Financial and Monetary Systems

The Appropriate Use of Customer Data in Financial Services

Balancing Financial Stability, Innovation and Economic Growth

WORLD ECONOMIC FORUM

COMMITTED TO IMPROVING THE STATE OF THE WORLD

Context

In an effort to better understand the implications of the Fourth Industrial Revolution – a technology-led transformation that is fundamentally altering the way people work, live and relate to one another – the Forum prioritized a review of the financial system through its initiative, Balancing Financial Stability, Innovation and Economic Growth. A key part of this review focused on the appropriate use of customer data in financial services.

As financial institutions amass larger stores of data they are able to expand access to services to previously underserved populations, provide an enhanced customer experience, and offer tailored and more affordable products. At the same time, new entrants increasingly compete with incumbent institutions and accelerate the rate of change in the financial system. Fueling much of this change is the use of customer data. Protecting customer information has become increasingly important to maintaining a secure and trusted financial services system.

Principles

Although a number of standards on data use are emerging (e.g. EU's General Data Protection Regulation (GDPR), the California Consumer Privacy Act (CCPA), Australia's Consumer Data Right), there is no global standard. If this isn't addressed, this lack of global coordination will result in significant system fragmentation.

Recognizing that a move towards global principles would help public- and private-sector actors balance financial innovation and stability, a Forum-convened expert group has developed global principles, mapped against existing standards, for the appropriate use of customer data.

These principles were developed through several multistakeholder workshops, meetings of senior industry and public-sector leaders, and expert interviews. A first version of the principles was presented in a White Paper published in September 2018. The customer data policy environment has rapidly evolved since and the Forum-convened stakeholder group acknowledged that its principles had to reflect the maturing environment.

The below version of the principles and their underlying considerations reflects the central role of the customer as the main beneficiary of the opportunities presented by the appropriate use of customer data and the main agent in controlling their data's collection, use and sharing.

Scope

The opportunities and challenges presented by the use of customer data extend well beyond financial services and a cross-sectorial framework for its appropriate use is desirable. All stakeholders should actively work towards such industry-agnostic principles. In the meantime, the group of financial system stakeholders convened by the Forum deemed it prudent to lead with the development of principles particularly relevant to financial actors with the expectation that these principles will inform the drafting of broader, cross-industry standards.

Application and looking forward

The policy environment related to the use of data will keep developing. Reflecting this, principles outlined below are high level so that they can be adapted in a way that fits the evolving policy landscape. Where data frameworks exist, companies are expected to comply with any laws and regulations. In the absence of these, the principles may offer guidance for what appropriate data governance may look like. Alignment with the principles will depend on cultural, regional, and company-specific contexts. The White Paper published by the Forum provides a roadmap for stakeholders aiming to align with the principles including example action steps through the lens of various stakeholders (e.g. governments, incumbents, challengers). The interaction of the principles will further raise practical questions, for example, related to liability. Stakeholders will need to resolve the interaction of principles and their potential weighting vis-à-vis each other in a jurisdiction-specific context.

Looking ahead, there is a clear need for a globally coordinated governance approach to data as financial regulators (e.g. Basel Committee) are unlikely to take up such a mandate. In particular, the G20 has an opportunity to shape the data governance approach, and in doing so, should incorporate perspectives from emerging markets.

In the absence of global governance and cross-industry alignment, the leadership group convened by the Forum is progressing with an endorsement of the principles to accelerate efforts to maintain customers' trust and enhance financial stability.

Additional materials

The Appropriate Use of Customer Data in Financial Services Addendum

Principles and underlying considerations

Data life cycle

Collection

Consent

"Customers should be able to give or deny their consent to companies' gathering, usage or storage of their data. Companies should clearly outline and communicate their data policies, including notification of legitimate uses where consent is not sought."

- **Informed consent:** Companies should provide clear information about how customer data will be used. They must request that the customer give consent in accordance with local regulations and customs, and provide appropriate support for the customer so that they can fully understand that consent and its implications, reflective of variations in consumer literacy.
- **Ability to revoke consent:** Customers should be able to request that data from them no longer be used or shared by an organization in a user-friendly way, and to the extent reasonably feasible and legally acceptable, be deleted.
- **Legitimate use:** Customers should understand and be notified of circumstances in which companies may not need to seek consent when using data for legitimate interests (e.g. those required by legal obligation, contractual necessity or other legal bases accepted by regulation).
- **Insight:** Customers should be able to view or know the data that is collected from them, how it is used and where it is shared with a third party.

Storage

Control

"Companies should provide their customers with the ability to exert appropriate control over the data generated during their interactions."

- **Personalization:** Customers should be able to maintain control over how customized their individual profiles can be and which variables are considered, while companies should be able to provide differentiated customer services based on appropriate legal grounds.
- **Accessibility:** Customers should have the right to download data about them in machine-readable format or through standardized application programming interfaces (APIs), depending on the company's stage of development and jurisdiction.
- **Portability:** Customers willing to share their data with third parties should expect companies to provide access, download and transfer, or permission for these third parties to manage data about them.
- **Limited use:** Where reasonable, limits on certain sensitive data types or uses should exist.

Security

"Customers should expect their private data to be held securely. Companies should be held responsible and accountable for data security, including breaches, abuse or misuse."

- **Data integrity:** Customers should expect confidentiality, integrity (e.g. data should be matched to the correct person, obtained from trustable sources, kept up-to-date) and availability regarding their data over its life cycle.
- **Security breach notification:** Customers (and appropriate regulating agencies, where applicable) should be notified in the event of a security breach affecting their data.
- **Traceability:** Customers should expect companies to be able to identify and explain where data was improperly used or accessed in the event of a security breach.
- **Liability:** A clear liability framework should be in place that ensures the responsible party is held accountable for data security and for harm caused by breaches of its respective data security duties of care, as well as for abuse or misuse of data.

Processing

Trans-parency

"Companies should comprehensively test, validate and explain their use of data analytics and models to customers, and to explain any subsequent decision-making."

- **Justification:** Customers should be able to request how a decision was made (e.g. the model methodology), particularly as analytics enabled by machine learning and AI develop further.
- **Challenge or update data:** Customers should have the right to correct wrong or incomplete data about them held by a company, and it should be possible for customers to ask for human intervention to challenge suspected circumstances of bias or discrimination in the case of (1) automated decision-making that produces legal effects concerning the customer or (2) the customer provides valid reasons for their suspicion.

Recip-rocity

"Companies and customers both should benefit from the use of customer data."

- **Business value:** Businesses should have the right to improve their value creation, effectiveness and efficiency by using customer data, to the extent consistent with these principles, relevant laws and regulations, and emerging ethical guidelines. Data aggregation and de-personalization, where possible, has been a way to achieve this while maintaining the spirit of the principles and protecting the individual customer.
- **Customer value:** Customers should expect companies' use of gathered customer data to collectively create value for the customer, and where possible, facilitate cross-border access to financial services.