

# EBA's FinTech Report on Big Data – The Key Challenges

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A new report published by the European Banking Authority ([Report on big data and advanced analytics](#)) highlights some of the risks involved with the use of big data and advanced analytics in the financial services sector. The report will be of interest to FinTechs and financial institutions that have or will implement the use of big data and advanced analytics, particularly for fraud detection, anti-money laundering and customer onboarding. The report identifies four key pillars as well as a set of trust elements that are crucial for FinTechs given the rising use of these technologies.

## The Pillars

**Infrastructure & Data Security** - One pillar focusses on institutions investing in the technological infrastructure that will enable the use of big data and advanced analytics, raising the point that integration of new technologies like machine learning with existing systems could risk compromising data security.

**Data Management & GDPR** - The second pillar relates to data management and the different sources of data - externally collected data poses a significantly higher risk than data collected by the institution itself. Data protection is also a priority and in order to comply with GDPR when using personal data may require new organisational frameworks to be implemented.

**Governance** - Following on from this, the next pillar points to the importance of creating new internal governance procedures, such as assigning accountability for - and ensuring good understanding of - the applications and risks of these new technologies.

**Methodology & Application** - The final pillar looks at the methodologies followed when applying advanced analytics and the need for adequate training and testing of the models, followed by close monitoring to ameliorate the risks involved with these technologies.

Given the rate of uptake of the use of big data and advanced analytics, the EBA draws attention to the need for institutions to maintain stringent ethical policies, to detect and prevent bias in the models and to ensure consumer protection throughout the life-cycle of these advanced analytics applications. Although the report does not make policy recommendations or set supervisory expectations, we expect that the EBA will continue to observe the pace at which big data and advanced analytics are deployed in financial services. FinTechs and financial institutions should review the report and consider what it means for their businesses.

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