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Helping Consumers Transition Into the New Era of Data Ownership

Digital Pilipinas

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27 February 2023



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Introduction

The rise of Web 3.0 such as decentralization, artificial intelligence, and blockchain brings a new era of data ownership. With Web 3.0, there is a shift towards decentralized and distributed systems where people no longer have to go through a central body (such as a search engine or social media site) just to access their data and decide who controls it. In other words, you will own your data—and nobody else.

There are already decentralized exchanges, messaging apps, and storage solutions offering users enhanced privacy and control over their own data. Cryptocurrency exchanges, for example, allow users to hold digital assets that do not have to go through third-parties like banks. Encrypted messaging apps provide an extra layer of security from hacks and data breaches. Decentralized blockchains store reams of info that cannot be accessed without explicit permission or private key.

Radical changes to data ownership carry vast implications for various industries, including financial services. Giving people power over their own data can lead to increased transparency and trust in financial services as well as more personalized and efficient services. Improved control over data can also lead to better regulatory compliance and reduce the risk of penalties and reputational damage for financial services providers. Thus, it is crucial that fintech and financial services stay on top of the new era of data ownership.

To keep up, financial services providers must be willing to explore new, fully-decentralized solutions that bring them closer to their customers. Whether it is incorporating blockchain or working with a decentralized app, what is important is that financial services providers recognize the new opportunities and corresponding duties ahead of them.

What the democratization of data means

Consumers must be empowered to understand what greater control over their data means before financial services providers offer new solutions based on decentralized data ownership. To start, a digital rights campaign must be designed to answer who owns the rights to consumer data, who may use it, who can profit from it, and other pertinent concerns.

An educational campaign is especially necessary considering the growing body of legal and industry regulations designed to protect people's data. The European Union's General Data Protection Regulation (GDPR), for example, replaced old data protection rules across Europe and introduced new rules considering today's data-heavy lifestyle. The GDPR includes greater protection regarding sensitive personal information (such as one's biometric data, health



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information, sex, etc.) and heavier penalties for data breaches or misuse of data. Under the GDPR, people have the right to be informed, the right of access, the right to rectification, the right to erasure, the right to restrict processing, the right to data portability, the right to object, and rights around automated decision making and profiling.¹

In the Philippines, a similar counterpart exists in the Data Privacy Act (Republic Act No. 10173), legislation aimed at protecting the privacy of personal information and sensitive personal information of individuals. The act requires businesses and other organizations with more than 250 employees to register their data processing systems, appoint a data protection officer, submit annual reports of documented security incidents, just to name a few. The law even requires entities to report data breaches within 72 hours.²

Under the Philippines' Data Privacy Act, people have the ability to request the suspension, withdrawal, or removal of their personal information if they can prove that it is inaccurate, outdated, false, or obtained illegally. This right can be exercised once there is substantial evidence to support the claim of the complaining individual.

Even tech giants such as Apple have embraced the shift to greater data privacy and giving control back to consumers. Changes to Apple's privacy policy in 2021 include a new "App Tracking Transparency" feature that requires app developers to ask for explicit permission before tracking a user's data for the personalization of advertisements.³ Stronger data protection measures such as enhanced data minimization and on-device processing to prevent unauthorized access to user data are also part of Apple's new rules.

Whether it is new government regulations or updated data protection policies, what is important is that people know how these new rules apply to them and are designed to promote and protect data ownership rights. It is best to make sure that everyone is on the same page before offering any products or services that claim to cater to the new era of data ownership. To that end, an education campaign covering all of the above is needed.

¹ Burgess, M. (2020, March 24). *What is GDPR? The summary guide to GDPR compliance in the UK*. Wired UK. Retrieved February 3, 2023, from <https://www.wired.co.uk/article/what-is-gdpr-uk-eu-legislation-compliance-summary-fines-2018>

² ECC International. (2020, January 16). *A Summary of RA No. 10173 or the Data Privacy Act of 2012*. ECC International. Retrieved February 3, 2023, from <https://www.eccinternational.com/ra-10173-data-privacy-summary/>

³ Wamsley, L. (2021, April 26). *Apple Rolls Out Major New Privacy Protections For iPhones And iPads*. NPR. Retrieved February 3, 2023, from <https://www.npr.org/2021/04/26/990943261/apple-rolls-out-major-new-privacy-protections-for-iphones-and-ipads>



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Tokenization

Of course, there will always be a need for solutions that can safely store and transmit data. People want the convenience of not having to constantly fill out tedious forms or go through bureaucratic processes just to sign up for financial services that need their info. Ideally, granting a business to use one's data will be as easy as the click of a button.

This is where tokenization comes in. Tokenization converts any rights or assets into a digital token that can be stored and transferred through the blockchain without the need for a third-party intermediary (like a bank). Tokenization replaces sensitive information, such as credit card numbers, with unique digital tokens, reducing the risk of data breaches and fraudulent activities. Tokenization then also guarantees that sensitive information such as a customer's banking account and routing numbers are never transmitted along with a payment—reducing the chances it will be stored in unauthorized third-parties like retail apps and effectively, reducing the risk of fraud and criminal activity throughout the processes.

Tokenization also streamlines processes because once it verifies a user's identity and creates a unique access token, that token takes away the need to re-enter credentials in every transaction, successfully offering convenience without sacrificing security.

Tokenizing one's identity is not a new concept. Non-fungible tokens (NFTs) are already being used to preserve essential information, such as a person's educational background and career history.⁴ The Soulbound token, for example, stores this information in a digital wallet as part of one's Soulbound account. People can even use the Soulbound token to create a CV and recommend other people after having worked with them.

The convenience and security that tokenization can bring to financial services will be crucial in reaching the unbanked that still make up about 44% of the adult Filipino population.⁵ Making it easier to verify one's identity, access financial services, and protect oneself against cyber attacks will go a long way in persuading unbanked Filipinos to avail of official financial services.

The tokenization of identity goes back to why the new era of data ownership should be seen as a good thing. Leveraging data to create unique identity tokens should spur the creation

⁴ Wanjiku, S. M. (2022, October 4). *Upholding Digital Identity Using NFTs: What Do You Need to Know?* crypto.news. Retrieved February 3, 2023, from <https://crypto.news/upholding-digital-identity-using-nfts-what-do-you-need-to-know/>

⁵ BusinessWorld. (2022, August 23). *Philippines' banked adults rise to 56% in 2021 as online payments grow.* BusinessWorld Online. Retrieved November 26, 2022, from <https://www.bworldonline.com/banking-finance/2022/08/23/469819/philippines-banked-adults-rises-to-56-in-2021-as-online-payments-grow/>



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of more inclusive, accessible financial products. Arguments have already been made that the Soulbound tokens and the info stored in them could form the basis for a new type of credit score.⁶ For the millions around the world stuck in a credit paradox—where they cannot fulfill their economic potential because of lack of verifiable credit history—this would be a definite gamechanger.

Towards a new tomorrow in data ownership

Engaging regulators and other stakeholders is imperative in ushering a new era in data ownership.

It is best to engage at the onset the Bangko Sentral ng Pilipinas (BSP), Department of Finance, Department of Information Communications and Technology, and National Privacy Commission to emphasize the importance of democratization of finance and the customer's cluster of digital rights. The engagement and support of these organizations will lend credibility and boost any initiatives to educate people on their rights to their data. Ideally, each agency will formally recognize data ownership, customer digital rights, tokenization, and potential benefits by integrating such themes in campaigns, strategies, and infographics within existing programs and activities.

In the long-term, there must be alignment between government leaders on fast-evolving policy and regulation concerns and to ensure that domestic systems correspond with international counterparts. This is groundwork for optimizing benefits of tokenization and facilitating cross-border transactions despite variance in (absence of) local laws. The BSP can help guide fintech players towards its Open Finance Framework to facilitate smoother cooperation, encourage self-regulation, and support sector-led initiatives espoused in the administrative issuances which already recognize the components and encourage the importance of Open Finance.

⁶ Miah, F. (2022, November 3). *How soulbound tokens can lift billions of lives in the world*. Forkast News. Retrieved February 3, 2023, from <https://forkast.news/soulbound-tokens-can-lift-billions-lives/>



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Conclusion

In essence, the goal of new rules and regulations in data ownership should be to guarantee anyone—whether it is a small *sari-sari* business or a previously unbanked adult—has equal access to quality financial services. Although the work will be tough, the result will be a world with a truly financially inclusive landscape where everyone can fulfill their true economic potential. In the end, these efforts will benefit the greater community and result in a more financially inclusive society.