



**Asia-Pacific
Economic Cooperation**

2019/SOM1/FDM/017
Agenda Item: 7.2

An APEC Roadmap for a New Financial Services Data Ecosystem

Purpose: Consideration
Submitted by: ABAC



**Finance and Central Bank Deputies' Meeting
Santiago, Chile
7-8 March 2019**



An APEC Roadmap for a New **Financial Services Data Ecosystem**



FINANCING ASIA-PACIFIC INTEGRATION IN THE DIGITAL AGE

2018 PROGRESS REPORT
ON THE WORK OF THE
ASIA-PACIFIC FINANCIAL FORUM (APFF)
ASIA-PACIFIC FINANCIAL INCLUSION FORUM (APFIF)
ASIA-PACIFIC INFRASTRUCTURE PARTNERSHIP (APIP)

ATTACHMENT A
**An APEC Roadmap for a New Financial Services
Data Ecosystem**

An Undertaking of the
Asia-Pacific Financial Forum (APFF)

TO IMPLEMENT THE **CEBU ACTION PLAN'S** INITIATIVE 1A

**PROMOTE AN ENABLING FINANCING ENVIRONMENT FOR MSMEs, INCLUDING TRADE,
SUPPLY CHAIN AND ALTERNATIVE FINANCING MECHANISMS**

DELIVERABLES

**PROMOTE THE DEVELOPMENT OF NEW FINANCIAL INSTRUMENTS FOR MSMEs
ADDRESS REGULATORY BARRIERS TO DIGITAL, MOBILE AND INNOVATIVE FINANCING
DEVELOP POLICY FRAMEWORKS FOR ALTERNATIVE FINANCE**

In 2018, ABAC submitted the draft of an **APEC Roadmap for a New Financial Services Data Ecosystem** to the APEC Finance Ministers (as an attachment to its 2018 Report)



“We note the work of ABAC and the APFF in promoting regional public-private platforms for financial innovation and digitalisation, cross-border data ecosystems and personal insolvency reform, and look forward to this work being advanced next year.”

Joint Ministerial Statement

2018 APEC Finance Ministers' Meeting

The APEC Mission Statement

“We are united in our drive to build a dynamic and harmonious Asia-Pacific community by championing free and open trade and investment, promoting and accelerating regional economic integration, encouraging economic and technical cooperation, enhancing human security, and facilitating a favorable and sustainable business environment. Our initiatives turn policy goals into concrete results and agreements into tangible benefits.”



“Data flows are the currency of the digital economy that fuels growth in the information age”

*Concluding APEC Senior Officials' Meeting
Sydney, Australia
2-3 September 2007*



DATA COLLECTION ON CONSUMERS

SINCE DECADES

RECENT YEARS

- Public available data, court records, vehicle records, voter records
- Name and address changes, marriages, divorces, births, deaths
- Lists from surveys, warranty registrations, and sweepstakes
- Newspaper and magazine subscribers, mailorder buyers, travel bookers
- Purchases from retailers, pharmacies, loyalty programs, clubs
- Credit histories, data from banks, credit card networks, insurers, healthcare, employers

LINKING
Name
Birthdate
Postal Address
Phone ZIP

- CENSUS DATA, MARKET RESEARCH
- DATA ABOUT NEIGHBORHOODS & BUILDINGS
- HOUSEHOLD-LEVEL DATA
- INDIVIDUAL-LEVEL DATA
- UNIQUE IDENTIFIERS

YOUR PROFILE

Family Interests
Attitudes Lifestyle
Financial Health
Behaviors Personality
Risk Factors
Weaknesses
Movements



Profile data is stored by many companies from retailers to data brokers to online platforms.

- AGGREGATED, ANONYMIZED "BIG DATA"
- METADATA ABOUT WEBSITES, APPS, CONTENT, PLACES
- BROWSER OR DEVICE SPECIFIC DATA
- INDIVIDUAL-LEVEL DATA
- UNIQUE IDENTIFIERS

LINKING
Location
Device IDs
Accounts Email
Cookie IDs

- Publicly available data on the web
- Website visits, searches and other behaviors
- Social media, platforms and user accounts
- Smartphone and app usage
- Online Purchases
- Smart TVs, activity trackers, game consoles, e-readers, cars and other devices

Data and inclusive finance

1 Rapid Customer Segmentation/Customization

Analytics

- Data mining of social signals from customers and prospects, i.e., key life events
- Individualized reach campaigning
- Tailor customer service & increase efforts to cross sell

- **Example:** US insurer field pilot empowering reps to use social media
- **Impact**
 - 22% increase in productivity
 - Reduced time for content distribution by 75%.
 - Thousands of new leads generated monthly

4

3 Reducing risk through predictive analytics



CGAP

6

2 Speed client acquisition through automation

DemystData

U.S.

1. Making data available

- Scrapes internet to gather application data
- Verifies identity
- Reduction of ~15% "false negatives"

Agora Advisory

India

2. Auto-completing information analysis

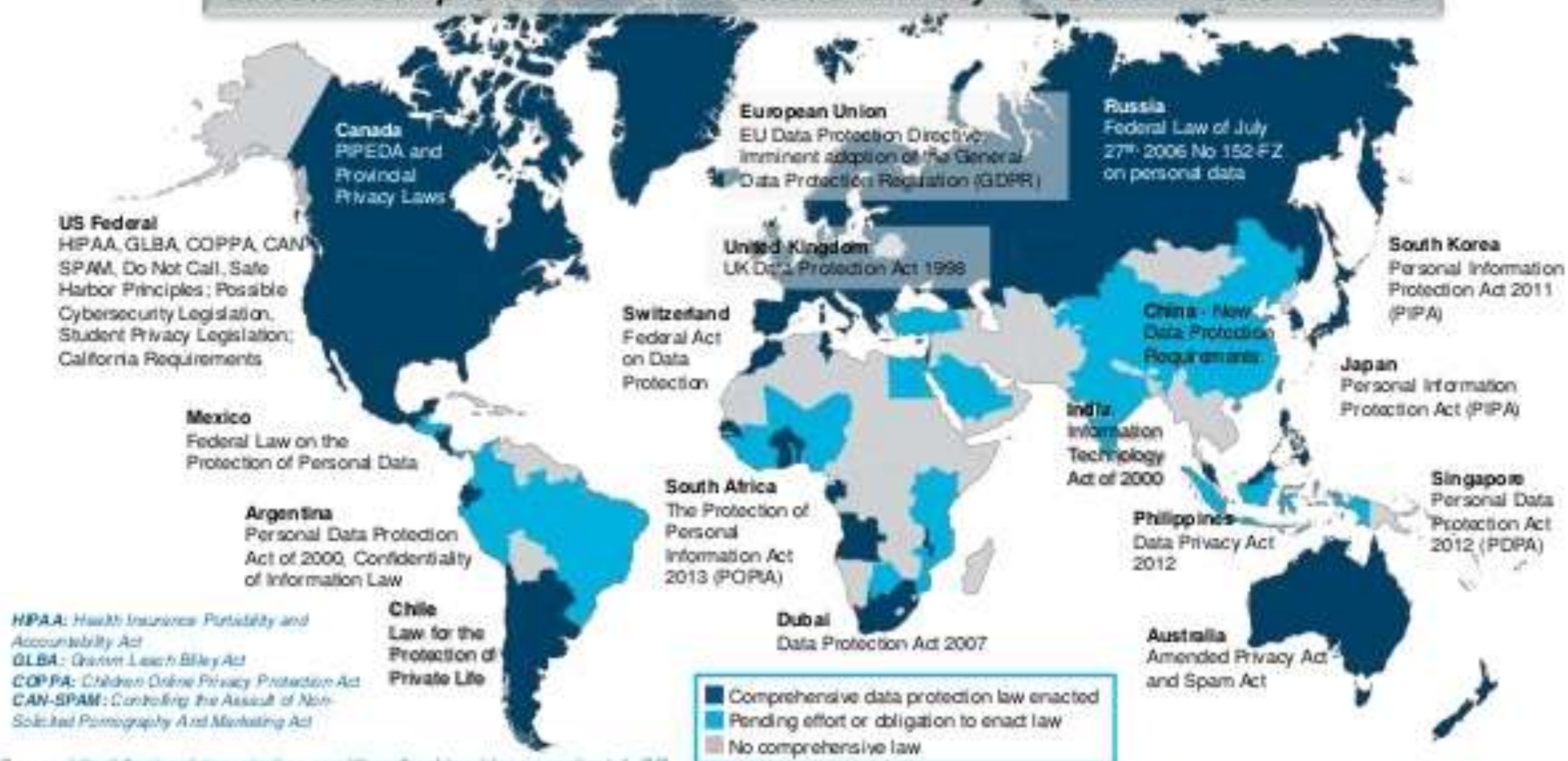
- Auto-populates "ability to repay" farmer data
- Leaves bank staff to focus on "willingness to repay" judgments

CGAP

5

Nearly 100 countries around the world have adopted data protection and privacy laws

Selected Comprehensive Data Protection/Privacy Laws and Bills as of 1/2016



Source: http://idappertdataprotection.com/handbook/world_map_section_1_5G

APEC Roadmap for a New Financial Services Data Ecosystem

- ▶ Identify critical building blocks of an enabling data ecosystem
- ▶ Outline concrete initiatives and actions to put these building blocks in place over a reasonable time frame
- ▶ Provide a tool for promoting consistency of laws, policies and regulations with existing internationally agreed principles, frameworks and good practices
- ▶ Identify areas where work is needed to achieve regional consistency
- ▶ Point out key considerations and the way forward
 - ▶ For reforms in individual jurisdictions
 - ▶ For regional cooperation

General Data Regulation

Consistency with core principles of data protection

- ▶ General agreement on core principles: Key examples
 - ▶ OECD Guidelines on the Protection of Privacy and Trans-border Flows of Personal Data
 - ▶ APEC Privacy Framework
 - ▶ WBG Good Practices for Financial Consumer Protection
- ▶ Diversity leads to significant differences among data protection regimes across jurisdictions
- ▶ **Achieve a level of consistency to allow for interoperability among regimes and cross-border data transactions**



Consistency among domestic laws and regulations

- ▶ Overlaps:
 - ▶ Multiple specific laws on data privacy and security
 - ▶ Different laws across levels of government (e.g., federal and state)
 - ▶ Overlaps of jurisdictions among regulatory bodies
- ▶ Inconsistency of objectives
 - ▶ Promotion of open banking vs. stringent data protection
 - ▶ Promotion of cross-border e-commerce vs. data localization requirements
 - ▶ AML/CFT requirements vs. privacy, consent, and confidentiality
- ▶ **Review laws, policies and regulations and initiate reforms**



Expanding data collection and sharing

- ▶ **Establish full-file and comprehensive credit information systems**
 - ▶ Positive and negative data
 - ▶ Traditional and alternative data
 - ▶ Expand sharing of credit information from various sources
- ▶ **Develop potential of unstructured data**
 - ▶ Balanced legal/regulatory approach to new data/analytics industry
 - ▶ Establish a general personal data regulator
 - ▶ Establish independent industry association; develop codes of conduct and self-regulatory capacity



Sound frameworks for data collection, storage, sharing and use

- ▶ **Build policy making and regulatory capacity** to deepen understanding of data technology and industry landscape
- ▶ **Support broader role for industry**
 - ▶ Codes of conduct
 - ▶ Self-regulation
 - ▶ Financial education and public awareness
 - ▶ Industry-regulator cooperation
 - ▶ Reviewing methodologies and algorithms
 - ▶ Developing robust data standards and best practices in data governance and management



Sound frameworks for data collection, storage, sharing and use

- ▶ **Collaborate with public, private and international stakeholders to review adequacy and appropriateness of domestic laws and regulations and undertake reforms**

- ▶ Reforms: proactive, holistic and systemic
- ▶ Approach: principles- and risk-based, technologically agnostic and avoid being unduly prescriptive
- ▶ Regulations: flexible and proportionate
- ▶ Focus: Misuse of data and collection limitation principle instead of assembly and use of data
- ▶ Level-playing field and shift from entity-based to activity-based regulation



Cross-Border Data Flows

Addressing concerns behind data localization

- ▶ Data localization not consistent with APEC's view:
 - ▶ Organizations increasingly rely on data for many purposes
 - ▶ Free and open trade and investment involving consumers cannot take place without the collection and sharing of personal data across borders
- ▶ Data localization has significant costs and unintended consequences
- ▶ Data localization creates tensions between competing regulatory requirements and business inefficiencies
- ▶ **Identify concerns behind data localization and evaluate whether they can be better addressed through other measures that are compatible with wider cross-border data sharing**



Cross-border data privacy

- ▶ Goal: APEC jurisdictions to agree on a common framework that enables cross-border data flow while assuring data protection
- ▶ Current situation:
 - ▶ APEC Privacy Framework + CBPR at very early stages of development
 - ▶ GDPR driving changes globally – bilateral negotiations
- ▶ Challenges:
 - ▶ How APEC can reach common framework / regional privacy regime
 - ▶ How to achieve inter-operability with GDPR
- ▶ **Undertake gap analyses between:**
 - ▶ **APEC jurisdictions and APEC Privacy Framework/GDPR**
 - ▶ **APEC Privacy Framework/GDPR and CBPR**
- ▶ **Ways to expand participation in CBPR**



Data security

- ▶ Comprehensive set of controls to prevent inadvertent disclosure of data
- ▶ Wider adoption of technology creates a growing need for public-private collaboration to build stronger foundations for data security
 - ▶ Long-term strategy for managing the data security environment
 - ▶ Comprehensive guidelines on data security and business continuity
 - ▶ Wider intelligence-sharing among jurisdictions
 - ▶ Innovative programs, development of expertise, regulatory sandboxes, prioritization, capacity building
- ▶ **Design an APEC public-private sector platform for sharing of experiences in promoting data security**
- ▶ **Review of cyber resilience legislation + industry best practices**



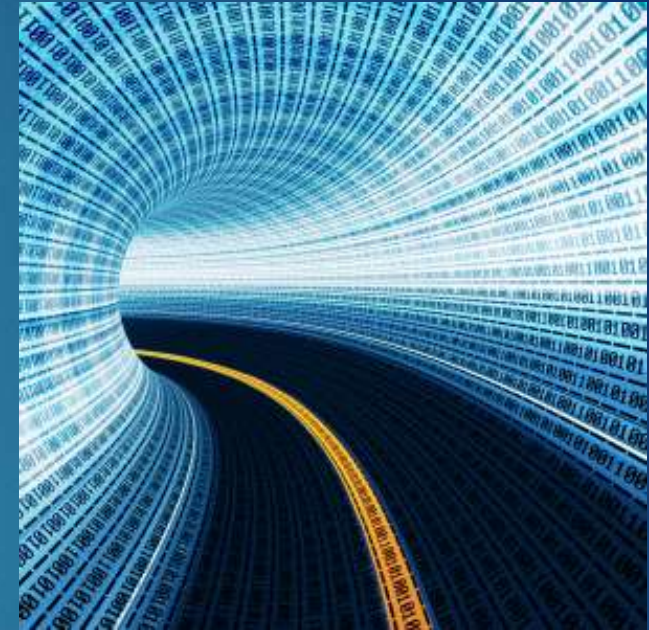
Cross-border access to data for law enforcement

- ▶ Mutual Legal Assistance process overwhelmed by explosion of digital information
 - ▶ One of factors driving data localization
- ▶ **MLA process needs to be reformed and streamlined (e.g., use of online forms)**
- ▶ **International agreements for data sharing for law enforcement purposes**
- ▶ **Public-private sector partnerships**



Domestic infrastructure and industry development

- ▶ Another driver of data localization, which has unintended and adverse consequences
- ▶ **Need for holistic set of enabling policies and measures, can benefit from:**
 - ▶ **APEC Blueprint for Action on Electronic Commerce**
 - ▶ **APEC Best Practices to Create Jobs and Increase Competitiveness**



Regional platforms

- ▶ Deployment of new technologies – regulatory concerns on implications on cross-border data flows
 - ▶ Blurring of jurisdictional borders
 - ▶ Opacity of technologies – concerns about accountability, recourse and enforcement
 - ▶ Technology develops faster than legislation and rule/making
 - ▶ Scarcity of specialized technical experts
- ▶ **Collaboration among regulators and industry to develop regional platforms for facilitating innovation in cross-border financial services**
 - ▶ **E.g., ASEAN Financial Innovation Network (AFIN)**
 - ▶ **Linkages among domestic regulatory sandboxes**



Updates and Next Steps

Development of the Roadmap

- ▶ 20-21 June 2018, Singapore: APFF Conference organized by ABAC, World Bank, SKBI in cooperation with MAS
- ▶ 26-27 September 2018, Washington DC: APFF Conference
- ▶ 17 October 2018: APEC Finance Ministers called for advancing the work in 2019
- ▶ 29 January 2019, Manila: Consultations hosted by ADB with ASEAN+3 regulators and officials
- ▶ 2 March 2019, Atlanta: Further discussions of Roadmap recommendations on data privacy and security



Next Steps

- ▶ Further consultations
 - ▶ 7-8 March 2019. Santiago: Presentation to and discussions with APEC Finance and Central Bank Deputies
 - ▶ June 2019, Beijing: Data Ecosystem Roadmap conference
 - ▶ Further consultations with relevant public and private stakeholders in the region and relevant APEC fora
- ▶ Finalization of Roadmap
- ▶ Consideration by APEC Finance Ministers in October 2019
- ▶ After endorsement – collaboration with relevant policy makers and regulators to implement the Roadmap



Discussion Participants (as of March 2019)

APEC Business Advisory Council ✿ APEC Secretariat ✿ Access Partnership ✿ Allen & Gledhill ✿ Ant Financial Services Group ✿ Arent Fox LLP ✿ Asia Cloud Computing Association ✿ Asian Development Bank ✿ Asia-Pacific Credit Coalition ✿ Asia Policy Partner ✿ Axiom SL ✿ BAFT ✿ Bain & Co. ✿ Barefoot Innovation Group ✿ BlackRock ✿ BSA/The Software Alliance ✿ Business Information Industry Association ✿ Center for Financial Industry Information Systems, Japan ✿ Chartered Alternative Investment Analyst Foundation ✿ Citi ✿ CoreLogic ✿ Credit Builders Alliance ✿ Crowell & Moring LLP ✿ C&M International ✿ DAI ✿ DBS Bank Ltd ✿ DBS Group ✿ DTCC ✿ Data & Analytics Capital ✿ Data Synergies ✿ Deutsche Bank ✿ Drew & Napier LLC ✿ Ethereum Foundation ✿ European Central Bank ✿ Experian ✿ FICO Scores ✿ Fidor ✿ FinReg Lab ✿ Georgetown University ✿ GoldsteinCope Policy Solutions ✿ Google ✿ Harvard Law School ✿ Herbert Smith Freehills ✿ HSBC Bank USA ✿ Immuta ✿ Institute of International Finance ✿ Inter-American Development Bank ✿ International Finance Corporation ✿ International Monetary Fund ✿ ISDA ✿ JD Finance ✿ JP Morgan Chase ✿ MasterCard ✿ Microsoft Corporation ✿ Mizuho Bank Ltd ✿ Monetary Authority of Singapore ✿ Moody's ✿ National Credit Bureau (Thailand) ✿ NCR Corporation ✿ Nova Credit ✿ OCBC Bank ✿ Pallas Global Advisors ✿ PayPal ✿ Policy and Economic Research Council ✿ Policy Support Unit, APEC ✿ Potomac International ✿ SAP Asia ✿ Singapore Management University ✿ Singapore Personal Data Protection Commission ✿ SME Finance Forum ✿ Steptoe & Johnson LLP ✿ SWIFT ✿ Standard Chartered Bank ✿ Stradegi Consulting ✿ Swiss Re Asia Pte Ltd ✿ TRPC Pte Ltd ✿ The University of Hong Kong ✿ Thomson Reuters ✿ Token Insights ✿ Tradle ✿ TransUnion ✿ UOB ✿ US-ASEAN Business Council ✿ US Bureau for Consumer Financial Protection ✿ US Department of Commerce ✿ US Department of the Treasury ✿ US Chamber of Commerce ✿ US Federal Trade Commission ✿ US National Center for APEC ✿ US National Institute of Standards and Technology ✿ Venable LLP ✿ World Bank Group



We need your feedback!

Contact:

Dr. Julius Caesar Parreñas

Coordinator, Asia-Pacific Financial Forum (APFF)

Senior Advisor, Mizuho Bank, Ltd

✉ 1-5-5, Otemachi, Chiyoda-ku, Tokyo 100-8176, Japan

☎ +81-3-5224-2601  caesar.parrenas@mizuho-bk.co.jp