
Digitization, AI, and Business Model Change: Key Regulatory Themes Shaping Financial Services Talent

MASSEY HENRY TALENT NEWSLETTER
JUNE 2023



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PREFACE

In this article, we examine:

- **Key themes that emerged from a recent panel discussion hosted by Massey Henry** between the Chairs and CEOs of the Ontario Securities Commission (OSC) and the Financial Services Regulatory Authority of Ontario (FSRA)
- **The impact and talent implications of digitization, business model change, artificial intelligence, and predictive analytics** within the financial services sector

As with all Massey Henry thought leadership, this work is independent, reflects our own views, and has not been commissioned by any business, government, or other institution.

Massey Henry is a leading Canadian executive search and advisory firm, offering solutions to today's complex executive recruitment challenges, with a focus on the financial services sector.

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FROM OUR NETWORK



In my role as the Chair of the Board of Trustees for University Pension Plan Ontario, and in working with Michael Henry on key executive searches, the talent implications of emerging areas such as AI, predictive analytics, and digitization within financial services are profound. Having attended Massey Henry's panel discussion on the evolving role of regulators in financial services, it is clear these developing factors will present formidable challenges — and opportunities — for executives and regulators alike.



Gale Rubenstein

Chair, Board of Trustees
University Pension Plan Ontario
and Partner, **Goodmans LLP**

INTRODUCTION

Like many other industries, the Canadian capital markets sector is experiencing the impact of rapid digitization. Technological developments and the impact of COVID have accelerated technology adoption across a wide spectrum of applications and services. The implication for market participants — retail investors, financial institutions, and regulators — provides a unique set of challenges and opportunities.

A recent panel discussion featuring the Chairs and CEOs of the Ontario Securities Commission (OSC) and the Financial Services Regulatory Authority of Ontario (FSRA) — hosted by Massey Henry and moderated by our firm’s Managing Partner, Michael Henry — highlighted key trends affecting Canada’s financial services sector.

The following pages will summarize the **three distinct themes** that emerged from this discussion and provide Massey Henry’s perspective on its talent implications.

Of course, all of these are, in many respects, interrelated and share causal relationships with one another.



DIGITIZATION

The foundational theme underscored by all panelists was **digitization and digital adoption**.

The move to digital processes across the financial services sector has been dramatic over the past ten years. This well-established trend has been further accelerated by the advent of COVID and the critical and rapid conversion of processes to digital formats.

Many legally required “wet signature” and in-person processes and requirements were soon replaced with digital equivalents or workarounds by regulators and financial institutions. The industry has responded well to the challenges, but the demands of digital adoption will only increase in the coming years.

A factor in the ability of the financial services industry to respond to these challenges will be the ability to source, acquire, and retain the necessary talent. **Future talent requirements will include technical skills to support digitization** and the management and strategic skills to help organizations on their digital journey.



BUSINESS MODEL CHANGE

The coming years will also see a profound change in the composition of the workforce, career paths, and the nature of the employment relationship. The rapid adoption of digital technology and processes is reshaping many traditional business models in the financial services industry.

Organizational structures, product offerings, service and communication processes are all undergoing significant change — if not outright redundancy. The forced reduction or elimination of ‘in-person’ business processes, the adoption of remote work models, and the decline in brick-and-mortar presence has, within a short time period, changed many business models and introduced new products and services.

These changes have been introduced quickly to a financial services and regulatory system that has traditionally taken a measured and calculated approach to evolution and adaptation.

Many new business models reflect the disintermediation and democratization of information and access. Cryptocurrencies and a host of Fintech innovations have created new market opportunities that require innovative regulatory response and oversight. These business model changes will require regulators to modernize and adopt rules and regulations to **balance innovation with consumer protection**.



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ARTIFICIAL INTELLIGENCE/DATA ANALYTICS



Artificial intelligence (AI) is rapidly driving product and process innovation and efficiency and will continue to increase in its impact over the coming years.

One way in which AI is increasing efficiency for organizations is by reducing the amount of time and number of workflows associated with administrative and compliance activities. This, in turn, will shift the concentration of labour efforts from back-end and middle-office functions to technology and compliance oversight.

As such, AI and predictive analytics present a few distinct challenges:

- **Sourcing and management of the competencies and skills** to develop and implement emerging AI technology
- Developing the skills and abilities to **analyze and make decisions based on indicative data**

As an evolving technology, AI may be prone to bias, misinformation, and error; the power and speed of data analysis also creates opportunities for quick but potentially inaccurate decision-making.

The dual-edged sword presented by these technologies suggests that the financial services industry must foster technical and strategic competencies to remain in lockstep with the accelerated innovation taking place, while also **implementing technologies and solutions that anticipate the impact of the second and third order consequences.**

TALENT IMPLICATIONS MOVING FORWARD

The digital revolution is upon us.

While the digital economy offers great opportunities, careful attention must be placed on technology and policy adaptation to manage the tremendous scope for innovation, efficiency, and the democratization of financial services.

These challenges will require industry collaboration and active participation from educators, executive leaders, and the full attention of all levels of government.

At the current speed of its evolution, digital technologies and AI will outstrip the market's capacity to provide the necessary talent. As such, talent requirements will only be met through the concerted actions of all market participants.

Failure to do so will enable some industry cohorts to exploit vulnerabilities and harm longstanding efforts by regulators and policymakers to promote innovation and consumer protection.



About Massey Henry

Massey Henry is an innovative executive search firm specializing in the Canadian financial services sector, delivering on a broad spectrum of leadership roles within the industry. Our team of seasoned executive search professionals bring decades of combined experience in the financial services and executive search industries, including as former senior leaders at top-tier Canadian financial institutions.

What Makes Us Different?

Financial Services clients are our only priority.

Unlike traditional search firms, we are not generalists. Whether corporate and commercial banking, insurance, asset management, or FinTech, we are a specialized firm that understands the nuances within the financial services sector, allowing us to build a deep network of vetted candidates from coast to coast.

Financial Services Expertise

We have led executive searches across the spectrum of the financial services industry, including:

- Retail and Commercial Banking
- Insurance and Reinsurance
- Asset & Wealth Management
- Capital Markets
- Family Offices
- Credit Unions
- Private Equity
- FinTech
- Payments
- Corporate and Investment Banking

Some of the roles we have supported include:

- Board Chair and Directors
- Chief Executive Officer
- Chief Risk Officer
- Chief Product Officer
- Chief Human Resources Officer
- Chief Financial Officer
- Chief Compliance Officer
- Chief Client Experience Officer
- Chief Payments Officer
- Chief Investment Officer
- Chief Operating Officer
- Executive Vice President, Digital & Strategy
- Vice President, Cybersecurity
- Vice President, Finance



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