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| **Reference** | **Comments** |
| **General comments** |  |
| Definition and scope | |
| Key points  Big Data is defined by referring to the three “Vs”: “volume”, “variety” and “velocity”.  Big data encompass not the data itself but also the technologies and procedures followed to process and analyse the data.  The discussion paper covers various types of data analysis, e.g. descriptive, predictive or prescriptive.  The discussion paper does not focus on traditional data mining tools designed to handle mainly low-variety, small scale and static datasets, often manually.  Furthermore, the main scope of the discussion paper is the use of Big Data by financial institutions which has an impact on their processes, on services provided to their clients or on their relationship with clients. | |
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| Description of the phenomenon | |
| Key points  The discussion paper has a comprehensive approach to capture the collection and use of data, including the analytical methods and technologies used.  **Purposes/business models**  **Type of firms using Big Data**: the use of Big Data is very likely to increase and spread across various and all types of financial institutions as they realise their potential benefits. Financial institutions across the banking, insurance and investment sectors, as well as other non-regulated entities (e.g. IT firms or digital firms) are using Big Data techniques  **Purposes of the use of Big Data**: profile consumers, customer loyalty management, marketing campaigns, market segmentation decisions, product development, suitability/appropriateness test, demands and needs test, pricing products/services, underwriting risk, fraud prevention, risk control etc.  The use of Big Data may also enable financial institutions to cross-sell various products/services, develop behavioural-based services, support compliance with regulatory requirements (e.g. Solvency II, EMIR…) etc.  **Type and sources of data**: various types of consumer data are collected and used by firms (e.g. ID or contact details, browsing history, log data, professional data, personal interests, social network information, driving and location data etc.). In additional to consumer data, other types of data such as financial market data, news, price etc. are also integrated into financial institutions’ Big Data related processes.  Data may come from both internal or external sources.  Data may be structured, semi-structured or unstructured.  **Scale of the market and market concentration**: there are no clear statistics or data on the exact number of EU financial institutions using Big Data or on the market share of the key users/owners of Big Data technologies. Nevertheless, there is evidence that some financial institutions are using or planning to use Big Data solutions.  There is also relatively limited information on the potential for the use of Big Data to increase fragmentation or concentration of the distribution chain in the financial sector. | |
| **Question 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. | The joint committee discussion paper is a comprehensive description of the big data phenomenon as well as its scopes and issues, we agree with its content. |
| **Question 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? 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 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. | * Processing big data for risk management purposes will be costly as it requires skills, as well as technological and financial resources: large financial institutions are more likely to face these issues than small-or medium sized players. * Excessive use of big data may lead to total risk individualization: consequences such as expected number of persons excluded from insurances or financial services should be closely monitored. In that regard, a special attention should be paid to Mutual societies ) Due to their governance principles among them solidarity, Mutual societies could be deeply affected in a total risk individualization environment * [Regulation (EU) 2016/679](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2016.119.01.0001.01.ENG&toc=OJ:L:2016:119:TOC) (GDPR) ensures an even level playing field for all entities. |
| **Question 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);  vi) what are the types of data used (personal, anonymised, user data, statistical data etc.) sources of data; and  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)? | YES  Mutual societies are long established *entities providing life and non-life insurance services, complementary social security schemes, and small value services of social nature. Their primary purpose is to satisfy common needs while not making profits or providing a return on capital. Mutual societies are managed according to solidarity principles between members who participate in its corporate governance. They are intended to be accountable to those whose needs they were created to serve*.”( <https://ec.europa.eu/growth/sectors/social-economy/mutual-societies_en>  Mutual societies intend to use the different types of data within GDPR regulation. |
| **Question 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 |
| **Question 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? | We do not consider French regulation that prohibits profiling as a barrier ; it fits mutual societies regulation (Code de la Mutualité ) as well as their governance principles. |
| Regulatory framework applicable to Big Data | |
| Overview of the applicable rules  **Data protection requirements**: General Data Protection Regulation, Directive 2002/58/EC concerning the processing of personal data and the protection of privacy in the electronic communications sector, cybersecurity legislation  **Consumer protection requirements**: Unfair Commercial Practices Directive, Directive on Distance Marketing of Financial Services, Misleading and Comparative Advertising Directive  **Sectoral financial requirements**: PRIIPs, Insurance Distribution Directive, EMIR, Solvency II, Anti-Money Laundering Directive | |
| **Question 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. | [Regulation (EU) 2016/679](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2016.119.01.0001.01.ENG&toc=OJ:L:2016:119:TOC) (GDPR) ensures an even level playing field for all entities. , a special attention should be paid though to its implementation and to further monitoring in order to ensure the prohibition of illegal personal health data processing and harnessing in financial and insurance services. |
| **Question 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. | Regulatory requirements are justified.  The problem lies in the open data: users provide data to GAFA’s when using their services, not aware of further purposes of data processing based on the data they provided. A special attention should paid to that issue. |
| Potential benefits and risks for consumers and financial institutions | |
| **Potential benefits and risks linked to more granular segmentations**  Potential benefits for consumers in terms of more personalised products and services  Risks related to access to financial services because of granular segmentations  Risks related to comparability of financial services  Risks for consumers derived from more aggressive marketing or cross-selling practices  **Potential benefits and risks linked to the quality of processes and services using Big Data**  Potential benefits for consumers and financial institutions linked to better/innovative processes, products and services  Potential benefits for consumers derived from better insight into and control over their financial situation  Potential benefits for consumers and financial institutions linked to improved detection of fraud and other illegal activities  Potential benefits for financial institutions relating to improved regulatory compliance (“regtech”)  Risks related to consumers having limited ability to correct information errors, challenge the use of data/decision-making processes or seek clarifications  Risks for consumers and financial institutions related to flaws in the functioning of Big Data tools  **Potential impact on revenues/costs**  Potential benefits relating to increased revenues/lower costs derived from cost-effective processes, products or services  Budget and human capital challenges  Potential lower costs related to enhanced risk and credit-worthiness assessments  Potential increased revenues from access to a wider/more stable client base  Potential increase of revenues linked to exploitation of data  Potential impact on claims settlement/complaints handling practices  **Reputational, legal and cybersecurity issues related to the use of Big Data technologies**  Potential reputational or legal risks linked to the use of Big Data technologies  Amplified cybersecurity risks  Risks related to liability allocation  **Benefits and risks linked to the impact on consumers’ lifestyles and broader ethical considerations linked to the use of Big Data** | |
| **Question 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? | Consumers could get a more personalized service which is positive as long as they keep control of the ownership and use of their personal data. |
| **Question 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. | We agree with the risks as described, profiling and risk skimming should be monitored closely by G 29. |
| **Question 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. | Regulatory framework is adequately addressing the risks mentioned. |
| **Question 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? |  |
| **Question 12**  Do you believe that Big Data processes may enable financial institutions to predict more accurately (and act accordingly) the behavior 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. | As stated in the answer to question 2, misuse of Big Data may lead to total risk individualization: consequences such as expected number of persons excluded from insurances or financial services should be closely monitored. |
| **Question 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? | In view of existing technologies, Big data doesn’t seem to pose a special threat. |
| **Question 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? | In medium /long term, social security systems might be affected by excessive risk individualization and risk skimming. |
| **Question 15**  Do you agree that Big Data may reduce the capacity of consumers to compare between financial products/services? Please explain your response. |  |
| **Question 16**  How do you believe that Big Data could impact the provision of advice to consumers of financial products? Please explain your response. |  |
| **Question 17**  How do you believe Big Data tools will impact the implementation of product governance requirements? Please explain your response. |  |
| **Question 18**  How do you believe Big Data tools will impact know-your-customer processes? Please explain your response. |  |
| Possible evolution of the market | |
| Key points  As technical developments such as intelligent cars, wearable devices and connected houses, gradually develop over time, data is expected to increasingly become a key feature for the business processes of financial institutions, and hence the value of data and its competitive relevance will increase.  Big Data technologies may also change the way financial services are provided (e.g. increase the quality of services).  The potential misuse of data could result in an increased demand for cybersecurity (re)insurance, particularly by SMEs and private institutions. | |
| **Question 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)? |  |
| **Question 20**  What are the greatest future challenges in the development and implementation of Big Data strategies? |  |
| **Question 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? |  |
| **Question 22**  How do you see the development of artificial intelligence or blockchain technology in connection with Big Data processes? |  |
| Additional comments | |
| **Question 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? |  |