

FSCA Press Release

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THE FINANCIAL SECTOR CONDUCT AUTHORITY PUBLISHES RESEARCH ON THE IMPACT OF NON-TRADITIONAL DATA ON THE PROVISION OF FINANCIAL SERVICES IN SOUTH AFRICA

Today the Financial Sector Conduct Authority (FSCA) published its research report on the impact of Non-traditional (Alternative) Data on the provision of financial services in South Africa.

Alternative data has grown in prominence in South Africa and is increasingly being used by Fintechs and traditional financial institutions in serving customers. Data points like social site postings, digital footprint, online transactions, photo albums, sentiment and behavioural data, and group chats are increasingly being used to gauge consumer preferences and provide them with personalised offerings.

The aim of the report was to understand emerging practices around the use of non-traditional data in order to make recommendations on key benefits and risks that financial institutions should take into account as they scale their offerings. The report captures some of these emerging trends by identifying specific use cases being developed, and also through a survey conducted on SA Fintechs.

Our overall findings identified key benefits to consumers such as financial inclusion, personalisation, affordability, and enhanced customer experience. On the flipside the report identified risks such as data privacy, data protection, fairness and transparency as major challenges that would need to be addressed to ensure customers are sufficiently protected. The report recommends that this can be done by ensuring greater levels of transparency and informed consent, data security, data privacy and prevention of misuse/biases.

To access the report, select below link:

<https://www.fsca.co.za/Documents/FSCA%20Non-Traditional%20Data%20Research%20Report%202020.pdf>

Notes to the editor

- The Financial Sector Conduct Authority (FSCA) is a member of the Intergovernmental Fintech Working Group (IFWG). The IFWG was established in 2016 with the objective to create a forum for regulators to gain deeper insights into fintech innovation in order to regulate and foster responsible innovation to help ensure the continued efficient functioning of financial markets and financial stability, and the safeguarding of customers' interests. Other members of the IFWG are, the Financial Intelligence Centre (FIC), the National Credit Regulator (NCR), Competition Commission, the National Treasury, South African Revenue Service (SARS) and the South African Reserve Bank (SARB).

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