

## **THINKING CAPITAL – FINANCE CANADA SUBMISSION**

Thinking Capital is a Montreal-based, leading lender that provides quick and easy financing from \$5,000 to \$300,000 to qualified small and medium-sized businesses (SMBs) operating in Canada. Our organization directly employs 180 people and has funded over 10,000 Canadian SMBs since its inception in 2006.

Our organization has a proven track record of both supporting the small business engine of our country while working with some of North America's largest banks, payment processors, technology providers, and other groups committed to the success of Canadian SMBs. This positions us well to provide insights into how the industry is evolving.

As per your call for commentary on August 26, 2016, we would like to submit our thoughts on the FinTech sector.

In this submission we will look at four areas that will need to be carefully explored before any changes in the financial sector framework is considered:

- The impact on small businesses seeking financing
- FinTech's role in modernizing incumbents and fueling growth in other sectors
- The delivery of innovative service models that provide more options to Canadians
- Canada's ability to compete on the international stage

We look forward to working with the government, regulators and other stakeholders in order to determine the best approach going forward.

### ***Helping more than 10,000 Canadian businesses reach their full potential***

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According to the latest statistics from Innovation Science and Economic Development Canada, small businesses represent more than 98 per cent of Canadian businesses and account for almost 70 per cent of the total private sector labour force. The latest available government data suggests that 36 per cent of SMBs requested some form of external financing in 2011.

At Thinking Capital, we have provided over 400 million dollars in financing to SMBs in Canada since 2006. This funding has afforded owners the opportunity to purchase key pieces of equipment, hire staff, and make renovations to grow their businesses.

Many small businesses – the service-oriented, for example, such as restaurants and beauty salons – lack the adequate collateral to qualify for traditional loans facilitated by banks and credit unions, but these SMBs boast positive cash flow and can leverage this to gain access to the financing they require. We provide quick and easy financing from \$5,000 to \$300,000 to qualified SMBs based on the strength of their cash flow, as opposed to the collateral they have amassed.

Small businesses rely on companies like Thinking Capital to provide them with the funding they need to grow. The services we provide are an essential component of their success. Any future changes to the financial sector needs to take into account the impact on Canada's small businesses, ensuring they have timely access to the capital they need to grow and thrive.

## ***Mutually beneficial partnerships that drive growth***

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According to a 2016 PwC Global FinTech Survey, 75 per cent of businesses are looking to FinTech in order to meet changing customer needs, while Partners are looking to accelerate their time to market by partnering with leading FinTech players.

Thinking Capital has been employing a partnership model that is yielding tremendous results:

- Requests for funding have grown by 100 per cent year-to-date (YTD)
- YTD, Thinking Capital has experienced 164 per cent growth in the amount of funding provided to our customers through our partnerships. Key growth markets from partner funding: BC 729 per cent.
- Thinking Capital has seen an increase in SMB customers of 266 per cent YTD coming from partnerships.

The size and strength of our partners is testament to the exceptional service we provide to our customers. We have a diversity of partnerships – those that provide us with capital and those that give us access to their customers. Scotiabank and CIBC provide us with capital to lend to SMBs. CIBC also fulfils the latter role in that it refers SMBs to us for financing. In addition, multinational corporations, like Moneris and Staples, have all opted to partner with Thinking Capital to offer their customers a better borrowing experience and access to capital.

By working with us, our partners are helping ensure small businesses have access to the financing they need. In our experience, banks view FinTech companies as collaborative partners. Partnering with FinTech companies, such as in the case of CIBC, can give them the opportunity to deliver a differentiated, seamless, omni-channel experience, improve customer retention, and secure additional revenue.

Given the nature of our partnerships, Thinking Capital is already held to very rigorous standards – the protection of our customers is paramount. We take significant steps to ensure our customers' data is protected and our company remains squarely solvent. Our processes have been analyzed and assessed by leaders in the financial sector, many of which provide the same services to large banks. Minimizing exposure to risk helps us protect our customers and build partnerships with large, trusted Canadian and international brands and financial institutions. Many of our partners closely review the cybersecurity and solvency framework we have in place. Any changes to financial rules and legislation would need to take into account: the many sectors, particularly those outside banking, that are currently seeing the value in collaborating with FinTech companies; the influence those relationships have on the FinTech sector; as well as the aggregate impact of these partnerships on the Canadian economy.

## ***Innovating service models and providing more financing options***

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Our customers rely on us to provide them with financing that is critical to growing their business. We have very strong repeat business and have seen 40 per cent year-over-year growth. Our customers see the value in working with us. By combining industry experts and technology, Thinking Capital is transforming the opportunity for business owners to obtain capital, as well as pioneering a level of convenience that is setting a new standard. Working in an environment that

is flexible, dynamic and able to respond quickly to customers' needs has helped us grow and thrive for the last decade.

Technology and innovation are at the heart of how we deliver capital to our customers. We have created frictionless and real-time solutions to the problems of SMB financing in Canada by using non-traditional scoring and data input methods using advanced statistical and machine learning methods such as neural networks and decision trees. As we continue to develop our platforms, we are adding cash flow input data sources in addition to our traditional sources of credit and debit card processing information. These new inputs and the continued development of our platform allow us to provide real-time underwriting and decision-making. All of these enhancements have continued to reduce the time between a business's application for a loan and approval; today, we are proud to say it can take as little as 24 hours.

Thinking Capital continues to transform the exceptional service offered to our users through greater integrations with our partners and a more streamlined online customer experience. It is imperative we continue to meet customers' needs by innovating service models and providing a range of financing options. Any proposed change in policy would need to uphold the best interest of Canadian borrowers and support the health of this fast-evolving, innovative space.

### ***Competing with international players***

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More than 100 FinTech companies in Canada have collectively attracted more than \$1 billion in funding since 2010, and penetrated sectors such as retail payments and e-commerce, consumer and small business lending, investment management, and market analytics according to the Bank of Canada's senior deputy governor, Carolyn Wilkins. While Canada's FinTech sector is undoubtedly seeing a strong growth, the adoption rate of FinTech products here is still well below Hong Kong, the UK, the US, Australia, and Singapore. Legislators need to be mindful of Canada's ability to compete on the international stage and not erect onerous barriers that will impede growth and make companies less competitive.

### ***Concluding thoughts***

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Canada has a long history of having a stable and healthy financial services industry as well as technological innovation. FinTech affords us the opportunity to combine both and support the Canadian economy. Any changes in legislation would need to be cautiously examined to ensure it does not unintentionally hamper the growth of the industry or thwart consumer choice.