

Via Email

Board of Governors of the Federal Reserve System,
regs.comments@federalreserve.gov
Consumer Financial Protection Bureau, altdatastatement@cfpb.gov
Federal Deposit Insurance Corporation, comments@fdic.gov
National Credit Union Administration, ComplianceMail@ncua.gov
Office of the Comptroller of the Currency, altdatastatement@occ.treas.gov

Dear Sirs and Madames,

Re: Interagency Statement on the Use of Alternative Data in Credit Underwriting

On behalf of the Software & Information Industry Association (SIIA), I write in response to your December 3, 2019 Interagency Statement on the Use of Alternative Data in Credit Underwriting. We submit this comment to provide you with an overview of work underway by our Financial Services Information Division (FISD) to identify and publish best practices and self-regulatory standards for the use of alternative data by investment companies in a non-consumer credit context. If it would be helpful to your work in this area, we also welcome an opportunity to meet with you to discuss these issues in more detail.

SIIA is the principal trade association for technology, finance, and media companies worldwide. We provide global services in government relations, business development, corporate education, and intellectual property protection to the leading companies that are setting the pace for the digital age. Through our FISD, we also are the global forum for financial services industry participants to discuss, understand, and facilitate the evolution of financial information for the key players in the value chain. These include financial institutions, stock and futures exchanges, third data providers, and vendors that consolidate and redistribute financial information. The FISD agenda encompasses a wide range of commercial, technical, and regulatory issues that face the financial information industry. The use of alternative data by the investment community is one of these issues.

FISD's membership relies on alternative data for important financial investment decisions. For our members' purposes, alternative data refers to a wide variety of sources for complex datasets that can include data regarding transactions, weather patterns, website usage, social media posts, and satellite images, among others. Investment firms and other players in the financial investment markets can use this data alone or in combination with other more traditional datasets to make



unique and timely investment decisions, mitigate risks, and create competitive advantages.

Access to alternative data drives sound investment strategies, promoting downstream economic growth for our financial and consumer markets. Although our members' use of such data does not trigger existing consumer protection laws, like the FCRA, the effects of regulatory frameworks that may constrain the availability of alternative data are likely to impact its use in the investment context important to FISD members. We, therefore, support consistent and transparent enforcement of consumer protection principles with respect to the use of data in the consumer context, while urging regulators to also recognize the global value from the availability of alternative data.

Currently, FISD has convened the Alternative Data Council, a working group designed to engage the alternative data community and establish best practices and standards for the delivery of alternative data to the investment industry. The Council deals with a narrowed subset of alternative data to ensure compliance with domestic (state and national) and international regulatory requirements for trading and data protection. In this context, alternative data refers to datasets that exclude: (1) material, non-public information (MNPI), (2) information that is subject to a confidentiality obligation, (3) information that a vendor is prohibited from disclosing, and (4) personal information that is subject to data protection regulation. The Council's work is intended to help the consumers and producers of alternative data engage in due diligence to ensure the datasets exclude these categories of information and are otherwise fit for purpose.

The Council's overarching goals are to drive adoption of alternative data in the investment process, promote the ethical use of alternative data, lower costs, and facilitate industry growth. Its mission underscores the critical importance for buy-side participants in the financial markets to have access to comprehensive, accurate, and timely alternative data. Notably, the Council's work does not implicate the regulatory frameworks created to ensure transparent and fair practices in the consumer lending context or for business-to-consumer transactions in general.

The Council's work presents a balanced perspective on issues relating to alternative data by the investment industry. It is composed of buy-side institutions, but engages with vendors amongst the FISD membership community and incorporates that input. To date, the Council has published four important resources: (1) a data vendor tear sheet and introduction, to help buyers understand and assess a vendor's dataset, (2) a data dictionary, to help create a common taxonomy and understanding amongst industry participants, (3) a compliance and due diligence questionnaire, to provide a checklist of critical due diligence questions,



and (4) considerations of Terms of Service for web data collection, to help industry members understand the rules underpinning these collection activities.

The next phase of the Council's work, which is to publish additional best practice tools, is underway. It includes the development of a test data agreement (in cooperation with the Standards Board for Alternative Investments), a data buyer tear sheet, REST API standards, additional web data collection considerations, and a buy-side guide. You can view our existing best practices tools and find new tools as they are released on the SIIA website.¹

FISD, through the Alternative Data Council, is proud to lead the development of best practices to promote and encourage the continued use of alternative data by the investment industry. Leveraging the powerful impact of this data requires significant knowledge of its benefits and risks, as well as industry-wide standards to ensure effective due diligence and compliance frameworks. We look forward to working with regulators interested in alternative data issues, both to explain the power and utility of such data to our financial markets and to underscore the comprehensive and consensus-based best practices tools we are developing. We gladly standby to serve as a resource to you.

Thank you for the opportunity to submit this comment. If you have any questions or if you would like to meet with SIIA and our internal stakeholders on this project, please contact me at your convenience at (202) 789-4471 or at sdepaul@siia.net.

Respectfully submitted,

Sara C. DePaul, Senior Director, Technology Policy
Software & Information Industry Association
1090 Vermont Ave NW, 6th Floor
Washington DC 20005
www.siia.net

¹ SIIA Alternative Data Council, available at <https://www.siia.net/Divisions/FISD-Financial-Information-Services-Association/Programs/Alternative-Data-Council>.