

# The Critical Role of Trust in Financial Inclusion and Data Privacy

A presentation to PCPD

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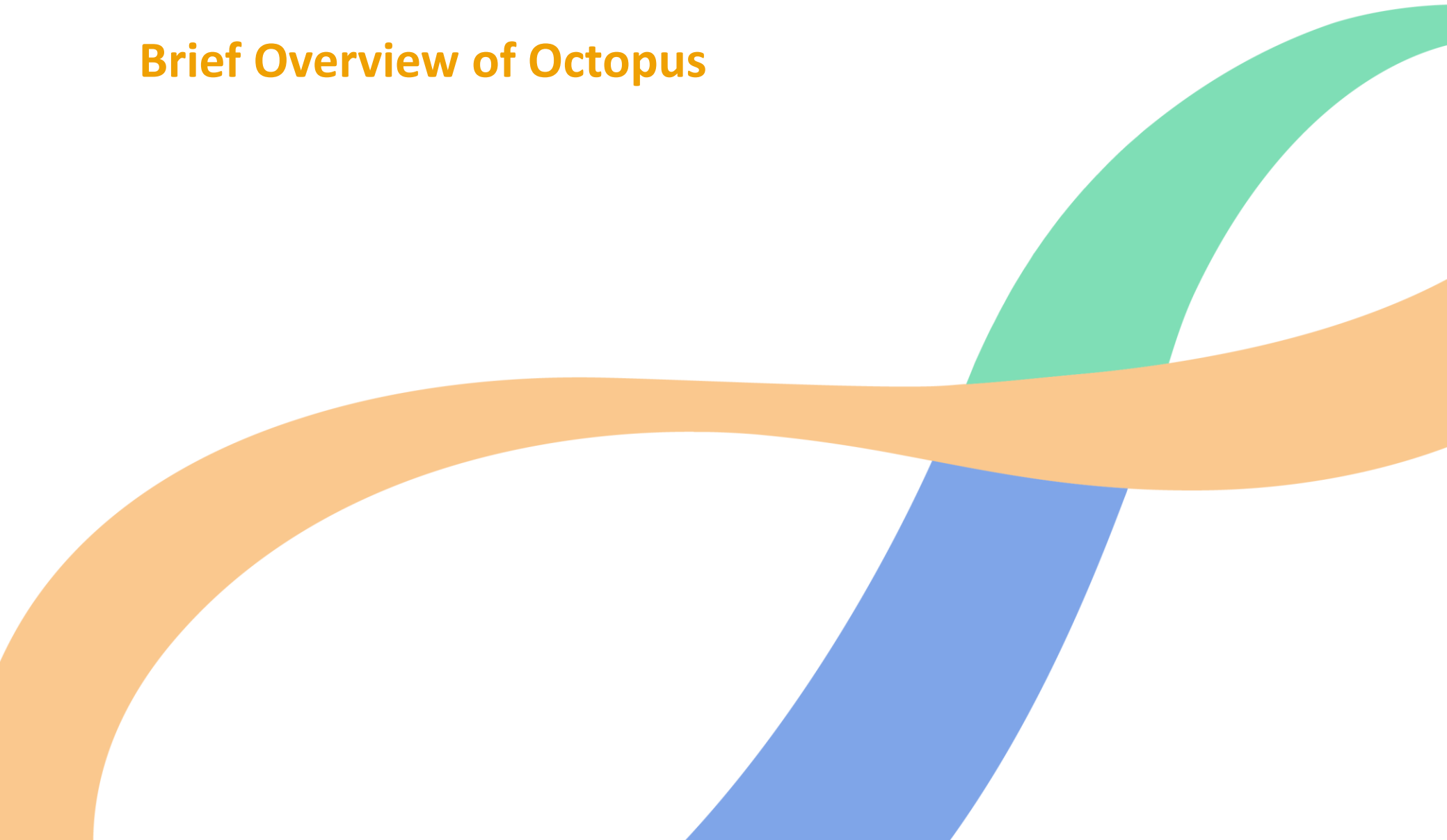


八達通  
Octopus

# Agenda

1. Brief Overview of Octopus
2. Octopus' Strategic Objective
3. Key Element to Financial Inclusion – Trust
4. New Trends in Data Privacy Protection

# Brief Overview of Octopus



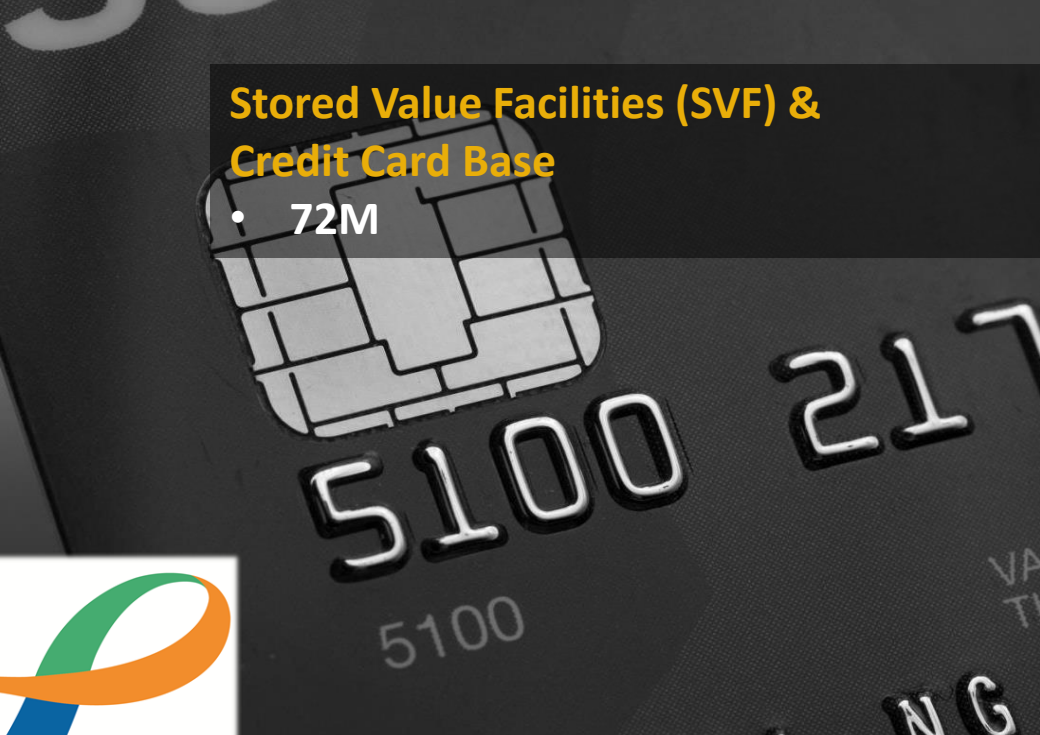
### Estimated Market Size for Payment Business

- Major Mass Transportation: HK\$56B
- Retail: HK\$560B



### Stored Value Facilities (SVF) & Credit Card Base

- 72M



### Smartphone Penetration (Aged 10 or above)

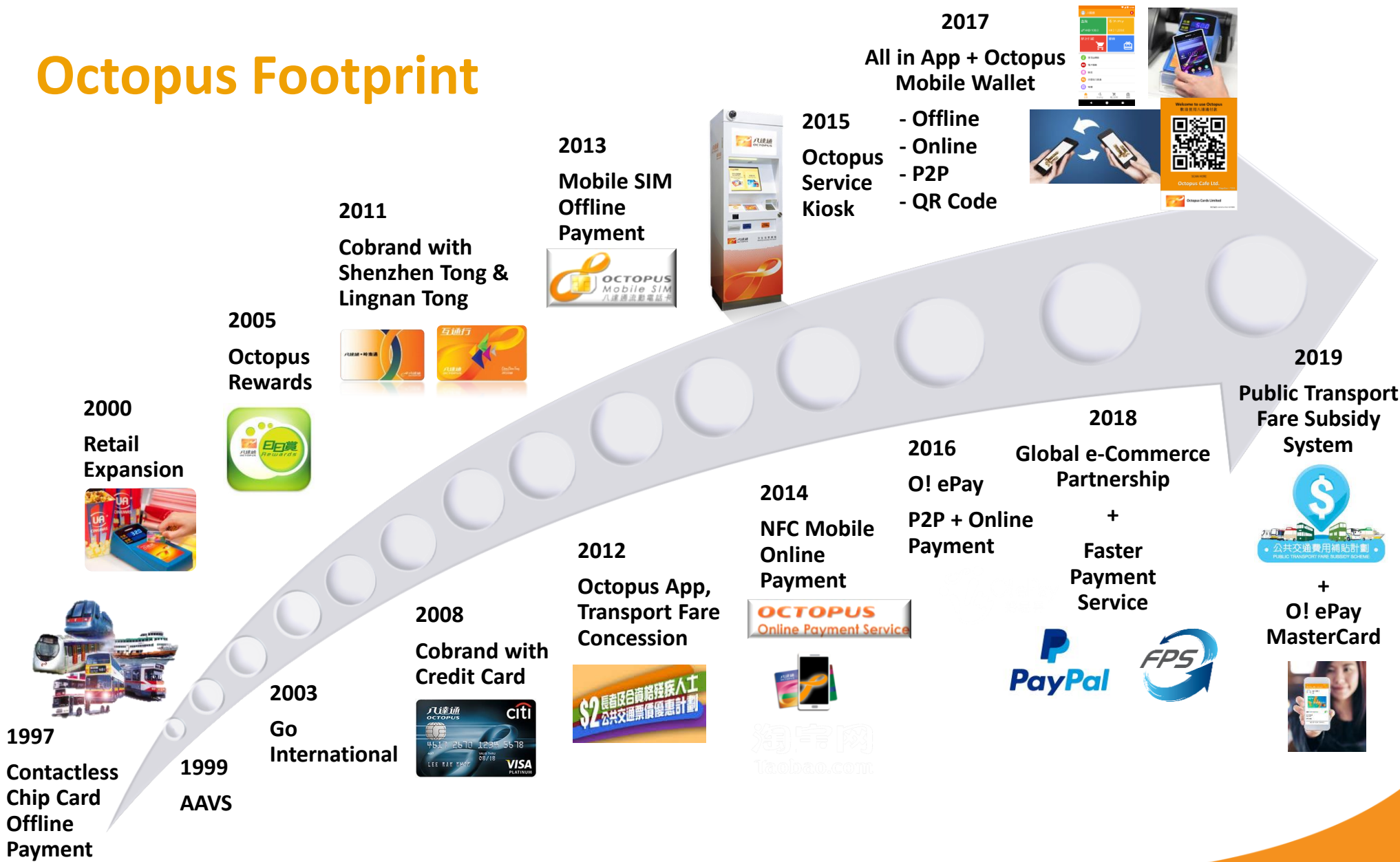
- 89%

### Penetration of Population (Aged 15-64)

- Octopus Card: 99%
- Credit Card: 82%

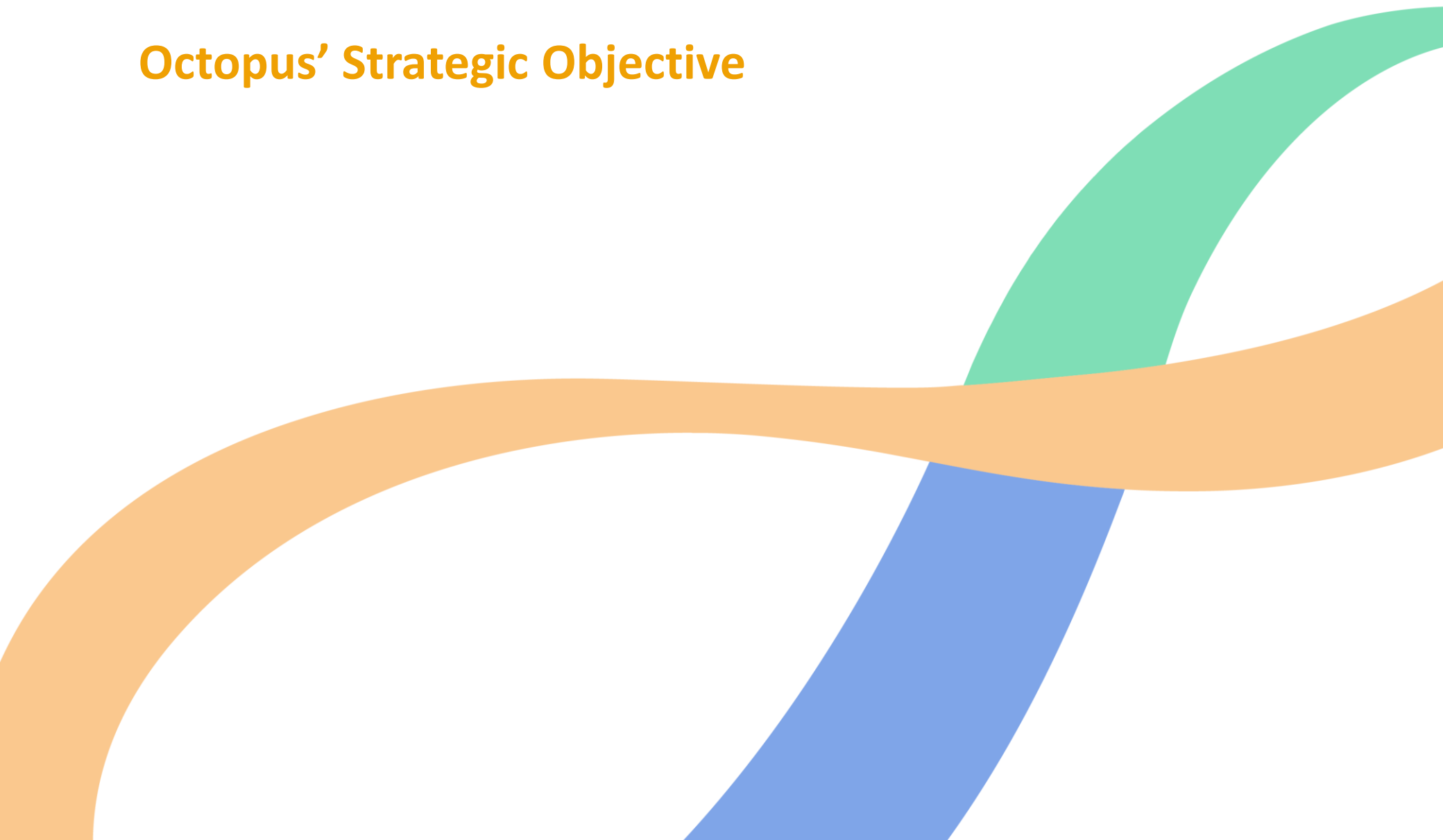


# Octopus Footprint

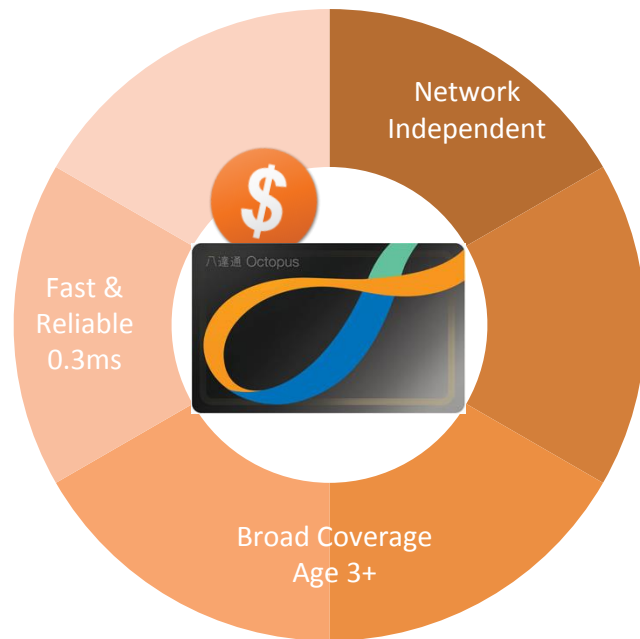


令生活更轻松  
Making Everyday Life Easier

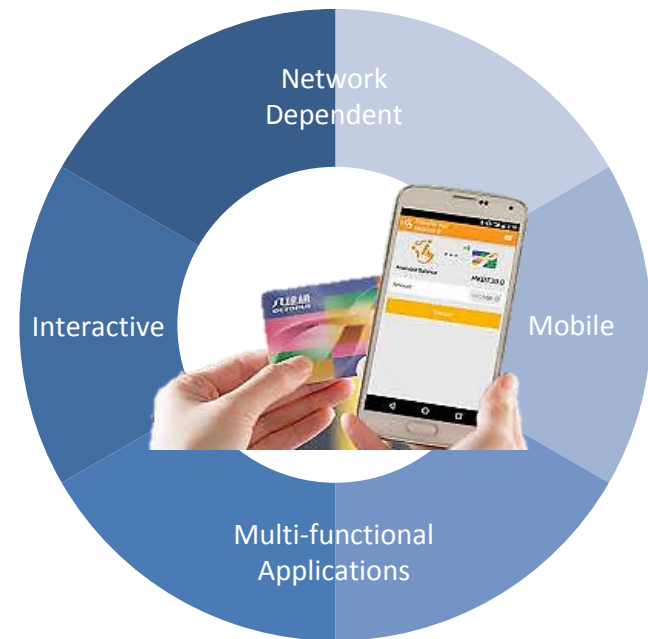
**Octopus' Strategic Objective**



# Our Strategic Objective: A Highly Competitive, Trusted, Customer-centric digital service provider embracing choice and inclusion



hybrid



## FinTech vs TechFin

- FinTech – Compliance-focused, Regulations-cautious
- TechFin – Innovate before regulate
- Balancing the regulatory objectives of financial stability and consumer protection with the objectives of growth and innovation
- Opportunities not threats
- Collaboration not competition
- Octopus – Technology company with a SVF license



# Shareholders vs Stakeholders

## Shareholders

- Parent Company
- Equity shareholders

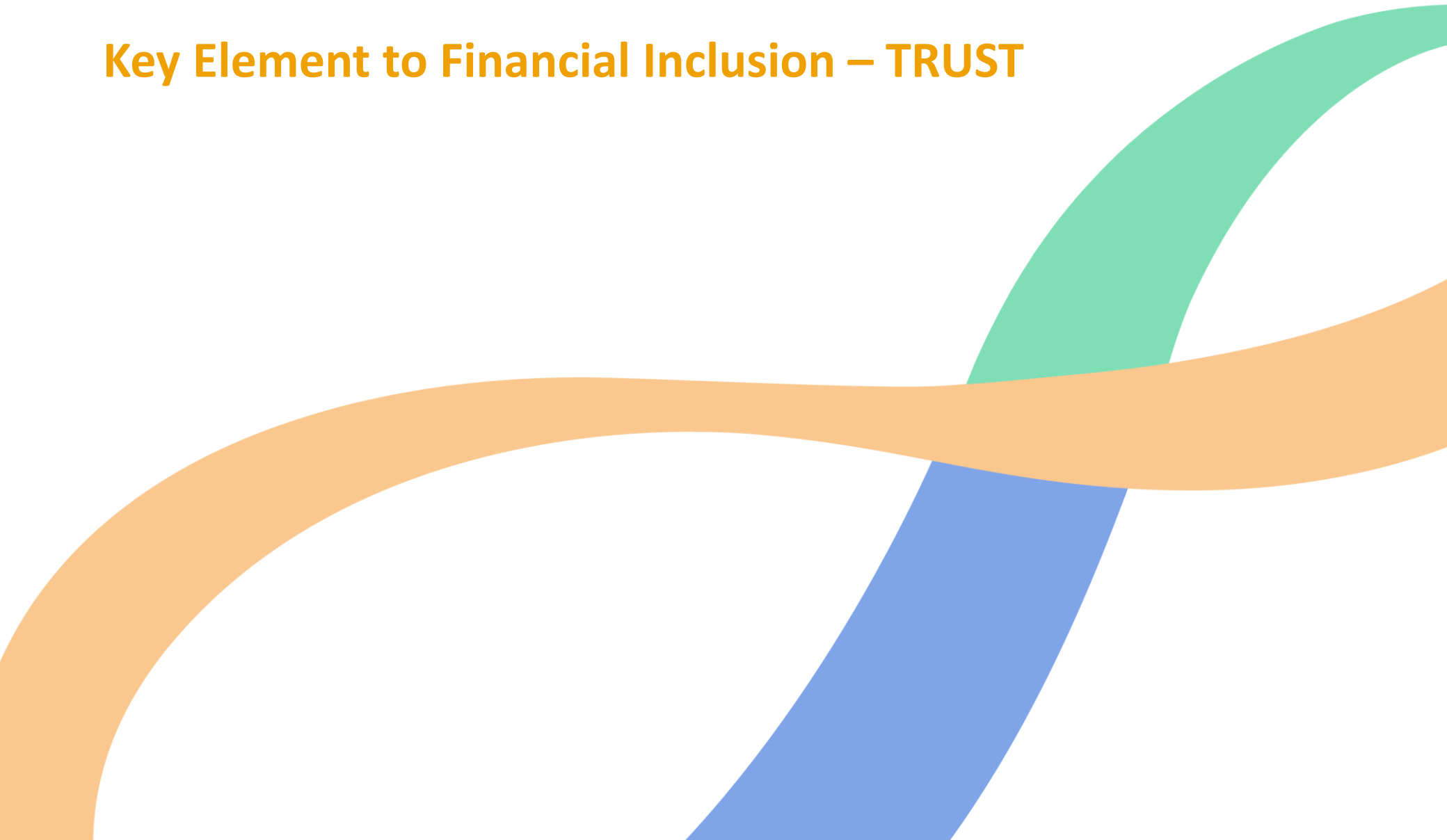
## Stakeholders

- Hong Kong Government
- Regulators
- The Hong Kong people
- The Board
- Community
- Media
- Employees

# Profit vs Purpose



**Key Element to Financial Inclusion – TRUST**



# The Value of Trust



**Powerful driver of  
human behaviors**

**Foundation of  
relationships**

# The Meaning of Trust

No hidden fees  
and terms

Payment system  
is robust and  
reliable



Money in e-wallet  
properly recorded

Institution as a  
fair player

Proper collection  
and usage



Securely protect and  
promptly delete after use

# The Importance of Trust

- In order to gain trust from regulators, an institution should operate safely and according to standards, with adequate safeguards to the funds and personal data in their care.
- Trust is built on experience. Without a pleasant experience or track records,
  - Customers will not engage in the institution
  - Regulators will not support any new services/ initiatives
  - Ultimately, financial inclusion will suffer

# How Do We Gain Customers' Trust?

## ➤ Corporate Governance

Established company policies and controls on various aspects:



- ❖ 3 lines of defence
- ❖ Personal data and Customer protection
- ❖ Risk Assessment
- ❖ Incident handling
- ❖ Customer complaint handling
- ❖ Security
- ❖ Compliance

# How Do We Gain Customers' Trust?

## ➤ Customer choice

- ✓ From offline to online
- ✓ From anonymous card/account to account undergoing complete know your customer (KYC) process according to the anti-money laundering statutory requirements

## ➤ Reliable and robust system [99% transactions settled within T+1]

## ➤ Simple to use, one tap to complete

## ➤ No hidden cost



# How Do We Gain Customers' Trust?

## ➤ Privacy by design

- ✓ Embedding Personal Data Privacy in Product/Service Development
- ✓ Always Collect the Minimum data: Anonymous Octopus card, O!ePay Lite, enquiry service for PTFSS, Virtual Companion Card

## ➤ Privacy Impact Assessment

## ➤ Customer Protection Impact Assessment

## ➤ Privacy Compliance Audit

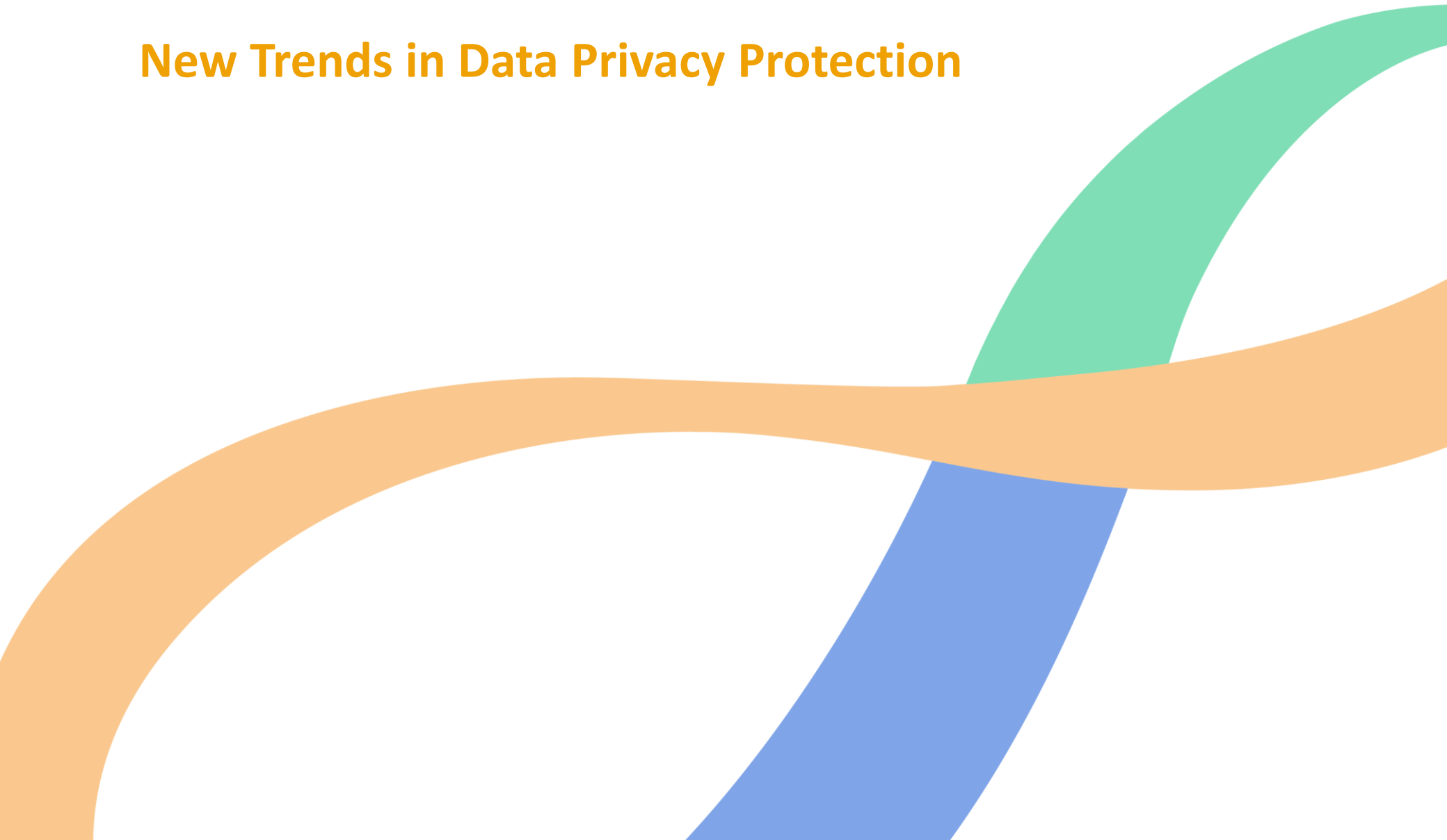
## ➤ Self-Assessment by Internal Audit

# How Do We Gain Customers' Trust?

## ➤ Building Partnership with Regulators and Stakeholders

- ❖ Having regular and ad hoc meetings with regulators
- ❖ Acquiring updated information and market knowledge
- ❖ Participating in Privacy Management Programme and study on Legitimacy of Data Processing and Ethical Accountability Framework

# New Trends in Data Privacy Protection



## New Trends in Data Privacy Protection

- Compliant with law is not enough given the law is principle-based and technology neutral: It might not achieve its legislative intent with the advance of new technologies such as machine learning (ML) and artificial intelligence (AI).
- Data Users should build trust with customers on the basis that the use of personal data and new technologies are for their benefits and serving common good to the society.



**No trust → Unwilling to provide data to corporate →  
Cannot benefit from the advantages of technologies**

# Takeaway

1

Trust is a key driver for building mutual relationship between an institution and its customers. Institutions must gain trust from customers and regulators in order to operate.

2

Trust is built on experience. New service and financial inclusion will suffer when there is unsatisfactory track record.

3

Compliant with the provision in the statute is not sufficient, institutions should earn trust from customers and regulators on the use of personal data, especially in the context of new technologies (e.g. ML/AI) where the law might not be well defined.

4

Proactive collaboration with regulatory authorities and stakeholder.

5

Not just legal, but what's right.

**Thank you**

