BPFI Response to ESAs Joint Committee Discussion Paper on the Use of Big Data by Financial Institutions		
Qs.	**Chapter**	**Comment**
Definition and Scope/Description of the phenomenon (Qs. 1 -5)		
1.	Do you agree with the above description of the Big Data phenomenon? If not, please explain why. Please also mention whether you consider that other characteristics are relevant to understanding the use of Big Data.	Members largely agree with the description of Big Data. However some have concerns that the use of the three "Vs" is too simplistic. Big Data is rather much broader and must take into consideration the data itself whether structured data, Big Data, AI-based data, and/or personal data. Big Data is also cross-sectoral in nature and therefore difficult to define. It is interesting to note that when using data many members start from a business position/goal and then assess what data is required in order to achieve that goal.
2.	Which financial products/activities are (likely to be) the most impacted by the use of Big Data and which type of entities (e.g. large, small, traditional financial institutions, Fintechs, etc.) are making more use of Big Data technologies?	Nearly all financial institutions are likely to be impacted by the use of Big Data, notably insurance in particular but banking also Specifically banks use Big Data largely as a customer-retention tool in order to develop specific tailored products based on consumer behaviour, needs and attitudes. Banks may use Big Data for cross-selling models, credit and risk scoring and the development of end-to-end propositions for valuable micro segments. However, banks will also increasingly use Big Data as a customer acquisition tool developing their proposition to acquire new customers and to respond to their needs.
	In light of ESAs' objective to contribute to the stability and effectiveness of the financial system, to prevent regulatory arbitrage, do you consider that there is a level playing field between financial	Some members believe that there isn't a level playing field between financial institutions and Fintechs largely as a result of differences in business models, customer base, technology innovation and the existence of legacy systems. However, others believe that Big Data is an

	institutions using Big Data processes and those not using them (e.g. because they do not have access to data or the (IT) resources needed to implement Big Data processes) or between established financial institutions and potential new entrants (e.g. Fintechs) using Big Data processes? Please explain.	opportunity to change that and depends on how Big Data is utilised by incumbents and fintechs and where the partnerships might align.
3.	Do you offer/are you considering using Big Data tools as part of your business model? If so, please briefly describe: I. what type of entity you are, e.g., long established, start-up, a product provider, an intermediary; II. the service you provide; III. the nature of your clients; IV. your business model; V. whether the Big Data tools/strategy were developed by an external company or internally and whether you have related agreements with other entities (including non-financial entities)23; VI. what are the types of data used (personal, anonymised, user data, statistical data etc.)	All members use big data tools as part of their business model. i) Banking & Payments Federation Ireland is the representative body of the Irish Banking & Payments Sectors with over 80 members, both domestic and international. ii) Member Banks provide a range of Financial services iii) Member banks serve both Retail and corporate customers iv) Traditional banking model v) Some members are developing the tools internally, others are outsourcing Big Data tools/services. vi) Differs per member but includes among others a mix of managed (data which has undergone an analysis/process by banks) and raw

	sources of data; and	data (provided directly by the consumer) which can be anonymised, personal and aggregated data. This data can refer to among other things identity, demographics, credit history, transactional data, payment obligations and behaviour.
	VII. the size of your Big Data related activity and/or forecast activity (e.g. to what extent are business decisions already taken on the basis of Big Data analysis; what other business actions could be based on Big Data in the future)?	vii) Differs per member. At present, business actions are largely related to the customer service provided for both new and existing customer base. Some banks focus on marketing objectives, others on the customer experience, and some on both. Other actions relate to legal and regulatory requirements and risk management. Into the future members predict that Big Data related activity will increase significantly across the business helping member banks enhance business performance, customer service and fraud detection and prevention.
4.	If you are a consumer or a consumer organisation, do you witness any of the uses of Big Data? In what fields?	N/A
5.	Do you consider there are (non-regulatory) barriers preventing you (or which could prevent you in the future) from collecting and processing data? Are there barriers preventing you from offering/developing Big Data tools in the banking, insurance and securities sectors? If so, which barriers?	Yes. Members cited the following barriers: • Ability to adapt and change legacy technology • Keeping pace of the changing technical landscape • Reputational risk with regard to use of consumer data • Cost and capacity constraints

	Regulatory framework applicable to Big Data (Qs. 6-7)	
6.	Do you agree with the above short, non-exhaustive, presentation of some of the main applicable requirements? If not, please explain why. Please also mention whether you consider that other legal requirements are essential and should be mentioned.	Yes members agree with the presentation of main applicable requirements. Members don't see the requirement for other legal measures over and above current requirements. As mentioned at 7 below, members would welcome guidelines re implementation of GDPR and E-Privacy Regulation, in due course.
7.	Do you consider any of these regulatory requirements as unjustified barriers preventing you from using Big Data technologies? If so, please explain why. Please also explain whether you consider that further regulation (including soft law/guidance, etc. and insofar as it falls within the scope/remit of the ESAs) should be introduced to facilitate the use of Big Data technologies.	Members do not believe that further regulation should be introduced to facilitate the use of Big Data technologies. Rather, members would welcome guidelines clarifying requirements of GDPR in this area. These guidelines should be directed at financial institutions and also supervisors/regulators to ensure all are aware of any boundaries in the legislation. Financial institutions need guidance on their ability to use Big Data in an evolving digital world but within the boundaries of legislation/regulation/supervision.
	Potential benefits and risks for consumers and financial institutions (Qs. 8 – 18)	
8.	Do you consider the potential benefits for consumers and respectively financial institutions to be accurately described? Have you observed any of them in practice? If so, please provide examples. If not, please explain whether you are aware of any barriers that may prevent the above potential benefits from materialising?	Yes the description is accurate. Specifically member banks see particular benefits in the ability to tailor products/services for different consumer segments, and offer a better customer experience. Use of Big data can also play a strong role in risk management whether credit underwriting, fraud risk management, KYV, AML, product governance and compliance with regulation.

9.	Do you agree with the description of the risks identified for consumers and respectively financial institutions? Have you observed any of these risks (including other risks that you are aware of) causing detriment to consumers and respectively financial institutions? If so, in what way? If not, please explain why. Please also mention whether certain risks for consumers and financial institutions have not manifested yet but have the potential of developing in the future and hence need to be closely monitored by Supervisory Authorities.	Members believe that the risks outlined are not exclusive to the use of Big Data. Indeed some of the risks highlighted may derive from IT systems rather than use of Big Data specifically. Some of the risks are not correct most notably the risks presented in paragraph 42 where members believe that actually increasing personal offering is more beneficial to consumers. Nonetheless, there are indeed risks. While members carefully assess and take into consideration the quality of the data before it is used in a model, certain members believe that the risks of underlying data and models used to make decisions being inaccurate is quite high and data quality check processes must be continuously enforced and updated.
10.	Is the regulatory framework adequately addressing the risks mentioned above? Bearing in mind the constant evolution of technologies/IT developments and that some of the above mentioned regulatory requirements are not specific to the financial services sector (e.g.GDPR), do you think further regulation is needed to preserve the rights of consumers of financial services in a Big Data context? Please explain why.	Members believe that the regulatory framework requires further guidelines (rather than regulation) to enable institutions to interpret requirements accurately. In general, members believe that the principle "same services/risks, same rules" should apply to all and would recall that use of Big Data is not specific to the financial services sectors but all sectors.
11.	Do you agree that Big Data will have implications on the availability and affordability of financial products and services for some consumers? How could regulatory/supervisory authorities assist those consumers having difficulties to access financial services products?	Big data has positive impacts as it facilitates more targeted products and services and an enhanced customer service. Some members even cited an increase in mortgage approval rates with reference to Big Data. However some risks remain and governments may have to offer incentives to financial institutions to provide products for unattractive/high-risk segments. Members would also highlight that the regulator/supervisor should use Big Data tools to their advantage in their role as supervisors.

12.	Do you believe that Big Data processes may enable financial institutions to predict more accurately (and act accordingly) the behaviour of consumers (e.g. predicting which consumers are more likely to shop around, or to lodge a complaint or to accept claims settlement offers) and could therefore compromise the overarching obligations of financial institutions to treat their customers in a fair manner? Please explain your response.	The use of Big Data will not compromise our member obligations to treat consumers fairly. Rather big Data enhances the customer experience and supports the imperative of treating customers fairly by enabling our members to offer more suitable products and services.
13.	Do you agree that Big Data increases the exposure of financial institutions to cyber risks? If yes, what type of measures has your institution adopted or is going to adopt to prevent such risks? What could supervisory/regulatory authorities do in this area?	Big Data helps members to identify cyber risks by increasing fraud detection mechanisms and therefore provides better in-built security and protections in relation to the digital channels that facilitate the use of Big Data. Members advise that supervisory authorities could promote the usage of Big Data in dealing with cyber risk. However, given the increased amount of data, IT security is an increasing focus of our members.
14.	Would you see merit in prohibiting the use of Big Data for certain types of financial products and or services, or certain types of customers, or in any other circumstances?	No, our members believe that appropriate protections are already in place across existing consumer protection legislation, data protection legislation, industry codes and the GDPR framework.
15.	Do you agree that Big Data may reduce the capacity of consumers to compare between financial products/services? Please explain your response.	Some members believe that there is a small risk of reduced comparability but in general personalised pricing is still more beneficial to consumers than generic pricing as it enhances the consumer offering and experience.
16.	How do you believe that Big Data could impact the provision of advice to consumers of financial products? Please explain your response.	Big Data increases the ability to provide personalised advice based on how consumers actually behave rather than how they say they behave. This is true in general but specifically in the robo-advice, KYC processes and credit-worthiness

17	How do you believe Big Data tools will impact the implementation of product governance requirements? Please explain your response.	Any such impacts are not exclusive to Big Data and its use, like any other process or operation, is subject to conduct of business principles. Specifically, Big Data will enable banks to clearly demonstrate that products have been developed for specific customer segments based on their needs.
18.	How do you believe Big Data tools will impact know-your-customer processes? Please explain your response.	It will impact know-your-customer processes in a very positive and much more accurate way by enabling companies to gather and disseminate information on customers at a more granular and multi-dimensional level.
	Possible evolution of the market (Qs. 19 – 23)	
19.	What are key success factors for a Big Data strategy (i.e. the adaptation of the business model/plan towards Big data driven technologies and methods)?	A Big Data strategy aligns with and is part of and supports a business strategy that aims to provide a better customer experience, on-going innovation for better customer outcomes and a greater understanding of its business.
20.	What are the greatest future challenges in the development and implementation of Big Data strategies?	The greatest future challenges for our members vary but in general are : • legacy technology • resourcing issues • Rapidly changing tools and techniques in a market that is constantly evolving • Increased and new regulation
21.	This Discussion paper refers to a number of measures and tools meant to ensure compliance with conduct and organisational regulatory requirements as well as data and consumer protection rules in the context of big data analytics. Are other measures and tools needed? If so, what are they and what they should cover?	Members don't believe that other measures are needed. However, in general we would welcome more guidelines by way of clarification of existing legal and regulatory requirements. Another suggestion is to enable a balanced programme of consumer education in relation to Big Data.

22.	How do you see the development of artificial intelligence or blockchain technology in connection with Big Data processes?	AI is seen by members as data in itself, and something that creates big data. While the usage of Blockchain is still evolving, if successful, members expect it to permit better utilisation of data.
23.	Are there any other comments you would like to convey on the topic of use of Big Data by financial institutions? In particular, are there other relevant issues that are not covered by this Discussion Paper?	BPFI members believe that regulators should see Big Data as a major opportunity for the role of all players in the financial services sector, including consumers in addition to regulators and supervisors themselves.