



NON-TRADITIONAL DATA RESEARCH REPORT

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Financial Sector
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EXECUTIVE SUMMARY

Big Data landscape: Big Data is growing rapidly. The Financial Services, Telco, Media and Technology are some of the sectors to derive a great amount of value from Big Data. Within the context of Big Data, there is both Traditional and Non-traditional data sets. Organisations are increasingly leveraging Non-Traditional data sets to capture value. Converting Non-Traditional data into insight includes data collection, processing, storage, analytics and insight or use case development. There are also various technologies and techniques used to derive value from Traditional and Non-Traditional data.

Prominent Non-Traditional data use-cases by Fintechs: Non-Traditional data use cases are most common in payments, lending and Insurtech. In payments, Fintechs are using Non-Traditional data with their extensive transaction data to enhance mobile payments user experience. In lending, Fintechs are using Non-Traditional data to build more accurate

scorecards, improve customer profiles, make better credit decisions, and to manage overall credit risk. Under Insurtech, Insurtechs are using Non-Traditional data to offer policyholders better premiums and to better manage risk.

Insights from South African Fintech Survey:

Overall, the findings from the survey conducted in the South African landscape indicates that the use of Non-Traditional data in the provision of financial services is still in the nascent stage with a more room for growth. There are key benefits such as; personalisation, financial inclusion, affordability and customer interaction to be derived from the use of Non-Traditional data. However, there are also risks ranging from data privacy, data misuse, transparency and fairness.

Implications for Fintechs and Regulators:

Implication for regulators entails strengthening aspects such as consumer education, regulatory frameworks, licensing, supervision and enforcement to combat new risks resulting from the use of Non-Traditional data. For Fintechs it means they need to have strategies in place to detect and investigate risks that may arise from the use of Non-Traditional data.

INTRODUCTION





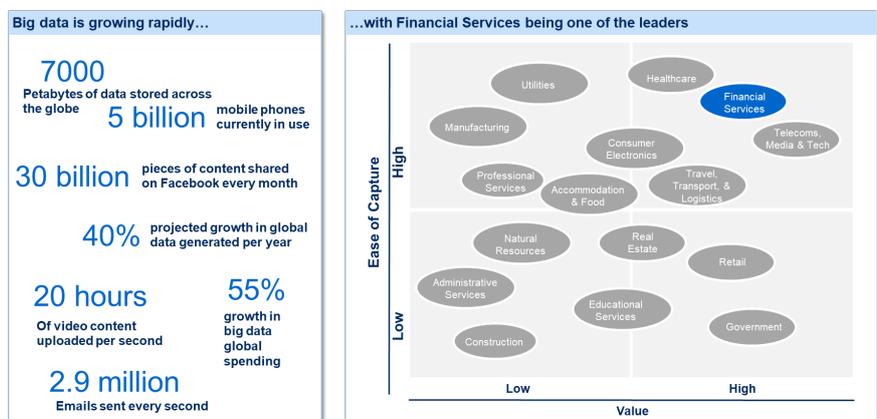
What is big data

The systematic collection of large amounts of novel data over the past decade followed by their organization and dissemination has led to the notion of Big Data . The name Big Data¹ stands in for three prominent characteristics: **Volume:** The size of data collected and stored through records, transactions, tables, files, etc. is very large. **Velocity:** The speed with which data is sent or received often marks it as Big Data. Data can be streamed or received in batch mode; it can come in real-time or near-real-time. **Variety:** Data is often received in a variety of formats be it structured (e.g. SQL tables or CSV files), semi-structured (e.g.HTML) or unstructured (e.g. a blog post or video message). Advances in data analytics and computational power are allowing firms to exploit data in an easier, faster, and more reliable manner, and at a larger scale.

By using Big Data, financial firms and firms from other sectors are able to provide more and better services. Exhibit 1 below indicates how Big Data has grown in prominence. Big Data is growing rapidly. The Financial Services, Telco, Media and Technology being some of the sectors to derive a great amount of value from Big Data.

1 J.P Morgan, paper on Big Data and AI Strategies. Machine Learning and Alternative Data approach to investing. 2017. Available: https://www.cfasociety.org/cleveland/Lists/Events%20Calendar/Attachments/1045/BIG-Data_AI-JPMmay2017.pdf

Exhibit 1: Big data has become vast and ubiquitous



Source: Dataconomy.com; McKinsey & Company

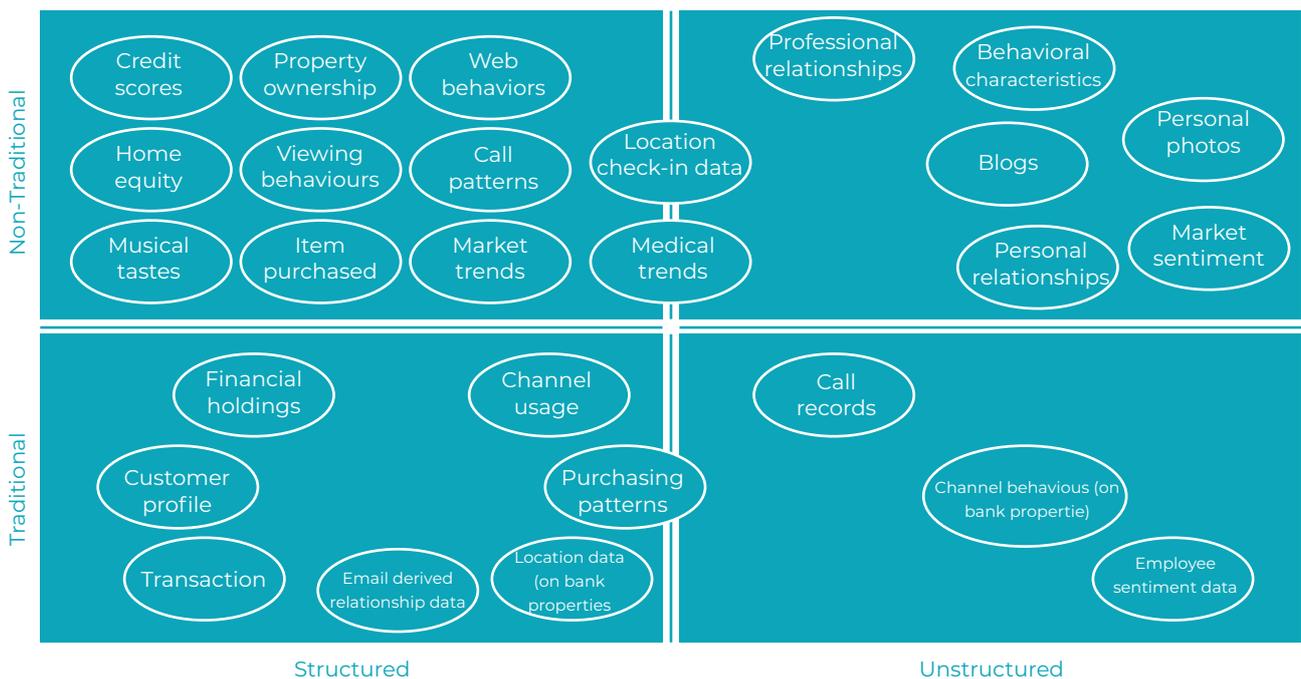
INTRODUCTION

What is Traditional and Non-Traditional data

Within the context of Big Data, there is Traditional and Non-traditional data. Non-Traditional data refers to data sourced from external sources used to supplement core internal organizational data, while Traditional data refers to data gathered from organisation internal sources/core systems. Both Traditional and Non-Traditional data come in a variety of forms, be it structured or unstructured. Exhibit 2 below shows examples of Traditional and Non-Traditional data forms.



Exhibit 2: Examples of traditional and non-traditional data forms



How Fintechs are using Non-Traditional data to capture value

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Organisations are increasingly leveraging Non-Traditional data sets to capture value. Fintechs are making use of external data like social site postings, search engine keywords, online transactions, photo albums, and group chats to gather insights about consumers' preferences and provide cross-sell/targeted adverts. Telecom companies are analysing internal unstructured data like call records, and URL/ contents to reduce churn (e.g., call centres' reps' behaviour, key phrases that led to churn like "sorry, I can't help you with that").

Non-Traditional data value chain

There are several stages involved in converting non-traditional data into insight. Table 1 below gives a detailed analysis of the processes involved in converting non-traditional data into insight.

Table 1: Non-Traditional data value chain

STAGES	DESCRIPTION	TECHNOLOGY
1. DATA COLLECTION	Gathering of quantitative and qualitative information on specific variables to evaluate outcomes or glean actionable insights.	Application Programming Interface (API): direct database-to-database data transmission enabling granular, real-time reporting and automated validation.
2. DATA PROCESSING	Preparing data for analysis by removing or modifying data that is incorrect, incomplete, irrelevant, duplicated, or improperly formatted.	Machine Learning (ML): enables automated data analysis, anomaly detection, merge-sort, scoring and other functions.
3. DATA STORAGE	The recording (storing) of information (data) in a storage medium.	Cloud computing: enables the storage of huge volume of data. Hadoop: It provides a software framework for distributed storage and processing of big data. Data lakes: provides scalable storage solution for diverse structured, semi-structured, and unstructured data.
4. DATA ANALYTICS	Data analytics is the science of analysing raw data to make conclusions about that information.	ML: makes it possible to quickly and automatically produce models that can analyse bigger, more complex data and deliver faster, more accurate results. Predictive analytics: predictive analytics technology uses data, statistical algorithms and machine-learning techniques to identify the likelihood of future outcomes based on historical data.
5. INSIGHT/USE CASE DEVELOPMENT	FSPs can convert non-traditional data into insight to derive benefits such as financial inclusion, personalization, customer experience and affordability.	Dashboards: interactive reporting tools that automatically fetch and render data in a meaningful and actionable manner. Business Solutions: personalised consumer solutions and customer process developed leveraging data analytics.

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Various prominent technologies and techniques are used to derive value from Traditional and Non-Traditional data. Box 1 below shows some examples of the technologies currently used by financial services providers (FSPs).

Box 1

Data lakes: scalable storage solution for diverse structured, semi-structured, and unstructured data.

Web portal: static file upload via the web site with built-in automated validation checks.

Chatbots: automated capture and interpretation of qualitative data enabling data collection in real-time.

Application Programming Interface: direct database-to-database data transmission enabling granular, real-time reporting and automated validation.

Data cubes: granular data storage and transmission solution enabling real-time data collection.

Web scraper/ screen scraper: automated capture of web data by bots.

Cloud computing: on-demand network access to shared computing resources (e.g. networks, servers, storage, applications, and services).

Distributed ledger technology (DLT): a network to securely propose, validate and record changes to a synchronised ledger distributed across multiple nodes.

Robotic process automation (RPA): partial or full automation of manual, rule-based and repetitive human activities by bots.

Dashboards: customisable, dynamic interactive reporting tools that automatically fetch and render data in meaningful and actionable visualisations.

Text mining: automated extraction of meaning from textual data.

Machine Learning: automated data analysis enabling anomaly detection, merge-sort, scoring and other use cases.

Geographic information systems (GIS): automated analysis of spatial or geographic data.

Source: Bank for International Settlement



PROMINENT NON-TRADITIONAL DATA USE CASES BY FINTECHS

KEY FINTECH SEGMENTS USING NON-TRADITION DATA

There are three most common Fintech use cases where Non-Traditional data is being used in the provision of financial service. The cases range from payments, insurtech, and lending.

With greater adoption of electronic payments, more data is accumulated from payment transactions, allowing financial institutions, services providers and merchants to gain a greater understanding of customers and businesses. Furthermore, as more payments are processed through electronic rails, financial institutions visibility into individuals and businesses cashflow and spending patterns is also increasing, improving their ability to extend loans to customers previously less understood. Payments Fintechs are also using Non-Traditional data with their extensive transaction data to enhance mobile payments user experience.

Lending Fintechs are using Non-Traditional data to build more accurate scorecards, improve customer profiles, make better credit decisions, and to manage overall credit risk. Use of Non-Traditional data is providing more lending options to a broader spectrum of borrowers. Adverse selection by lending intermediaries with superior underwriting capabilities is also leading to broader adoption of alternative credit indicators for adjudication and pricing.

Under insurance, Insurtechs are using Non-Traditional data to offer policyholders better premiums and to better manage risk. Insurers have become a critical custodian of customer data as they gain access to behavioural data on their customers (e.g., vehicle movement), above and beyond historical and static data available today (e.g., type of vehicle owned). Increased measurability and availability of personal data is allowing insurers to refine their understanding of customers' risks from cluster-based approach to individualised pricing.





Case study 1: Payments



Yoco² offers businesses a choice of two mobile card readers that connect to a phone or tablet (iOS/Android) and transform it into a card acceptance terminal. The solution offers value-added services such as a breakdown of sales, data on forms of payment and tracks revenue using Yoco's business intelligence (BI) tool.

In addition, eligible Yoco merchants can access a cash advance. Yoco considers a business's sales history and monthly turnover and eligible merchants will receive the required capital within 24 hours, paying a once-off flat fee. Yoco automatically takes a percentage of daily card sales to act as repayment for the cash advance.

² Available: <https://www.fsca.co.za/Documents/Fintech%20Scoping%20in%20South%20Africa.pdf>



Visa Joint venture with Gap is an early example of using real-time, location-based Payments data to make targeted customer offers. Partnering with a credit card company like Visa provided Gap insight into consumers that the company would have never had in the past. It has allowed the company to improve the targeting of their promotional programs, the timing of communications and to tailor offers to Gap customers.



Mastercard partnered with Banks in using their Payments data to formulate a 360° view of the customers to drive insights unavailable through isolated data sources. Mastercard³ is also able to offer retailers advisory services with benchmarks and recommendations, drawn from its visibility into data collected from comparable retailers.

Some of the benefits resulted from the use on Non-traditional data in payments include, Mobile payments user experience, technical quality, and acceptance network improved significantly, actionable insights leading to increased personalisation and improved value propositions. However, privacy and data protection concerns have been raised, this stems primarily from the fact that much of non-traditional data is often linked with personal information.

³ Available: http://www3.weforum.org/docs/Beyond_Fintech_-_A_Pragmatic_Assessment_of_Disruptive_Potential_in_Financial_Services.pdf



Case study 2: Lending



⁴One start-up aggressively using advanced machine learning to comb through vast sources of alternative data to predict an individual's creditworthiness is Lenddo. The company started in 2011 and focuses on emerging markets where rising middle classes often lack traditional credit histories or even bank accounts.

Lenddo looks at potential applicants' entire digital footprint to determine their creditworthiness by having individuals download their app. They claim it looks at over 12,000 variables including social media account use, internet browsing, geolocation data, and other smartphone information. Their machine learning algorithm turns all this data into a credit score, which banks and other lenders can use.

⁴ Available: <https://emerj.com/ai-sector-overviews/artificial-intelligence-applications-lending-loan-management/>



⁵With operation in France, Spain and Italy, Lendix is the online marketplace for business loans in continental Europe. On Lendix, Small Medium Enterprises (SMEs) can borrow directly from private and institutional lenders. Lendix creates an efficient, transparent and customer-friendly alternative to the traditional banking system and offers creditworthy SMEs faster and simpler access to financing. In 2017, Lendix was ranked in the KPMG and H2 Ventures Fintech100 for the second consecutive year.

Lendix uses Non-Traditional SME data and does not require a financial statement to grant loans to SMEs.

⁵ Available: <https://www.altfi.com/companies/lendix>



⁶RainFin is a lending marketplace that connects lenders directly with the high-quality individual, business or corporate borrowers. Launched in 2012, in response to the increased cost of traditional lending, RainFin was South Africa's first lending marketplace. It pioneered a viable alternative for quality borrowers looking for access to finance and lenders looking for returns that are higher than fixed deposits or the stock market. RainFin's vision is to remove traditional costs or barriers for borrowers and lenders through innovative technology, thereby creating a truly transparent and fair marketplace. RainFin collects data from a broad basket of databases to assess creditworthiness of their clients.

The use of Non-traditional data in lending drives financial inclusion for creditworthy consumers previously excluded, promote access to finance for small and medium enterprises (SMEs), help underserved groups by enhancing financial networks. However, this process can lead to potential bias on the basis of sensitive demographic characteristics, the process makes it difficult for consumers to verify or challenge unfair decisions, alternative credit assessment not always reliable and there are also data privacy and data protection challenges that come with the use on Non-Traditional data in lending.

⁶ Available: <https://www.crunchbase.com/organization/rainfin>



Case study 3: Insurtechs



⁷Colorado-based start-up Flyreel provides an AI-powered solution that offers customers and their insurance carriers visibility into each property and its specific details. It offers AI-assisted underwriting solution for commercial and residential properties. When a property is scanned via smartphone, Flyreel's technology identifies other pertinent details about the contents of a property in real-time, and funnels potentially relevant information into that customer's carrier. With every property scanned, the computer vision AI learns and iteratively develops a more robust underwriting process, whilst placing trust and transparency back in the hands of the customer. Insurers get detailed property and contents reports, allowing them to make underwriting decisions quickly and transparently, based on accurate data.

7 Available: https://www.researchgate.net/publication/337437583_Leveraging_Behavioural_Science_in_Insurance_A_Systematic_Review/citation/download



Discovery and Root are car insurance companies that aim to address informational issues surrounding premium pricing by encouraging positive driving behaviour. Using IoT devices and telematics (e.g. brake sensors, speed of turns, drive duration), Root and Discovery are able to delineate between safe and unsafe drivers - and only insures the safe ones. Traditional underwriters in the auto insurance space rely heavily on demographics and less on actual driving behaviour when assigning rates. What makes Root and Discovery model unique is that they focus their service on those who exhibit positive driving habits (e.g. a smaller customer segment) which in turn, enables them to formulate more affordable rates.



⁸Cuva is a provider of insurance services designed to connect customers directly with insurers. The company's services offer a mobile application-based pay-as-you-drive and motor insurance platform offering comprehensive cover within minutes and with round the clock customer support, enabling users to use a new kind of insurance which is fast, easy and friendly. Cuva uses connected IoT devices to offer consumers insurance that adapts to their behaviour and can also be customized and switched on and off by consumers on demand.

Non-traditional data is enabling Insurtechs to offer personalised customer journeys and customisable product options and through incentivisation, Insurtechs using non-traditional data are encouraging positive behavioural change. Privacy and data protection concerns, however, are being raised, stemming from the misuse and mishandling of non-traditional data without consent. It has been pointed out that more granular data can lead to the exclusion of some consumers from being insured.

8 Available: <https://pitchbook.com/profiles/company/121609-18#overview>

INSIGHTS FROM FINTECH SURVEY

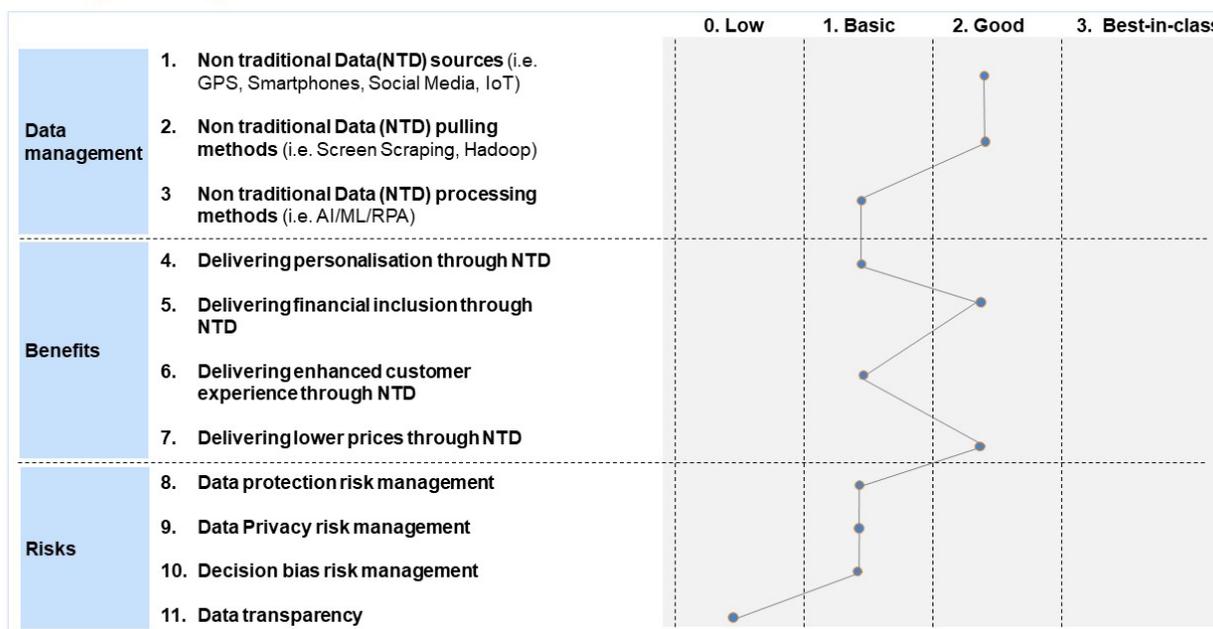
To gain insight on the impact of Non-Traditional data on the provision of financial services in the South African landscape, we conducted a survey on SA Fintechs cutting across three key segments, payment, lending and Insurance.

The survey focused on three main themes, data management, benefits derived and risk management. Scales ratings from low, basic, good and best in the class were used in the survey to benchmark the level at which SA Fintechs are operating when compared with their counterparties across the globe.

For example, under data management, we were able to measure the level or extent at which SA Fintechs are leveraging contemporary Non-Traditional data sources, Non-Traditional data pulling methods and Non-Traditional data processing methods compared to their peers across the world. Under benefits derived, the level at which SA Fintechs are leveraging non-traditional data to derive benefits such as personalisation, financial inclusion, affordability and customization was established.

Regarding risk management, the ability/level which SA Fintechs are able to manage risks emanating from the use Non-Traditional data such as, data protection, data privacy risk management, decision bias and data transparency were assessed. Exhibit 3 below gives a complete picture of the survey results, followed by a detailed analysis of the survey results findings.

Exhibit 3: SA Fintechs Survey Results



DATA MANAGEMENT

Data sources: Large proportion of Fintechs surveyed indicated that they are making use of variety of data sources such a smartphone, vehicles fitted telematics, watches, GPS, social media, internet and other electronic devices/mediums to source Non-Traditional data to deliver value to customers. This is taking place at a sophisticated level resulting in the overall scale of good.

Data pulling methods: Large proportion of Fintechs surveyed are using novel techniques to gather Non-Traditional data, including screen scraping practice, Hadoop technology stack integration tools, APIs, etc. This is taking a place at a sophisticated level with an overall scale of good.

Data processing methods: Small proportion of Fintechs surveyed are leveraging cutting-edge technology such as RPA and AI to process Non-Traditional data. This is still taking place at a basic level and is yet to mature in the SA Fintech space hence the overall scale is basic.

Personalisation: Large proportion of the Fintechs surveyed are still figuring out ways to leverage Non-Traditional data to deliver personalisation/ segment of one value propositions. Some personalisation is taking place but albeit at basic levels.

Financial inclusion: Survey results indicate that large proportion of Fintechs across lending, insurance and payments sectors are using the Non-Traditional data they have collected to drive the uptake, usage and quality of their products and services among previously excluded customers. This is taking place at a sophisticated level and the overall scale in good.

Customer experience: Large proportion of Fintechs surveyed have not yet found ways to deliver differentiated customer experience leveraging Non-Traditional data. Some customer experience improvements are taking place albeit at basic levels.

Affordability: Survey results indicate that a large proportion of Fintechs are leveraging Non-Traditional data in novel ways to offer customers more affordable deals. This is taking place at a sophisticated level and making Fintechs attractive to some customers.

BENEFITS

RISK MANAGEMENT



Data Protection: Survey findings indicated a split between Fintechs that are following basic global guidelines, for example, ⁹General Data Protection Regulation (GDPR), and those who admitted to not following any laws to protect data in their possession. With POPIA still coming into effect, many Fintechs don't yet have guidelines directing them on data protection.

Fairness: Survey findings indicated that Fintechs are employing basic practices to safeguard against biases resulting from data algorithms. For example, an internal dispute mechanism where customers can lodge a complaint should they feel aggrieved by a certain outcome.

Transparency: Survey findings indicated low levels of transparency among Fintechs in disclosing to customers which of their data points are being used, and how they are being used. With POPIA still coming into effect, many Fintechs don't yet have guidelines directing them on transparency.

⁹ Is a regulation in EU law on data protection and privacy in the European Union (EU) and the European Economic Area (EEA).It also addresses the transfer of personal data outside the EU and EEA areas.



OVERALL FINDINGS FROM THE STUDY

From the study, we managed to deduce that there are key benefits as well as key risks resulting from the use of Non-Traditional data on the provision of financial services.

Table 2: Key benefits and risk

KEY BENEFITS	KEY RISK
1. Personalisation: FSPs are converting non-traditional data into insight to design products and services that meet individual specific requirements/needs.	1. Discrimination: Granular data and algorithms may result in consumers being excluded from accessing certain products and services due to real or perceived risks.
2. Financial inclusion: FSPs are able to use non-traditional data to drive the uptake, usage and quality of their products and services, resulting in access to financial services to the previously underserved groups.	2. Data privacy: Consumers' data being accessed and used without consent.
3. Customer experience: FSPs are able to use non-traditional data to drive the interaction between themselves and customers.	3. Data protection concerns: Lack of safeguards in place to prevent data leaks and misuse by third parties.
4. Affordability: the use of non-traditional data by FSPs is enabling them to design cheaper and better services to consumers.	4. Data misuse: Inappropriate use of consumer data beyond the scope of their consent.
	5. Transparency: Customers may not know how FSPs are collecting, using and sharing their data, and what benefits they are getting.
	6. Fairness: Consumers have no safeguards against unfair discrimination and exclusion resulting from their data. In some cases, customers may have no right to correct or update their data.

RECOMMENDATIONS

Based on the overall findings from a survey conducted in the South African market, it is evident that things such as data privacy, data protection, fairness and transparency are major challenges emanating from the use of Non-Traditional data on the provision of financial service. This is in line with the trends that we are witnessing around the world. In this regard, general and specific recommendations were developed taking into considerations the challenges identified. The following general recommendations are being proposed:

RECOMMENDATION 1: DISCLOSURE AND INFORMED CONSENT.

FSPs should be clear about their use of customer data, attain customer agreement to their customer data policies and, where appropriate, seek consent for specific uses, e.g.

- **Informed consent:** FSPs need to provide clear and accessible information about how customer data will be used (e.g. terms and conditions).
- **Transparency:** Customers should be able to view or know the data that are collected about them, how they are used and whether they are shared with a third party.
- **Ability to revoke consent:** Customers should be able to request that data about them no longer be used by an FSP (e.g. the right to be forgotten).
- **Legitimate use:** FSPs may not need to seek consent when using data for legitimate interests (e.g. those required by law).

RECOMMENDATION 2: SECURITY

FSPs should be held responsible and accountable for data security, e.g.

- **Liability:** A clear liability framework should be in place that ensures the responsible party is held accountable for data security and harms caused by breaches of its respective data security duties of care.
- **Traceability:** FSPs need to be able to identify where data were improperly used or accessed in the event of a security breach.

RECOMMENDATION 3: CONTROL

FSPs should disclose to customers which of their data points they are using and enable customers to intervene and limit use where applicable, e.g.

- **Intervention:** Customers should be able to intervene to gain information or limit the use of data they control, and FSPs should respond appropriately.
- **Limited use:** Where reasonable, a maximum time period that data can be retained by FSPs should exist, as well as limits on certain sensitive data types or uses.

RECOMMENDATION 4: PORTABILITY.

FSPs should, where appropriate, allow customers to access, download, transfer and/or permit third parties to manage data about them, e.g.

- **Accessibility:** FSPs should allow customers to download data about them in a machine-readable format or through standardized APIs, depending on the FSP stage of development.
- **Third-party permissions:** Customers should permit third parties to download their data.

RECOMMENDATION 5: PRIVACY AND DATA MISUSE.

FSPs should be held responsible and accountable for violation of customers' data privacy, e.g.

- **Liability:** A clear liability framework should be in place that ensures the responsible party is held accountable for data misuse and harms caused by breaches of its respective data duties of care.
- **Traceability:** FSPs need to be able to identify where data were improperly used.

RECOMMENDATION 6: ALGORITHMS AND ANALYTICS

FSPs should be able to comprehensively test, validate and explain their use of data analytics or algorithms and models to customers, e.g.

- **Justification:** Customers should have the right to request why a decision was made (e.g. why the model methodology is appropriate, why the output is justified).
- **Challenge:** Customers should have the right to correct incorrect or incomplete data about them held by an FSP.



IMPLICATIONS TO FINANCIAL REGULATORS

Given the risks emanating from the use of Non-Traditional data on the provision of financial services, the challenge it poses to consumers and regulators, to this end there is a need to level the playing field. Therefore, financial regulators need to put proper safeguards in place to ensure that the financial system is geared towards the realisation of better consumers outcomes. These will include a series of actions and tasks that needs to be undertaken by financial regulators when executing their day to day mandates. Such actions and tasks are detailed are below:

1. Licensing:

At the licensing stage key Non-Traditional Data risks to be unpacked including;

- ¹⁰Screen-scraping
- Algorithms and analytics
- Cybersecurity risk
- Consumer education
- Transparency

¹⁰ The process of using automated scripts to collect displayed data elements from one application so that the data can be used by another application. Scraping from online platforms generally requires the use of customer credentials to log in and access the data as if the screen scraper was the customer.

3. Enforcement

As part of enforcement and investigation activities, the following will be required;

- Data Management/ ¹¹APIs standards
- Digital audit trails/cybersecurity detection
- Specific disclosure mechanisms e.g. possible warnings.
- Misconduct analysis/identity management

¹¹ Open API enable FSPS to exercise greater control over the type and extent of data shared and enable more secure access management and monitoring.

5. ¹²Regulatory Sandbox

Through information derived from research, industry surveys, and data collected from the Sandbox, regulators should provide input to the Conduct of Financial Institutions (CoFI) Bill to ensure customers are treated fairly in the usage of their data.

¹² The Regulatory Sandbox provides market innovators with an opportunity to test new products and services that push the boundaries of existing regulation, all under the responsible supervision of relevant regulators.

6. Regulatory Frameworks

Through information derived from research, industry surveys, and data collected from the Sandbox, regulators should provide input to the ¹³Conduct of Financial Institutions (CoFI) Bill to ensure customers are treated fairly in the usage of their data.

¹³ COFI is intended to streamline the conduct requirements for financial institutions in South Africa, which are currently regulated in a number of financial sector laws. In essence, COFI will replace the conduct provisions in various financial sector laws and will build on a strong, effective and consistent market conduct legislative framework for all institutions, which undertake financial activities.

2. Supervision

As part of our risk-based supervisory activities new risks associated with the use of Non-Traditional data to be inspected including;

- Discrimination
- Disclosure framework
- Dispute mechanism
- Data misuse
- Data breaches and privacy

4. Consumer Education

Owing to the complexity of some Non-Traditional data value chain financial regulators must ensure consumer education plays a central role in demystifying and equipping consumers to make informed choices.

CONCLUSION

As we can see from both domestic and international markets that technological innovations have improved the ability of FSPs to capture and use Non-Traditional data. These technologies allow FSPs to collect a greater variety of Non-Traditional data, manage and transfer data, permits greater insight into customer behaviours and preferences.

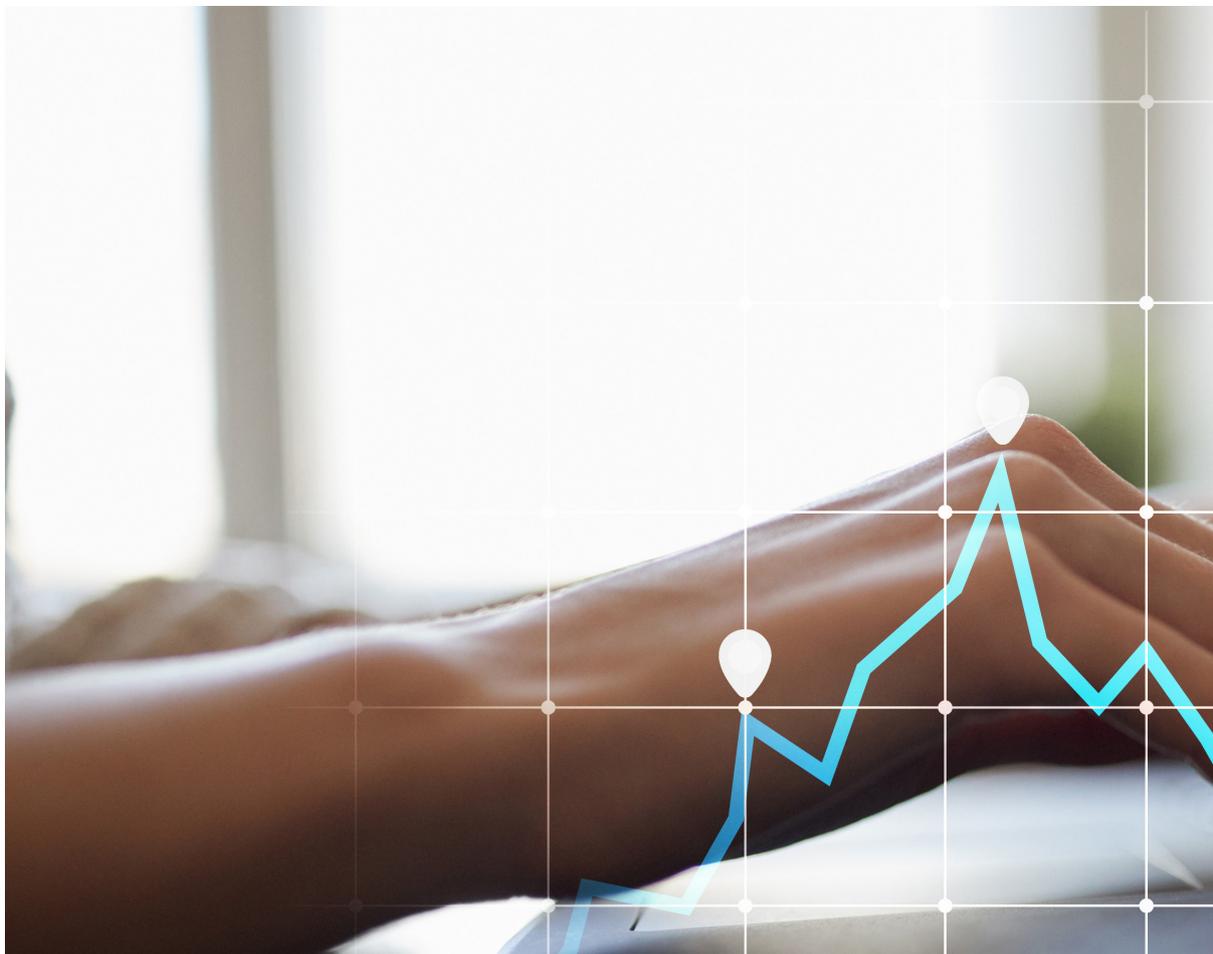
However, innovations have also led to greater uncertainty on what it means to use Non-Traditional data appropriately. Absence of guidelines on the usage of Non-Traditional data poses risks to market stability because of changing economic incentives. For example, Increased availability of more granular customer data could encourage companies to focus on their most profitable customer segments at the exclusion of less profitable ones.

Therefore, finding consensus among financial regulators on the appropriate use of Non-Traditional data is critical to balancing financial stability, consumer protection, innovation and economic growth. With the proposed recommendations, we believe it will be possible to address the challenges posed using Non-Traditional data in the provision of financial services.



NOTES





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