations are tailored to both the specific risks of the AI application and the size and risk of the business deploying it. Reducing undue red tape and unnecessary friction, and applying proportionality based on company size and risk profile, will make it easier for Canadian businesses to scale.

The transparency needed for a customer-facing AI chatbot offering financial guidance is vastly different from the transparency required for a back end, machine-learning fraud detection system. Applying overly prescriptive requirements to all AI use cases or expecting agile fintech scale-ups to maintain the exact same compliance infrastructure as global financial institutions for lower-risk applications, is counterproductive. We recommend a risk-based approach that focuses heavily on high-impact consumer interactions while minimizing burdens on low-risk operational AI and back-end security deployments.

Align rules with Canada's ongoing Pro-Competition Efforts

Fintechs Canada has consistently advocated for clear rules that protect consumers, that support Canada's emerging fintech industry, and that align with a shared goal to increase competition in financial services.

When transparency rules are overly burdensome, they inadvertently serve as a barrier for new, scaling up challengers. Policymakers must consider how AI rules may affect competition, innovation, and market access. Transparency obligations should be outcome-based rather than prescriptive, giving innovators the flexibility to meet transparency goals in ways that align with their operational realities and do not compromise their proprietary intellectual property.

Meaningful Industry Engagement and Fintech Representation in AI Governance Structures

AI is evolving at an unprecedented pace. Static, rigid regulations risk becoming obsolete before they are even fully implemented. To ensure that transparency frameworks remain relevant, effective, and conducive to innovation, the Government must adopt an iterative approach to AI policy.

We encourage ISED to continuously engage with the fintech industry. As a sector that is rapidly adopting AI, fintechs can provide practical insights into implementation challenges. Early and ongoing engagement will help the government develop workable, effective regulations and anticipate unintended consequences.

As the Government considers establishing advisory bodies, or consultation structures to oversee AI governance and transparency, it is vital that the fintech ecosystem is represented.

Consumer Protection Without Unnecessary Burden

Fintechs are inherently focused on managing risk and protecting their consumers. AI policy should fundamentally support consumer protection goals. However, any new requirements should recognize the robust governance and compliance practices already employed within the sector. New obligations must be practical, outcome-focused, and not unnecessarily costly or complex to implement.

Transparency should also make it easy for Canadians to identify trustworthy products and services. As AI-generated deepfakes and injection attacks make impersonation cheaper and more convincing, verifiable, privacy-preserving digital identity credentials are among the most effective anti-fraud controls available. We encourage the Government to explicitly back these credentials as part of its AI transparency framework and to set clear timelines for their adoption, so that industry can plan and invest with confidence.

Conclusion

Enhancing trust through transparency is a vital step in realizing the benefits of artificial intelligence. By focusing on targeted, proportionate, and non-duplicative regulations, the Government can foster an environment where consumers are protected, and Canadian fintechs continue to innovate and compete globally.

We look forward to working with ISED and other stakeholders as this important framework takes shape.

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Fintechs Canada appreciates the opportunity to provide comments on enhancing trust in artificial intelligence.

Fintechs Canada looks forward to continuing to work with Innovation, Science and Economic Development Canada (ISED) and other policymakers to ensure that

Artificial Intelligence delivers meaningful benefits for Canadian consumers, businesses, and the broader economy.

Thank you again for the opportunity to comment.

Sincerely,

Adriana Vega
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Fintechs Canada