

DATA USAGE, ACCESS & SHARING IN THE DIGITAL ECONOMY

I. Introduction

The European Banking Federation is the voice of the European banking sector, uniting 32 national banking associations in Europe that together represent some 3,500 banks – large and small, wholesale and retail, local and international – employing about two million people.

As part of the digital transformation of the banking sector and more broadly of the European economy, the EBF would like to provide its initial assessment and remarks on the current debate around the appropriate milestones for the development of a data-driven economy. The EBF stands ready to provide further support and more detailed recommendations on this issue as necessary.

There is widespread consensus that data has become a strategic asset in the digital economy. Data is also one of the key ingredients of Artificial Intelligence and machine learning. Building a European data economy is part of the Digital Single Market strategy. Access to and re-use of data is considered a crucial step towards a competitive EU data economy which will benefit both consumers and EU firms.

The competitiveness of firms thus increasingly depends on timely access to relevant data. On the one hand, the broadest dissemination (through access and sharing) and use of data by the largest number of firms would seem to be desirable; on the other hand, the efficiency of broad data dissemination must be balanced against a number of other important concerns, such as the need to ensure sufficient investment incentives for firms to collect, process and secure data; the need to protect privacy (where sensitive personal data is concerned) and business secrets; and, the possible collusive aspects of data sharing. The issue is unquestionably complex.

Although the debate touches upon all the different types of data (personal, non-personal)¹, this note **focuses only on the usage, access and sharing of personal data**, most likely the most complex aspect of the discussion.

II. The current framework for personal data sharing creates asymmetries

At present, the GDPR and PSD2 establish the main framework for personal data sharing in Europe.

The GDPR has established the right to personal data portability, empowering consumers with greater control over their data by allowing the control of their data and of how it is used.

The EBF is of the opinion that **the current framework creates asymmetries** whereby some firms are acting as data gatekeepers, while others must share data with no reciprocity. PSD2

¹ Also using non-personal, industrial data and focusing on B2B (long-term strength of the EU), ethically correct usage of data will help EU companies grow by transforming current offerings and also create new business opportunities.

has created a more demanding regime of (free) data access from banks (and other payment institutions) by obliging them to provide payment data to non-bank players, putting banks at a competitive disadvantage as those non-bank players do not have similar requirements to make their own core customer data (which typically differs from payments) shareable with third parties, including banks.

III. Reducing asymmetries in the access to data and improving financial services for the benefit of consumers

Discussions should not be about potentially expanding the scope of PSD2 in the future (which would increase the asymmetries even further) **but considering data usage, access and sharing in a broader context than financial services, through a holistic approach towards an EU data economy.** As banks already share a very important part of their data (payment/transaction data i.e. part of the banks' core customer data), **the debate should rather be on what terms and conditions data generated in other economic sectors** (telcos, energy, retail, transport, social platforms, public sector etc.) **may be accessed by the financial industry in the digital economy.**

There is indeed a growing acknowledgment that relevant data from different sectors holds significant potential for financial industry innovation, competition and consumer empowerment. It can help provide users with enhanced customer experience, better risk management, stronger security and fraud detection, better services and convenience.

Access for banks to additional data (public or private) relating to the behaviour and characteristics of consumers could lead to greater personalisation of products, services, marketing and advertising in order to serve customers better. This could lead to many new applications and use cases, some of which are starting to emerge (see annex for illustrations of use cases). The key driver for the use of data should always be the users' interests and empowerment.

Further reflections may be needed on the types of relevant data to be shared. As a reference, it could be opportune to look at the GDPR's right to personal data portability which refers to data provided by end-users and observed data from their activities. Unequivocally, mandatory sharing of "Inferred / derived data", which are the insights that companies detect, transform, and calculate based upon the intelligence they extract from the provided or observed data, should not be required and left to potential individual agreements. Access to personal data should be with explicit customer consent.

The question of access to further data also relates to the threat raised by big techs. Despite banks' rapid improvement of their digital offering, big techs (and other digital platforms) are a significant competitive threat due to their control over customer interactions ("gatekeeper role") and the valuable customer data created through their services. Big tech firms have started to leverage control over the customer interaction and extensive data to enter new sectors, including financial services' verticals. More access to data by banks appears to be most opportune to be able to compete effectively with non-financial digital platforms.

More broadly, it is perceived that allowing further use, access and sharing of data on the basis of clearly defined rules would unlock wide economic benefits and thereby become a key enabler of economic growth, significantly boosting European competitiveness in the global market. From a consumer's perspective, it will allow consumers to exert meaningful control over their personal data. They will be able to determine how data about them and created by them is used and the benefits they wish to derive, within a trusted and safe system. The aforementioned rules will put consumers in the driver's seat when it comes to their own data.

IV. Common standardised interface

To unlock such potential - and make the access to consented data, from customers, effective and usable in practice - direct, secure communication between data holders should be encouraged on the basis of standard interfaces with standard transmission mechanisms allowing secure real time data transfer across different firms, and, direct control of the user. The timeliness of sharing deeply affects the accuracy of data and hence the opportunities.

Thus, it appears essential to **develop a framework with standardised secure communication mechanisms, such as APIs, along with robust authentication mechanisms (as in the PSD2 context)** at cross-sectoral level. Furthermore, data access can be best controlled via technology standards such as APIs (controlling access rights, controlling opt-ins).

V. Enhancing data ethical usage and secure storage

There are clearly risks for privacy and security involved in these developments, and financial institutions must remain vigilant to protect their values, above all, ensuring their customers' trust, which is their most valuable asset. This makes client information security and cybersecurity highly important factors in the related discussion. Efficiency and security must underpin a data-driven economy.

The development of a framework as referred to above should be accompanied **by the necessary enhancement of the requirements on the access, use** (including defining more clearly liability between actors and perhaps even reciprocal exchange of information on why/how this data is being used) **and secure storage of customers' data**. Already, within the current PSD2 framework, TPPs using PSD2 can store customer transaction data on possibly "unsafe" storage solutions which are not adequately supervised. Stronger requirements for storage as well as closer supervision appear to be opportune. Customers must have absolute confidence in the security of their data, both in terms of sharing it with third parties and the manner in which it is stored.

This could take the form of a charter (or another policy document) on the ethical use and storage of data. Data would only be shared with trusted parties committed to complying with the agreed requirements.

More generally efforts should be undertaken to educate customers about their options and rights. Users' education will support users' trust and proper data management.

VI. How can the current asymmetries be reduced?

If it is acknowledged that obtaining data from other sectors (including public and government data) generates benefits, there are different approaches to developing a framework to enable this:

- Voluntary partnerships through contractual arrangements: one possibility would be to adopt a gradual, step-by-step approach within the existing regulatory framework, both cross-sectoral and specific to banking and financial sector. Secure communication and strong authentication processes would be defined by the industry (in line with customers' expectations and the highest standards in terms of the privacy and security of their clients' data and funds) possibly in cooperation with other sectors. It would need to be compliant with competition rules and be based on shared benefits in providing customers with a diverse range of products and services, as well as an enhanced, more personalized experience, in full respect of customer data protection and communication security. This approach would have the merit of pragmatism and would focus on specific use cases relying on voluntary peer-to-peer contractual arrangements between interested parties.

- A legislative approach: as it is not certain that other sectors will be willing to open-up if they are not obliged to, a legislative approach would compel firms that might not otherwise make data available to do so, and would bring standards and industrial scale to the data exchanges. It would have to respect the same principles (customer expectations, highest standards of privacy and security, full respect of customer data protection and communication security with the view to enhance customer experience and diversity of choice) as in a voluntary approach. Two approaches can be envisaged:
 - o new legislation covering specific sectors could be developed in parallel across industries, making data from different sectors mutually accessible; moving industry-by-industry could possibly be simpler than crafting a general regulation, but would only unlock data, one industry at a time and would risk leaving loopholes; or
 - o a cross-sectoral regulatory approach to help ensuring a true level playing field across all firms.

EBF members - although seeing partnerships as a valid way to gain access to some of the necessary data - doubt that a voluntary approach would yield the benefits of a regulatory approach in the foreseeable future. **They believe that only a cross-sectoral regulatory approach would unlock the real benefits of data cross-fertilisation for the digital economy and call therefore the European Commission to take action in this area.**

Members also agree that any decision to regulate further on the matter should be accompanied by an in-depth impact assessment as foreseen by the European Commission's law-making process. Ensuring the ethical usage and secure storage of data also appears to be essential. Further reflection would be needed on which personal data should be part of the framework and on how to ensure a fair cost-sharing and mutual benefits across sectors.

ANNEX I

Use cases examples

- **Data access and sharing for better credit assessment:** a wider array of data enables financial institutions to do more accurate and faster (up to real-time) credit risk assessment. Faster and better credit assessment not only means fewer “false negatives” and unjustified credit denial, but also means anticipating consumers’ future needs, improving efficiency and reducing costs for consumers².

This greatly benefits the client who receives a more tailor-made lending offer, as well as the wider economy through a more efficient allocation of funds.

More concretely for example, data access to the online lodging marketplaces would mean an improvement both on the customer’s income profile and on the credit risk assessment side (having access to more information related to a customer’s additional revenues). With reference to business customers, the same benefit will derive, for instance, from access/sharing to data related to sales trends of their products on e-commerce platforms.

- **Data access for consumers’ empowerment:** improved insight into spending habits allows supporting users in improving their grip on their finances via personalised advice. Proper advice becomes increasingly challenging as the trends towards disintermediation bring financial institutions towards restricted overviews of transaction information, for example, if transactions flow through wallet providers (who may not themselves be subject to PSD2 access to account requirements). This also supports financial inclusion by supporting, for example, access to credit for consumers by overcoming traditional information asymmetries³. In order to be able to provide these advisory and financial inclusion services, data sharing across all players is needed.
- **Data access for better SME financial advisory services :** accessing online platforms and BigTech companies transactional data (such as sales, customer returns or pricing), banks can offer personalised B2B financial advisory (from cost management and financial coaching to payments services, insurance, etc.) based on knowledge of the SME’s needs and its market trends. It allows banks to become more effective financial services providers, by improving SMEs’ banking experience and helping them in running their business.
- **Data access and sharing for fraud detection and prevention** could help to combine the different databases’ information, increasing customer security, and fraud monitoring and prevention.
- **Data access to enhance green financing and provide sustainable investment opportunities,** for example, by allowing consumers to share information about their energy use and to build specifications to facilitate green loans for renewable energy installation. Access, for instance, to data related to the purchase of organic products, donations to associations active in the field of sustainable development, expenses related to energy efficiency, food safety, waste management and climate change, would allow financial institutions to provide better advice on sustainable investments, offering tailor-made proposals on financial instruments related to the Environmental, Social and Governance (ESG) sector.
- **Data access for improving financial advisory services / or financial advice related to pension and social security:** access to pension and social security data would allow

² Lenders that use information from both sources (credit bureau score + digital footprint) can make superior lending decisions. The AUC (Area Under the Curve) of the combined model is 73.6% (where 100% means perfect predictions). AUC using credit bureau score alone is set around 66% - Credit scoring using digital footprints, Berg, Burg, Gombovi, Puri, 2018

³ Digital footprints can facilitate access to credit when credit bureau scores do not exist, thereby fostering financial inclusion and lowering inequality - Japelli and Pagano, 1993; Djankov, McLiesh, and Shleifer, 2007; Beck, Demirgüç-Kunt, and Honohan, 2009; and Brown, Jappelli and Pagano, 2009

financial institutions to elaborate a more complete and in-depth social security profile for the customer, with the possibility of analysing the coverage of pension requirements and any social security gap, based on his/her own individual expenses and saving capacity. This would greatly improve customer position by overcoming the negative effects of behavioural biases and temporal discounting on their pension planning and ability to build savings.

- **Access to IoT data (e.g. Telematics, Smart-Home Devices) to provide consumers with multiple opportunities to use pay-per-use models:** usage-based models built on data generated by Internet of Things (IoT), enable consumers to access solutions which are exactly adapted to their needs and expectations. By allowing firms to combine such data, these firms are able to anticipate future needs, improve efficiency, secure better management of resources and awareness. The increased efficiency of these solutions also brings a better cost/benefit ratio for consumers.
- **Data access to extend advisory services on Wealth Management:** direct and structured access to wealth data can foster the advisory services offered by financial institutions to their customers. Similarly, a facilitated access to cadastral data could allow a better and more thorough analysis of the asset and financial situation of customers, through the analysis of both assets and related financial flows.

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About the EBF

The European Banking Federation is the voice of the European banking sector, bringing together 32 national banking associations in Europe that together represent a significant majority of all banking assets in Europe, with 3,500 banks - large and small, wholesale and retail, local and international - while employing approximately two million people. EBF members represent banks that make available loans to the European economy in excess of €20 trillion and that reliably handle more than 400 million payment transactions per day. Launched in 1960, the EBF is committed to a single market for financial services in the European Union and to supporting policies that foster economic growth.

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