



Data protection in the financial sector

Sustainable digital development in the financial sector requires data protection

Increasing data use requires robust data and consumer protection

Both traditional and new financial service providers, such as mobile phone providers, fintech companies and tech giants like Alibaba, Amazon, Apple, Facebook and Google, are increasingly using digital technology and data sources for purposes including simplifying credit or identity checks. For example, data from new sources such as text messages, emails and social media is used to support automated decision-making about the creditworthiness of an individual, using algorithms and artificial intelligence. Decisions can now be made in seconds rather than days.

This offers huge scope for facilitating financial inclusion and hence universal economic and social participation, provided that the statutory framework for data protection and consumer protection is observed. This framework also includes the regulation of data collection and standards for traceable customer information. However, given the dynamic changes in the financial services industry, regulators and supervisory authorities are often unable to keep abreast of the adoption and monitoring of data protection provisions. A non-transparent evaluation of personal data collected without justifications entails a risk of social or financial exclusion if, for example, an algorithm were to calculate that residents in one place were less creditworthy than those living elsewhere.

Engaging international development cooperation

In 2018, the G20 Global Partnership for Financial Inclusion (GPFI) adopted a G20 Policy Guide, which contains recommendations on the data protection rights of consumers, such as legal rights to the access, rectification and erasure of personal data stored by financial service providers. The recommendations are based on the G20 High-Level Principles for Digital Financial Inclusion adopted in 2016. Among other things, these include balancing innovation and risk, creating supportive framework conditions and strengthening digital and financial awareness and skills. The recommendations are also based on the G20 GPFI discussions held in 2017. Within the Responsible Finance Forum, G20 GPFI implementation partners – such as the International Finance Corporation (IFC), the World Bank and the United Nations Capital Development Fund (UNCDF) – brought together the private sector, development agencies, regulators, supervisory authorities, practitioners, universities and consumer associations to discuss the protection of consumer data and privacy through appropriate framework conditions and responsible digital financial practices.

Legal and regulatory frameworks exist around the world, including the EU General Data Protection Regulation (GDPR), which entered into force in 2018. This also covers the financial market and ensures the free movement of data within the European Single Market while providing adequate protection for the personal data of EU citizens within and outside the EU. The role

of international cooperation is to support emerging economies and developing countries in creating relevant framework conditions.

Engaging German development cooperation

The Federal Ministry of Economic Cooperation and Development has adopted a [strategy on the use of digitalisation for development](#) (in German), which emphasises the relevance of well-

Data protection in the Ugandan coffee value chain

As part of GIZ's Farmers as Entrepreneurs strategic alliance with local coffee buyer Ibero Uganda, a smartphone app allows credit checks to be verified more efficiently and (loan re-) payments to be transferred more easily. Even before the Ugandan National Data Protection and Privacy Act was adopted in 2019, Ibero Uganda had signed a joint agreement on data privacy as a self-regulating tool based on the GDPR. This means that Ibero optimises data collection processes using software and GIZ raises coffee producers' awareness of their rights and trains Ibero staff in the responsible handling of personal data.

developed state data infrastructure. Together with an appropriate legal framework, this enables digital security for individuals and growth for innovative companies. To promote data protection aspects in the use of artificial intelligence and automated decision-making in the financial sector, GIZ has drawn up [recommendations for action for regulators as well as self-regulatory](#)

[measures of the financial sector](#) on leadership, cooperation, consumer empowerment, corporate accountability and data security. African regulators and the private financial sector have been made aware of this issue by the initiative, the pan-African network Making Finance Work for Africa (MFW4A) and the [Responsible Finance Forum](#).

Recommendations for stakeholders in international development cooperation

- Promoting initiatives to develop and implement data protection guidelines and monitoring mechanisms as well as self-regulation measures for private providers
- Supporting financial market regulators and supervisors in creating data protection competencies, such as through employee training
- Supporting financial service providers in interpreting and implementing data protection regulations and customer information measures
- Compiling principles for interpretable documentation of data use in automated decision-making processes
- Raising customer awareness using effective communication tools, such as training videos and podcasts

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