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Executive Summary for Workshop 2 of CAIDG's Studio for Digital Self-Determination (DSD) in Open Finance

Wenxi Zhang
Research Associate
Centre for AI & Data Governance

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In 2021, CAIDG launched the studio for Digital Self-Determination in Open Finance. Through this studio initiative, CAIDG serves as a platform for engaging diverse opinions on the *who, what and how* questions of situating DSD in the context of open finance. The studio comprises 3 workshop sessions, whereby participants analyse and explore how DSD can be operationalised in different thematic and geographical contexts. Stakeholders from Singapore and Switzerland (both of which are pivotal international FinTech hubs) were invited to the Studio, including industry experts from traditional banks and fintech firms, as well as finance and data regulators. With stakeholders from different backgrounds, the diversity of opinions presented in the workshop provided a snapshot of how different perspectives might complement or conflict each other in practice, coming from different aspirational or practical considerations.

The second and penultimate workshop on digital self-determination in open finance focused on translating theory into practice, zooming in on the impediments, mechanisms, social value, and business case and beneficiaries of its implementation in the industry.

An impediment raised was the potential conflict between privacy concerns and open access in financial services. It was purported that finding the balance between these two factors is important – while data leakages or unauthorised use make affected data subjects reluctant to embrace more freely flowing data, trust[1] can be formed if data subjects allow it within a permissible platform. Towards striking such a balance, data subjects' information needs to be treated with respect, and in a way that does not reveal the information of others, since data is often generated between multiple individuals or institutions. DSD addresses this tension by opening up a fairer and more reasonable pathway to access, recognising that personal protections are important.

A general lack of awareness was highlighted as another impediment against the implementation of DSD. In jurisdictions across Asia Pacific[2], there is a focus on convenience over prudent risk management in many cases, due to inadequate awareness of specific risks resulted. Even

[1] An important non-monetary benefit of DSD, trust creates not only client loyalty but also the social ground for safe digital spaces to grow and develop.
[2] The potential for increasing access to finance in the Asia Pacific region was particularly huge, given that about 40% of the population has access to finance.

economies predominantly made up of SMEs, such as Indonesia, comprise of many business owners with just rudimentary understanding of financial risks involved in what are common financial activities in more developed countries. As such, there is great potential in increasing awareness such that data subjects know of the value of their data and from there can be meaningfully at the front and center of data decisions.

On whether building trustworthy digital spaces is more achievable when there is a clear authority as the orchestrator, it was opined that there is no one-size-fits-all approach for different jurisdictions, where some have regulated mandatory open finance regimes while others more market-based approaches. Subject to different levels of centralisation in identity models (e.g. decentralised models are leveraging emerging technologies like blockchain or DLT), the official resilience frameworks and infrastructure for consumer empowerment are important to parallel governance models. As an agreement rather than hard rules, DSD serves this purpose across spatial confines, without having to engage in relevant legal controversies[3].

The lack of adequate regulatory standards for third party operators might threaten trust and harm user DSD, especially with the rising trends in various digitalised financial portals such as gamification, which have received criticisms of manipulating behaviour. The need for additional regulation and checks in digital platforms was raised, since current derivations of "informed consent" for terms and conditions with just the click of a button is hardly indicative of meaningful knowledge towards applications that could potentially pose data risks. A fundamental condition of DSD is that the data subject knows what data is held by others, and what happens to it. There is increased complexity with what happens to data with the greater interplay of technologies, and evolving business modes and processes. The lack of informed consent in this transfer of control/responsibility risks rendering further discussions on data protection pointless. On the other hand, it was also noted there might also be a trade-off between having tighter regulations to safeguard consumer interests versus limiting flexibility in service provision, and therefore reducing consumer interest.

Beyond behaviourally oriented forms of information disclosure, whether there is a need for more fundamental changes to the facilities and conditions in open finance for DSD (e.g. the standards for open APIs) was put forth for debate. Efficiency and standardisation were brought up as necessary directions for facilitating cooperation/communication and cybersecurity of data flow. This would be particularly important as jurisdictions transition towards more decentralised models – especially in larger jurisdictions, where the non-homogenous/fragmented ecosystems might be much more difficult to coordinate all at once.

Relatedly, a discussion emerged regarding which stakeholders should take charge of shaping trustworthiness in open finance schemes. For instance, non-traditional financial services providers have been outside of regulatory regimes in some jurisdictions, but they are gaining involvement in

[3] For instance, different jurisdictions might understand 'privacy' differently.

others that are moving towards modernising payment systems. The role of these providers in various scenarios is still up for debate.

The control over update, port and consent to AI processing of one's data were highlighted on top of right to access as part of empowerment. Whether data subjects should be empowered to inferences from algorithmically processed data the same way as personal data is also up to further debate across different jurisdictions. For instance, currently companies in Singapore are entitled not to disclose such "opinion data" under the GDPR, which may disempower data subjects. To what extent, then, should the practice of data management in the industry be ahead or behind the regulators? It was posited that regulations are not all encompassing, and the industry is part of the evolving discussion to set data standards with growing experience and data points.

DSD was said to complement current trajectories, such as inclusive finance[4]. At the same time, it was also cautioned that financial inclusion needs to go beyond surface-level inclusion, and truly serving the underserved in building financial resiliency. Some existing regimes were critiqued of still leaving 'included' people without an adequate degree of financial stability, resiliency, and longevity; DSD aims to address such concerns by shaping a safe and open data environment for such hidden vulnerabilities to surface.

Another non-monetary benefit of DSD highlighted was its capacity to engage all players of the ecosystem together, including regulators, market players, consumers and the government – concurrently, and across private and public sectors. The collaborative efforts were envisioned to be a huge step forward. If sufficiently materialised, DSD has potential in facilitating data exchange across jurisdictions that are currently more reserved towards how their data is transferred outside of the jurisdiction – which may be disempowering to data subjects.

There might be a long way to go before DSD becomes part of the mainstream discussion in open finance, but there was general consensus of the necessity for much greater awareness of this subject. At the same time, the move away from regulatory protections might stimulate a greater sense of alliance/association between the data subject and the data user. The pressure for more access may be the pressure for moving forward.

[4] In many jurisdictions, open finance has been promoted as a possible response that could increase financial inclusion.