The impact of the FiDA framework on open finance: Exploring legal, business, and customer dimension

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Abstract

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The EU issues different types of legislation guided by its treaties, with the primary aim of harmonizing standards across member states to ensure the free movement of people, capital, goods, and services, hence creating a single market. Challenges like digital security and climate change, but also consumer protection and anti-competitive practices, need coordinated action at the EU level, which legislation facilitates.

This thesis explores the proposed regulatory framework for Financial Data Access (FiDA), initiative aiming to reshape the financial sector through improved data sharing, with focus on individual and business customer data.

Currently, third-party services can access a customer's payment account data once permission is given by a customer. This allows then apps to analyse cash flows, but such access does not extend to data from savings accounts, loans, mortgages, or insurance. For customers interested in using new innovative services it is difficult to give access to other types of data because of security concerns, and in addition, financial institutions are not required by law to share customer data with third parties.

The objective of this thesis is to investigate FiDA's potential impact on compliance requirements, its interaction with existing EU legislation such as PSD2, GDPR, DORA, and its influence on creating a balanced ecosystem for customers, financial institutions, and third-party providers. At the time of writing this thesis, FiDA has not been finalised and is undergoing negotiations between the European Parliament, the Council of the EU and the European Commission, which means the final text can still change.

Key areas: regulatory compliance, economic implications, customer trust, innovation potential, and sustainability. The study uses a qualitative research approach, which includes a theoretical framework and insights from industry experts collected through semi-structured interviews. These insights are important in understanding better what FiDA is, why it was proposed, how it could promote the development of new financial products and what impact it might have on different stakeholders in financial sector.

The thesis identified key factors for FiDA’s successful implementation, including the strategic readiness of financial institutions and other stakeholders involved. Robust cybersecurity and high data quality are important, along with developing infrastructure for effective data exchange. Additionally, clear legislative guidelines and a well-defined scope are critical as well. Ultimately, FiDA’s success will depend on market adoption and customer trust to share data. Finding balance between costs, benefits and risks will be crucial.

Key words
FiDA, Data sharing, Customer control, Cybersecurity, Open finance, Financial data accessibility.

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1 Introduction

This is a research type of a bachelor's thesis for the Degree Programme in International business in the major specialization of Finance in the Haaga-Helia University of Applied Sciences.

In today's fast-moving digital landscape, companies are driving innovation by using more and more data to make decisions and plan their business strategies. Data, the new oil, the new soil, the new fuel, and other similar quotes used, capture a different dimension of how critical data has become in today's world, whether focusing on its value, its role as a resource, or its ability to drive transformation.

As we move further into the digital age, managing data well is growing more crucial for businesses, especially in finance. Here, data analysis helps guide investment plans, manage risks, detect fraud, and tailor services to customers.

The development of new innovative products and services on the basis of data access could improve customer choice in the wider financial space beyond banking and payments (OECD 2023, 8). The concept of open finance refers to a broader range of financial services beyond just banking, allowing customers to securely share their financial data across multiple sectors such as insurance, pensions, or investments. Open finance is expected to allow for new or improved financial products and services and a higher level of personalisation of services offered to consumers across a wider range of financial services or products (OECD 2023, 10).

The legislation around the open finance, is still being developed. However, the European Commission (EC) has introduced a proposal for a regulation on a framework for Financial Data Access (FiDA), which could affect various stakeholders in the financial sector. The proposal seeks to open up access to various types of data beyond payment accounts, including investments, insurance, pensions, loans, and savings. It covers both personal and non-personal data for individuals and business customers. In short, the proposal obliges data holders (banks, insurers and other financial players) to make this data available to customers first and empower customer to share the data with data users (FinTech) in the financial sector to be able to benefit from better financial services and products. This also enables customers to better understand their own financial situation.

1.1 Background to the topic

On 28 June 2023, the EC published legislative proposal for a new framework for financial data access. This proposal aims to boost open finance and encourage data-driven financial services (Joseph 2024).

The draft of the proposed Regulation was approved by the European Parliament (EP) in April 2024. However, the final approval was done by newly elected members of the EP after July 2024 when their term started. In December 2024, the Council of the European Union (Council) reached an agreement on a proposed FiDA framework. After both, the EP and the Council formed their positions, they entered into a trilogue negotiations. In the context of the EU's ordinary legislative procedure, a trilogue is an informal interinstitutional negotiation bringing together representatives of the EP, the Council and the EC. The aim of a trilogue is to reach a provisional agreement on a legislative proposal that is acceptable to both the Parliament and the Council, the co-legislators. This provisional agreement must then be adopted by each of those institutions' formal procedures and then it ia published on the EU's Official Journal and enters into force. (EUR-Lex.)

FiDA is expected to be adopted by 2025, with a 24-month implementation period (based on the proposed version), meaning real-time data access for users should be in place by 2027. Once adopted, FiDA will expand the open banking data-sharing obligations, which currently apply only to payments accounts data, to nearly all financial services data. It will be the legislative backbone of open finance in the EU. (Nair & Gallo 2024.) In the time of writing this thesis, the author has access only to draft of proposed regulation text and the final version is not yet known, meaning there could be still some or many changes.

Currently, the EU financial system limits how customers can control their data beyond just their payment accounts. This means that fintech companies and other data users have a hard time accessing the customer data held by banks and other financial institutions. This lack of access makes it difficult to create new and innovative financial services and products. (European Commission 2023.)

As already stated, in the financial sector the data is important. And not just any data but especially high-quality data. In the case of FiDA, the focus is on both, personal and non-personal data. There are challenges in how customers and data-users access and share this data. Many customers are hesitant to share their data because they are worried about privacy and losing control over their data (European Commission 2024). Financial institutions on the other hand have different rules

about how they share data, which makes it harder for data users to compete. These challenges are just slowing down the development of new financial services and limiting the benefits that customers can get from open finance. Open finance can only work based on strong customer trust and confidence in the sharing and reuse of data – including personal data (DG FISMA 2022).

The text mentions open finance and FiDA. Just for the clarity, open finance is a broad concept that refers to the practice of sharing financial data across various financial sectors beyond banking. FiDA is a specific regulatory framework proposed to enable and standardise how data sharing is done within open finance.

The author of this thesis chose to focus on the FiDA framework because of her work experience related to data spaces and data sharing between businesses and her interest in how it affects the financial sector, especially regarding personal and non-personal data. With a master's degree in law and work experience in European institutions, the author is familiar with the EU regulatory system and wants to explore the legal aspects of FiDA, particularly how it will impact stakeholders like customers, financial institutions, and third parties in the concept of open finance.

1.2 Research question

Understanding the FiDA framework requires considering its broader context within the developing landscape of financial services and digital technology. Focus will be on the international perspective, particularly considering the regulatory frameworks of the European Union.

The research question (RQ) of this thesis is: How does FiDA framework impact the financial services industry, considering legal, business, and consumer perspectives?

The research question was divided into investigative questions as follows:

IQ1: How does FiDA align with existing EU legislation, such as The General Data Protection Regulation (GDPR) and Revised Payment Services Directive (PSD2)?

IQ2: What are the potential economic benefits and risks of FiDA for the European financial services industry, including banking and insurance sectors?

IQ3: What are the implications of FiDA for customer data privacy, financial control over personal data, and the customization of financial services?

IQ4: How can FiDA contribute to promoting economic, social, and environmental sustainability in the European financial sector?

Table 1: Matrix for research-based thesis

Investigative question	Theoretical framework	Methods	Data analysis/Results
IQ1: How does FiDA align with existing EU legislation, such as The General Data Protection Regulation (GDPR) and Revised Payment Services Directive (PSD2)?	2.1.3 Articles from reliable sources and databases; academic theory.	Interviews with FinTech entrepreneurs, banking and insurance policy advisors, regulatory advisors, policymakers and desktop study.	4.1, 4.2 Data from the qualitative interviews and desktop study.
IQ2: What are the potential economic benefits and risks of FiDA for the European financial services industry, including banking and insurance sectors?	2.2.2, 2.2.3 Articles from reliable sources and databases; academic theory.	Interviews with FinTech entrepreneurs, banking and insurance policy advisors, regulatory advisors, policymakers and desktop study.	4.3, 4.6 Data from the qualitative interviews and desktop study.
IQ3: What are the implications of FiDA for customer data privacy, financial control over personal data, and the	2.1.4, 2.2.1 Articles from reliable sources and databases; academic theory.	Interviews with FinTech entrepreneurs, banking and insurance policy advisors, regulatory	4.4 Data from the qualitative interviews and desktop study.

customization of financial services?		advisors, policymakers and desktop study.	
IQ4: How can FiDA contribute to promoting economic, social, and environmental sustainability in the European financial sector?	2.3 Articles from reliable sources and databases; academic theory.	Interviews with FinTech entrepreneurs, banking and insurance policy advisors, regulatory advisors, policymakers and desktop study.	4.7 Data from the qualitative interviews and desktop study.

1.3 Demacration

The thesis will not delve into specific case studies from other jurisdictions or explore the long-term, global implications of open finance. Including examples from different countries would complicate research and distract from the main topic. By focusing on the EU, the research can analise how FiDA works within a specific regulatory framework, making the findings more relevant and clear.

In addition, the thesis will not provide an in-depth analysis of all relevant EU regulations. While there are many regulations in the EU related to open finance, this thesis will mainly look at how FiDA connects with the General Data Protection Regulation (GDPR), Digital Operational Resilience Act (DORA), Payment Services Directive 2 (PSD2), Data Act (DA), Data Markets Act (DMA) and Data Governance Act (DGA). Covering every regulation in detail would be overwhelming and would take attention away from the main goal: understanding how data sharing and customer protection are evolving under FiDA.

The research will be limited by the availability of data and the insights of experts interviewed.

Finally, the thesis will not cover technical aspects such as data security protocols or the technical architecture for data sharing under FiDA. While these aspects are important for implementing FiDA, they are outside the scope of this research, which aims to look at the strategic, regulatory, and economic effects of the regulation. This way, the research can examine better its impact on businesses, customers, and understand better the regulatory landscape.

1.4 Benefits

The main benefit of this thesis is for the author, as it provides an opportunity to deepen her understanding of open finance and the potential impact of the new FiDA proposal. Through this research, the author aims to get better understanding of the legal text of FiDA proposal and gain insights into how the FiDA affects various stakeholders in financial sector, focusing on banks and insurance companies on one side and customers on the other side. Expanding the scope to consider

broader impacts and including sustainability in the financial sector will enable the author to assess how FiDA can influence long-term economic, social, and environmental outcomes.

For financial institutions and customer, this thesis can help to explain what open finance means for them, including the potential for it to improve access to financial services and their overall financial experiences.

Additionally, this research could clarify the topic for other readers, such as teachers and students, interested in the topic. By sharing these insights, the author hopes to contribute to a broader understanding of open finance and encourage further discussion about its implications.

Overall, this thesis aims to foster awareness and dialogue around the opportunities and challenges presented by the FiDA framework in the context of open finance.

1.5 Key concepts

Open finance: A system where consumers and businesses can share their financial data with third-party providers to access a wider range of financial products and services (European Commission 2023). Open finance refers to a concept that extends the principles of open banking into a broader financial ecosystem and involves the use of technology and data sharing to create a more interconnected and transparent financial environment, beyond just banking (Insurely).

FiDA: A proposed regulatory framework by the European Commission to promote open finance and data-driven finance (Joseph 2024). On 28 June 2023, the European Commission published the proposal for a Regulation on a Framework for Financial Data Access (FiDA 2023). The FiDA proposal, or the Open Finance framework, is noteworthy for opening market access to customer financial services data across a range of domains. (Muçi 2023.)

Data sharing: Data sharing means “the provision of data by a data subject or a data holder to a data user for the purpose of the joint or individual use of such data, based on voluntary agreements or Union or national law, directly or through an intermediary, for example under open or commercial licences subject to a fee or free of charge” (DGA Article 2(10)).

Data user: “A natural or legal person who has lawful access to certain personal or non-personal data and has the right, including under Regulation (EU) 2016/679 in the case of personal data, to use that data for commercial or non-commercial purposes, as defined by Article 2(9) of the Data

Governance Act. In the financial sector, in particular, it is a financial institution or third-party provider (other financial institution or fintech firm) that has lawful access to customer data held by financial institutions for the purposes of providing financial and/or financial information services. Data users may also act in the capacity of data holders. (SWD 2023, 224 final.)

Data holder: Atcicle 3(5) of FiDA definds data holder' as "a financial institution other than an account information service provider that collects, stores and otherwise processes the data listed in Article 2(1). In the financial sector, it is commonly a financial institution that holds customer data (SWD 2023, 224 final).

Consumer: "A natural person who makes use of data-driven financial products and services for the purposes outside of his or her business, trade or profession" (SWD 2023, 224 final).

Customer: "A natural person (consumer) or a legal person (firm) who makes use of financial products and services. In the context of PSD2, this corresponds to the term of Payment Service User (PSU), i.e. a natural or legal person in open banking which makes use of a payment service in the capacity of payer, payee, or both, as defined in PSD2 Article 4(1)". (SWD 2023, 224 final.)

1.6 Use of AI in the thesis

In this thesis, AI tools, specifically Chat GPT-4 by OpenAI and Google Gemini 2.0, were used.

The AI helped with data analysis and interpretation and was also applied in analysing long texts and comparing documents, such as comparing the original framework for Financial Data Access proposed by the European Commission with the negotiating position of the European Parliament on the same regulation.

Additionally, AI assisted in the formatting of text, generating ideas, and clarifying challenging words and concepts and make long sentences more understandable. AI was also used for brainstorming, for example chapter 2.3 on what additional information could be researched to make a section more comprehensive.

AI was also used to brainstorm the IQs and questions for the interview, that were then adjusted and edited.

The author of this thesis is responsible for all its content, including parts supported by AI, and accepts accountability for any ethical issues that may arise.

2 Theoretical framework

Theoretical framework covers several key areas. Firstly, role of data and data sharing in financial services is examined, focusing on its role in open finance and the creation of innovative financial services. Understanding the mechanisms behind sharing both personal and non-personal data is important for how these services operate effectively.

Secondly, the legal frameworks governing financial services are analysed. This includes review of EU legislation relevant to FiDA, such as laws concerning cybersecurity, data privacy, and digital transactions. It is essential to explore how FiDA fits within this existing EU legal architecture and its connections to established regulations. This focus ensures that FiDA's implementation aligns with the broader regulatory landscape in the EU.

Key legal frameworks covered include:

- Revised Payment Services Directive (PSD2) introduced open banking by allowing third parties access to payment data with consent. FiDA builds on this by extending data-sharing across all financial services, making PSD2 a foundation for FiDA's expansion of open finance.
- General Data Protection Regulation (GDPR) is connected to FiDA because both involve handling personal data. FiDA, which aims to expand data sharing in the financial sector, must follow GDPR's rules on consent, privacy, and control over personal information. It's important for FiDA to align with GDPR to make sure it meets legal standards and keeps consumer trust in how their data is shared.
- Digital Operational Resilience Act (DORA) is designed to strengthen the IT security of financial entities such as banks, insurance companies and investment firms and making sure that the financial sector in Europe is able to stay resilient in the event of a severe operational disruption (EIOPA).
- Data Governance Act (DGA) aims to strengthen trust in voluntary data sharing, promote interoperability between data spaces, and provide a framework for data intermediation services.
- Digital Markets Act (DMA) addresses the role of gatekeeper platforms in digital markets, introducing obligations to promote competition and enable financial institutions to access data held by dominant platforms.
- Data Act (DA) establishes new rights for accessing IoT data and sets obligations for data holders to make data available under EU and national laws.

The theoretical framework also delves into the impacts of FiDA and open finance on market competition and innovation. It examines how these elements transform the competitive landscape for financial institutions, fintech companies, and other third-party data users, encouraging innovation in the financial services sector.

Furthermore, the theoretical framework also looks at how FiDA affects customers, how it gives them more control over their financial information. FiDA helps make financial products and services more tailored to individual needs, which can make customers happier and more involved. This overall look aims to explain better how FiDA affects different groups, such as third parties (data users), customers themselves (consumers and firms), and financial institutions (data holders).
In addition, sustainability and understanding better how FiDA can contribute to that in the European financial sector will also be part of this part.

2.1 Role of data in open finance

2.1.1 Importance of data in financial services

Data has always played an important role in financial services, but its significance has greatly increased in recent years. In recent years, banks and other financial institutions are accelerating their digital transformation. As part of this transformation, financial organizations produce unprecedented amounts of data about their financial and insurance processes while using advanced digital technologies (e.g., big data, artificial intelligence (AI), Internet of Things (IoT)) to collect, analyse, and fully leverage the generated data assets. (Soldatos & Kyriazis 2022, 3.)

Data sits at the heart of the financial system, serving as both the input for different financial operations and the output generated from them. Importantly, to guarantee a healthy and well-functioning system, a reliable and secure data infrastructure is needed for generating, exchanging, storing, and consuming all kinds of financial data. (Khraisha, 2024.)

Data-driven finance requires the use of different types of data, including both public and private, as well as personal and non-personal. In finance, data are created or used throughout the life cycle of financial services. They accompany every step of the consumer journey, from understanding available lending, insurance, payments, and wealth management products and services, to purchasing, using, and finally exiting them. Similarly, financial data are created or used in every action taken by financial institutions as they engage with customers: product and service design, marketing,

decision making, onboarding, servicing, monitoring, making termination decisions, and closing accounts. (White, Madgavkar, Townsend, Manyika, Olanrewaju, Sibanda, Kaufman 2021, 1.)

An important debate in the data economy focuses on control: whether powerful corporations and governments will dominate data, or whether individuals will gain autonomy over their data. According to Douglas, Buckley and Zetzsche (2021, 3-4) there seems to be a divide between two potential futures: one where data is predominantly controlled by powerful corporations and governments for profit and authority, and another where individuals have greater autonomy over their own data, fostering a more open, innovative, and decentralized economy. This vision of increased individual control over data aligns with the EU's approach, which has been at the forefront of fostering data autonomy through initiatives like 'open banking' under the PSD2. Alongside this, the EU also introduced the GDPR, empowering individuals to have greater control over their personal data and establishing a unified framework for data sovereignty. (European Commission 2023.)

Open banking was introduced as a regulatory measure to address the competitive imbalances in the data economy, where firms like Amazon and Google have leveraged large data pools to dominate markets. These industries benefit from network effects, leading to monopolistic tendencies where "winner takes all" outcomes prevail. In the U.S. and China, this has resulted in data monopolies, where controlling vast consumer data pools allows companies to outcompete rivals by offering tailored services and undercutting prices. (Douglas et al. 2021,38-41.)

Whether data will be controlled by corporations that provide financial services or by individuals, EU's initiatives such as PSD2, GDPR and FiDA aim to empower individuals by mandating data-sharing and giving them greater control over their personal information, fostering a more decentralized and transparent data economy.

2.1.2 Overview of framework for Financial Data Access

In June 2023, the EC published a proposal for new regulation on the access and use of customer data managed by entities in the financial sector. The proposal aims to establish an “open finance” framework for responsible access to customer data across various financial services, expanding on the "open banking" rules from the PSD2. It focuses on giving consumers and businesses more control over use of their financial data. The proposal focuses on the sharing, access, and reuse of both personal and non-personal data to deliver a variety of financial services. Therefore, it includes extra safeguards to protect personal data in accordance with the GDPR and aligns with principles of business-to-business data sharing outlined in the DA. (European Commission 2023.)

The general objective of the FiDA proposal is to improve economic outcomes for financial services customers (consumers and businesses) and financial sector firms by promoting digital transformation and speed up adoption of data-driven business models in the EU financial sector (Ostrovskis 2024, 26). According to Ostrovskis (2024, 26), customer trust in data sharing can be strengthened by ensuring that both individuals and businesses have greater control over how their data is accessed and utilized. In addition, to drive data-driven innovation and improve financial services, effective mechanisms for third-party access to customer data must be established, benefiting both consumers and businesses.

According to the EC (2023) “open finance” framework is necessary because the current methods of accessing customer data are largely unregulated and unsupervised, creating potential risks for users. In addition, customers do not have control over their data and are hesitant to share it due to unclear rules and concerns about security.

At the time of writing this thesis, the FiDA is still a proposal and could undergo changes as there is ongoing informal interinstitutional negotiation discussions between the European Parliament and the Council and provisional agreement on a legislative proposal has not been reached yet.

2.1.3 Legal implications and alignment with EU Regulations

Open banking under the PSD2 directive was already briefly mentioned. Open banking is the process by which account information service providers (AISPs) and payment initiation service providers (PISPs) offer (or enable other parties to provide) value added services to users by accessing – upon user request - their account data held by banks and other payment account providers. Although open banking existed before PSD2, it took place in a largely unregulated environment. (European Commission 2023.) By introduction of PSD2, formal regulatory framework was established. Building on this, FiDA (2023) aims to extend the concept by broadening the range of accessible data, marking the transition to open finance and enabling new types of services and business models in the financial sector.

Example of open banking under PSD2 can be personal finance management app. The app acts as Account Information Service Provider (AISP), securely accessing bank account information to track spending, savings, and budget—all with the account owner's consent. The app gathers data from owner´s different bank accounts and presents it in one place, helping to manage finances more effectively without manually putting account details. PSD2 makes sure that this data sharing happens securely and with transparency.

As already mentioned, the proposed framework for FiDA focuses on the sharing, access, and re-use of personal and non-personal data. The proposal is a sectoral building block that fits into the broader European strategy for data and enables data sharing within the financial sector and with other sectors. It is based upon the key principles for data access and processing set out in the Commission's cross-sectoral initiatives. (FiDA 2023.)

Explanatory memorandum of FiDA proposal (2023) explains that the DGA focuses on increasing trust in data sharing and improving seamless interconnection ('interoperability') between data spaces and creating a framework for data intermediation service providers.

Another cross-sectoral initiative is the DMA which establishes number of data related obligations to tackle the power of gatekeeper platforms and ensure contestability in the digital markets by, for example, allowing financial institutions on behalf of their customers or when using gatekeeper core platform services to access data held by gatekeepers (FiDA 2023). As defined in DMA, gatekeepers are large digital platforms offering core platform services like search engines, app stores, and messaging services. They hold a dominant position in the market, have a significant economic impact across multiple EU countries, and act as intermediaries between a vast user base and numerous businesses. (European Commission 2022.)

Another cross-sectoral initiative mentioned in FiDA proposal is DA, which entered into force in January 2024. The DA stablishes new data access rights for the Internet of Things (IoT) data – i.e. the data that products obtain, generate or collect concerning their performance, use or environment – for both product users and providers of related services. It also establishes generally applicable obligations for data holders, which are required to make data available to data recipients under EU law or national legislation adopted in line with EU law. (FiDA 2023.)

As for the personal data, explanatory memorandum of FiDA proposal (2023) states that: "where personal data is concerned, the request must comply with a valid legal basis as referred to in the GDPR that allows for the processing of personal data." GDPR lays down rules relating to the protection of natural persons with regard to the processing of personal data and rules relating to the free movement of personal data (Chapter 1, Article1 of the GDPR). FiDA ensures that sharing of customer personal financial data is subject to GDPR rules, therefore data holders and users must establish a legal basis for sharing personal data. This is important to maintain GDPR's high standards of privacy and protection (FiDA 2023).

In addition, FiDA also ensures compliance with cybersecurity rules and operational resilience: “Consumers will be protected with strong security safeguards against possible data misuse and data breaches as both data holders as well as data users will be bound by the rules of the DORA.” (FiDA 2023). DORA is an EU regulation that entered into force on 16 January 2023 and apply from 17 January 2025. It aims at strengthening the IT security of financial entities such as banks, insurance companies and investment firms and making sure that the financial sector in Europe is able to stay resilient in the event of a severe operational disruption (EIOPA).

2.1.4 Challenges and opportunities of data sharing

DGA Art. 2(10) defines ‘data sharing’. Based on the definition, data sharing involves providing data from a subject or holder to a user for joint or individual use, under voluntary agreements or legal obligations, either directly or via intermediaries, with options for free or paid licenses.

FiDA proposal (2023) presents data sharing scheme as a structured framework that facilitates the secure and regulated exchange of financial data between data holders (such as banks or insurers) and data users (such as fintech companies or third-party service providers). The scheme is designed to promote innovation and improve financial services for customers by enabling better access to data while ensuring compliance with European Union competition laws and protecting consumer rights. (FiDA 2023.) The role of the customer in this scheme is important, because customers are actively involved in initiating data-sharing processes. By giving consent, customers enable financial institutions and third-party service providers to access their data and to offer more tailored financial products, services, and insights.

The Article 2(1) of the Proposal states in which financial areas the Regulation apply when it comes to customer data. Those include for example mortgage credit agreements, loans, and non-payment accounts, covering data such as balances, conditions, and transactions. It also includes savings, investments, insurance-based investment products and benefits from these assets. Finally, the regulation includes data used in assessing creditworthiness during loan applications or credit rating processes. (FiDA 2023.)

Regarding data sharing and customer consent, the FiDA impact assessment includes a proposal for the establishment of mandatory financial data access permission dashboards, which would empower customers by clearly informing them about who can access their data. Furthermore, the impact assessment considers whether data holders should be required to share customer data upon request with data users, emphasizing that any access must be subject to customer consent. (SWD

2023.) Options also aim to standardise data sharing practices and interfaces, potentially requiring the development of common standards among market participants.

European Data Protection Supervisor (EDPS) in August 2023 published opinion 38/2023 on the Proposal for a Regulation on a framework for Financial Data Access. The EDPS is concerned about the sharing, access, and use of data by financial institutions. The EDPS is worried that the proposal would allow financial institutions to access very sensitive personal data. Allowing this access could interfere with individuals' fundamental rights to privacy and the protection of their personal data. The EDPS opinion (38/2023) further states that there are significant risks to individuals' rights and freedoms, including financial exclusion, where people could be denied access to financial services; price discrimination, where individuals might face different prices based on their personal data; and the refusal of services, where financial institutions might deny certain individuals, financial products based on their data.

To effectively address both opportunities and challenges, FiDA must balance innovation with robust privacy protections, ensuring customer benefit without compromising data protection standards.

Open finance serves as a broad framework that facilitates the handling of both personal and business data across various financial services, enabling a more comprehensive approach to data access and processing.

2.1.5 Regulatory challenges and potential synergies

The Impact Assessment Report on the Framework for FiDA explains significance of data-driven innovation, which emerges from the effective use of data and analytics to create valuable social and economic information. The Report (SWD 2023) further states that the innovation can improve productivity and stimulate new products, processes, organizational methods, and markets, making data access essential for competition and innovation in the digital economy. The data economy is growing quickly, driven by the production and use of data. By 2030, the EU data economy is projected to reach €1 trillion, underscoring its importance for firms, especially start-ups and SMEs. Financial services are the largest users of data in the EU, with data sharing poised to benefit them greatly, particularly with the rise of data-driven technologies like AI. Open banking and open finance are transforming financial services in the EU, and open financial data is predicted to significantly boost the EU GDP by 2030, benefiting both consumers and the industry. (SWD 2023.)

Schmitz, Barton & Fricke (2024) expect that the operational impacts of FiDA will be significant. Banks will need to prepare for the delivery of real-time data, maintain consistency and quality, handle customer consent efficiently, and comply with IT security standards. From a strategic perspective, understanding the impact of data-sharing will be important, not only to leverage new opportunities but also to navigate the competitive challenges that may emerge.

Insurley (open finance provider within insurance and pensions) acknowledges the regulatory challenges surrounding FiDA and emphasizes the need for a comprehensive approach and stress the importance of data availability, advocating for free, real-time, and consumer-initiated data sharing. Regarding potential synergies, Insurley highlights the importance of collaboration between consumers, industries, and third-party providers to create a consumer-centric ecosystem (Insurley 2023).

Regarding the scope of FiDA, Insurance Europe (2023) advocates for a more gradual, step-by-step approach that initially focuses on specific use cases where a clear benefit to consumers can be identified, similar to the approach used for payment services. They also suggest identifying the necessary data sets accordingly and expanding the scope of data sharing gradually, based on periodic evaluations that consider the benefits, risks, and costs involved.

In addition, Insurance Europe (2023) also calls for stronger data security measures, proper involvement of sector-specific European authorities like the European Insurance and Occupational Pensions Authority (EIOPA), and the need for clear legal certainty and proportionality, especially for small enterprises trying to manage data-sharing requirements. They recommend a more realistic timeline with implementation phases allowing adequate development of data-sharing schemes and technical infrastructure, acknowledging the complex nature of the financial sector and existing precedents like PSD2.

Finance Watch also supports a legislative approach that ensures thorough evaluation, supervision, and compliance to maintain consumer protection and a fair competitive environment in the financial sector and emphasizes the need for robust measures (Norwood 2024).

The European Banking Federation (EBF) highlights regulatory challenges with the FiDA proposal, including the need for clear definitions and a precise scope to prevent ambiguity. Gradual, market-based implementation of data-sharing schemes is recommended to ensure a smooth transition from open banking to open finance, minimizing risks. Robust security protocols and stricter authorization criteria for Financial Information Service Providers (FISP) are essential to ensure secure

data-sharing practices (Semane 2023). FiDA proposal (2023) states that only authorized data users, supervised by competent authorities, should be allowed to access customers' data. This means that regulated financial institutions or firms with specific authorizations as Financial Information Service Providers (FISPs) under the regulation can access such data, but the text does not clearly specify who is eligible to apply for FISP license and what they can do with accessed data.

Insurance Europe (2023) raises concerns about the regulatory approach to gatekeepers—large, dominant BigTech companies that control access to data or services in their respective markets, as under current FiDA proposal they are not restricted to apply for FISP license. The FiDA proposal does not impose any restrictions on gatekeepers or their subsidiaries as data users within the context of the FiDA framework when it comes to accessing data, which contradicts the stipulations in the DA. The DA specifically prevents gatekeepers, defined under the DMA, from qualifying as eligible third parties for data-sharing purposes. Insurance Europe advocates for similar restrictions in the FiDA regulation to ensure a level playing field among service providers. (Insurance Europe 2023.)

Potential synergies highlighted by the EBF include the facilitation of cross-sectoral data sharing, offering opportunities for broader innovation and consumer benefits through integrated services across different sectors. Promoting financial data access under FiDA could drive data-driven innovation and development of new financial products, improving consumer control and personalization in financial services (Semane 2023).

When comparing positions from organizations (Insurance Europe, EBF, Insurley) on the proposed FiDA regulation, the common regulatory challenges identified in the context of FiDA include the need for clear definitions and a precise scope to prevent ambiguity and ensure smooth implementation. In summary, sufficient data security measures and stricter authorization criteria for FISPs are necessary to protect customer data and maintain trust, which is connected to the lack of restrictions on gatekeepers accessing customers' data. Additionally, a realistic timeline for implementation phases, considering the need for infrastructure development and past experiences like PSD2, was highlighted.

Cross-sectoral data sharing can drive broader innovation and favourable outcomes for customers through integrated services across various sectors. Promoting data access under FiDA is seen as a way to strengthen data-driven innovation and develop new financial products, hence improving customer control and personalisation in financial services.

2.2 Stakeholder perspective in FiDA

2.2.1 Impact on customers

A primary objective of the FiDA proposal on open finance is to boost economic outcomes for financial services customers and industry firms by promoting digital innovation and accelerating the adoption of data-driven business models in the EU financial sector. Customers play a crucial role in this initiative, with the proposed regulation aiming to grant them greater control over their data and access to boost data-driven financial services. In this framework, the term "customer" encompasses both individuals as well as small and medium-sized enterprises (SMEs).

The scope of the Regulation is narrowed down to certain categories of customer data in Article 2 (1), such as non-life insurance products, savings, investments in financial instruments, insurance-based investment products, and more.

Definitions within FiDA clarify the distinction between "consumer" and "customer":

- Article 3(1) of FiDA defines ‘consumer’ as a “natural person who is acting for purposes other than his or her trade, business or profession”. This means that consumer engages in activities and purchases goods or services for personal use, rather than for business reasons.
- Article 3(2) of FiDA defines ‘customer’ as a “natural or a legal person who makes use of financial products and services”. A customer is defined as either a natural person (an individual) or a legal person (an entity such as SME) who uses financial products and services. This definition is broader than the definition of a consumer because it includes entities that may use financial products and services for business or professional purposes as well as for personal use.

Therefore, while all consumers are customers, not all customers qualify as consumers due to their potential business-related engagements. These definitions are important for understanding different scenarios addressed in the regulation.

To strengthen customer trust in handling of financial data, FiDA proposes permission dashboards as detailed in Article 8(1) of FiDA: “a data holder shall provide the customer with a permission dashboard to monitor and manage the permissions a customer has provided to data users.”

Permission dashboards allow customers to control who accesses their data, ensuring transparency and control. These rules were proposed to regulate data access, defining authorized entities and safeguarding customer information. Additionally, the text suggests complementary guidelines to protect consumers from unfair treatment or exclusion, aiming to ensure equal and secure data practices.

Open finance has the potential to transform the delivery of financial products and services to customers. This approach will integrate financial products and services into daily routines, providing access to more personalized products and services tailored to specific needs and preferences. But to achieve that, financial institutions will need to understand the needs of customers and offer the financial products and services for tailored solutions. For that, financial institutions will need to use technology and data to better understand their customers and provide them with the facilities that they need. This will involve leveraging the power of open finance and decentralized technologies, such as blockchain and distributed ledger technology, to create a more transparent, secure, and efficient financial system that is focused on delivering value to customers. (Crosskey 2023.)

2.2.2 Impact on third parties

Currently the third parties (data users) that wish to use customers' data (apart from payment accounts) for innovative services face difficulty accessing it from financial institutions. The FiDA (2023) Explanatory Memorandum points out that although customers want data-driven financial services, they lack widespread access. It is further explained that this limited access is due to several issues: reliable rules and tools for managing data sharing permissions are missing, which makes customers hesitant to share data. Even when sharing is desired, the rules are often unclear or non-existent, preventing data holders (insurers and other financial institutions) from enabling access to data users like FinTech companies. Also, sharing data is expensive because the data and technical systems are not standardized and differ widely.

With customer´s permission, financial institutions will be under FiDA obliged to share certain categories of customer data (Article 2 (1)) related to various financial products, with third parties that intend to utilize this data within their services. That way customers will be able to receive offers for tailored financial products and services that better fit to their needs. The purpose of this data sharing is to allow third parties or data users to use the information to develop and offer innovative financial products and services that are more personalized and better suited to the individual needs of customers.

The framework for FiDA (2023) introduces Financial Information Service Providers (FISP) together with rules concerning the authorisation and operation of the FISP. Art. 3 (7) of the Regulation defines ’financial information service provider’ as a data user that is authorised under Article 14 to access the customer data listed in Article 2(1) for the provision of financial information services. The Explanatory Memorandum of the Regulation further states that the introduction of this new category of FISP will guarantee that only reliable and secure entities will be able to access and process customer data within the financial sector. Hence, when they meet strict criteria and obtain authorisation from a competent authority.

According to Pflücke (2024, 5) data users must process customer data only for the explicitly requested service (Art 6(4)(a)), implement security measures (Art 6(4)(c)), respect confidentiality and intellectual property rights (Art 6(4)(b)) prevent unlawful transfer or access to non-personal customer data (Art 6(4)(d)) and refrain from processing customer data for advertising purposes unless allowed by EU and national law (Art 6(4)(e)).

KPMG (2023) identified several challenges that data users face; they must develop high-performance IT systems and processes to efficiently utilize data, ensure adequate data processing capacities and maintain data quality. Compliance with regulatory and legal requirements for data protection and governance is a key concern. Additionally, need to identify customer-relevant use cases and business models is essential.

On the other hand, there are opportunities to be explored. Data users can access new data sources to develop innovative financial products. There is also a chance to tap into market potential using data-driven business models. Better use of data allows greater personalization of products and services. Additionally, data users can gain competitive advantages through more efficient risk analysis and credit scoring. (KPMG, 2024.)

While it is evident that financial data offers valuable insights into customer behaviour that can boost other products and services, it is unclear how the current draft of the FiDA proposal will safely and effectively increase value for the economy and customers.

2.2.3 Impact on financial institutions

Article 3(5) of FiDA defines ‘data holder’ as a financial institution other than an account information service provider that collects, stores and otherwise processes the data listed in Article 2(1).

Article 3(8) further states that ‘financial institution’ means the entities listed in Article 2(2) points (a) to (n), who are either data holders, data users or both for the purposes of this Regulation.

Entities acting as data holders or data users listed in the Article 2(2) points (a) to (n) include credit institutions; payment institutions; electronic money institutions; investment firms; crypto-asset service providers; issuers of asset-referenced tokens; managers of alternative investment funds; management companies of undertakings for collective investment in transferable securities; insurance and reinsurance undertakings; insurance intermediaries; institutions for occupational retirement provision; credit rating agencies; crowdfunding service providers; PEPP providers.

It can be stated, that based on the proposed Regulation, financial institutions can act as both, data holders and data users. When financial institutions are data holders, they must provide access to certain categories of data based on a customer's request. When these institutions act as data users, they are allowed with customer´s permission use obtained information to develop and offer financial products and services that are more personalized and better suited to the individual needs of customers.

KPMG (2023) have summarised challenges and opportunities for data holders. Challenges include adapting to FiDA requirements, need to adjust processes, IT systems, data management practices, and contract documentation accordingly. One major challenge is ensuring the real-time data delivery. Additionally, there is a high need for adaptation in the areas of master data management, data quality, data governance, and data platforms. Moreover, they must comply with regulatory requirements within short implementation deadlines. (KPMG 2023.)

As for opportunities, data holders can optimize their data architecture for more efficient processes. There's also the chance to become active data users and offer data-based products. Enhancing data quality and governance structures can yield long-term benefits. Moreover, there is potential for new revenue streams by providing data in exchange for payment. (KPMG, 2023.)

Financial institutions must rethink their customer engagement processes to match the seamless digital experiences offered by other industries. Customers expect direct, simple, and effective interactions. Improving engagement involves adopting better technologies and methods for client servicing. (Nicoletti 2017, 88-91.)

According to Nicoletti (2017, 88-91) financial institutions need to adapt their business models and embrace collaborative ecosystems. Partnerships with tech providers and other financial entities are

crucial for accessing valuable customer information and enhancing service offerings. Institutions must build new models focusing on digital experiences and innovative risk assessment methods to stay competitive.

Nicoletti (2017, 84) also suggests that executives should discuss their business' 4 Cs—context, customers, challenges and costs, and competitors—so that they can have a clear view of how digital transformation, technologies, and customer behaviour can affect their organizations in the years to come. This exercise is about clarifying language so the organizations can build a digital strategy based on a shared understanding of their challenges and desired outcomes.

2.3 Integrating sustainability into digital finance

Digitalization is connected to sustainability, as these two concepts are linked in the modern business environment. Thinking about digitalization must include thinking about sustainability (Herberger & Dötsch 2021, 3). Digitalization and digital transformation, as discussed by Herberger & Dötsch (2021, 3), present significant challenges and opportunities for achieving sustainable business practices. Digitalization introduces new solutions through digital technologies, while digital transformation represents broader shifts in business models and societal systems induced by these technologies.

With fast technological advancements sustainable action becomes more urgent. Digitalization and sustainability are not independent forces within the competition landscape but fundamental aspects that influence and reshape industry dynamics equally. This interconnectedness means that companies must adopt change management and leadership practices to navigate the complexities and opportunities brought by digitalization and sustainability. (Herberger & Dötsch, 2021, 3.)

Ultimately, businesses must integrate these elements into their strategies to ensure both technological innovation and sustainable development, leveraging digital finance tools to achieve long-term success and resilience.

While digitalisation is the broader process of integrating digital technologies into various aspects of business and life, digital finance is the term used to describe the impact of these new technologies on the financial services industry. It includes a variety of products, applications, processes and business models that have transformed the traditional way of providing banking and financial services. (EC.)

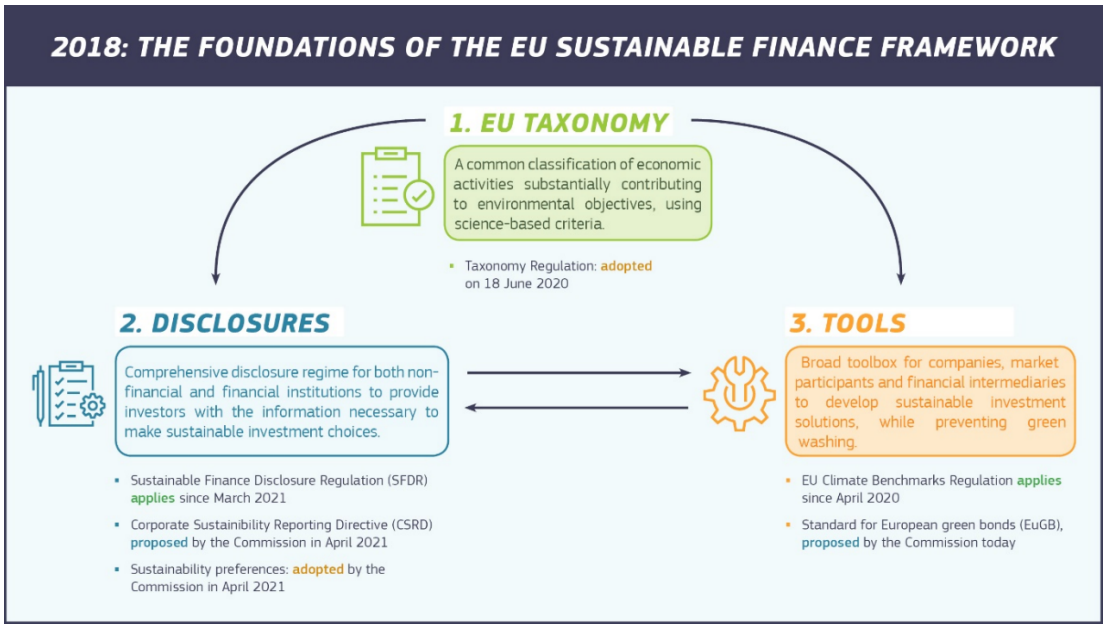
Digital finance plays a crucial role in the concept of 'Open finance.' According to the European Commission's website (European Data 2024), integrating open data in the financial sector empowers consumers by giving them greater control over their financial information. Digital finance enables the use of digital technologies to increase customer engagement and management of their finances. Secure sharing of financial information across various platforms positions open data as a key component of digital finance, fostering access, personalization, and innovation within the financial sector. Initiatives like the 'Open finance' proposal leverage digital finance technologies to offer personalized experiences, empowering customers to actively manage their financial data. This integration supports the development of a dynamic, digitally driven financial ecosystem, reinforcing the role of digital finance in promoting transparency, inclusion, and growth in the EU and beyond.

2.3.1 Sustainable Finance

Sustainable finance refers to the process of taking environmental, social and governance (ESG) considerations into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects (European Commission 1). It is further explained by the European Commission (1) that environmental considerations include climate change mitigation and adaptation, biodiversity preservation, pollution prevention, and circular economy practices. Social considerations address inequality, inclusiveness, labour relations, investment in skills and communities, and human rights. Governance in public and private sectors involves management structures, employee relations, and executive remuneration, ensuring social and environmental factors are integrated into decision-making.

In 2018, the EC adopted its first action plan on financing sustainable growth. Based on that plan, the EU has put in place the three building blocks for a sustainable financial framework. These building blocks are: 1) a classification system, or ‘taxonomy’, that defines what is considered an environmentally sustainable economic activities, 2) a disclosure framework for non-financial and financial companies; rules and standards forcing companies and financial institutions to transparently report how sustainable their activities are and 3) investment tools, including benchmarks, standards and labels. (COM/2021/390.)

Figure 1: Sustainable financial framework set by the EC (COM/2021/390).



Source: Communication from the Commission. Strategy for Financing the Transition to a Sustainable Economy

In the connection to sustainable finance framework, on February 26, 2025, the EC presented the so-called “First Omnibus Package” on sustainability with the aim of simplifying the EU's sustainability legislation framework, aiming to reduce regulatory burdens while improving clarity and efficiency for companies. It is a part of a broader effort to simplify EU rules and improve competitiveness of EU businesses as well as to attract more investments. The First Omnibus package relates to sustainability regulations, such as the Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD), and the EU Taxonomy (Omnibus I.) While this does not directly relate to the FiDA framework, it impacts the EU´s sustainable finance agenda by proposing changes to key regulations designed to direct investment towards green and sustainable activities.

Sustainable finance represents a change in thinking that recognizes the impact of sustainable practices on financial success, supporting a more comprehensive and responsible approach to investments and financial decision making. Sustainable finance includes a multitude of aspects involving environmental, social, and governance for financial decision-making, with an emphasis on fostering long-term economic stability in concert with societal and environmental issues (Ahmad, Arora, Sayal, Kumar, & Kumar 2025).

In addition, Ahmad et al. (2025) explains sustainability factors relevant to sustainable finance, illustrating the multifaceted approach to integrating ESG considerations into financial practices. These factors are environmental sustainability factors, social sustainability factors, governance

sustainability factors, factors of technological sustainability, financial sustainability factors, economic and policy factors, consumer behaviour trends.

According to Ahmad et al. (2025) governance sustainability factors aim to establish strong structures and policies for accountability, transparency, and ethical decision-making. These frameworks help protect customer data, mitigate cyber threats, and ensure regulatory compliance. In sustainable finance, strong governance is important for minimizing risks and increase the credibility of financial institutions. Yadav & Ahmed state that organizations with solid governance frameworks are better positioned to tackle challenges and uphold stakeholder trust (Ahmad et al. 2025).

Governance sustainability factors are relevant to open finance and FiDA because that means it involves establishing strong policies for accountability (ensures that data is collected, stored, processed, and shared according to legal and regulatory standards) and transparency (communicating openly how data is collected, stored, used, and shared) in data handling. Strong governance is crucial to ensure customers trust and credibility as data sharing increases. Financial institutions with solid governance practices are better equipped to adapt to the challenges of increased data sharing, ensuring ethical use of data and minimizing associated risks.

Ahmad et al. (2025) emphasizes the importance of consumer behaviour trends in the determination and shaping of directions in sustainable finance. Alsmadi & Al-Fawaz state for today's modern consumers, viability is the mantra as consumers' expectations are soaring high on the transparency and accountability of companies with which they deal (Ahmad et al. 2025). Objective of FiDA is to boost digital transformation in the financial sector to empower customers to take control over their data. If customers also seek more transparent and sustainable products, it could encourage data users to offer more such options. This preference would drive the adoption of more sustainable finance practices.

2.3.2 The intersection of sustainability and financial data access in FiDA

Recital 13 of FiDA (2023) outlines the importance of including the sustainability-related information in customer data to enable easier access to financial services aligned with sustainability preferences and sustainable finance needs. Access to data relating to sustainability which may be contained in balance or transaction details related to a mortgage, credit, loan and savings account, as well as access to customer data relating to sustainability held by investment firms, can contribute to facilitating access to data needed to access sustainable finance or make investments into the green transition (FiDA, recital 13).

It helps customers and firms, especially small and medium-sized enterprises (SMEs), understand and align their financial activities with sustainability goals. Including sustainability data in creditworthiness assessments provides greater insight into the sustainability objectives of small firms. This measure is expected to improve access to financing and streamline loan applications, while ensuring that intellectual property rights are not infringed. (FiDA, recital 13.)

Overall, the FiDA can help customers to find financial services that align with their sustainability preferences, promoting responsible investing and financing. It also represents a move towards better transparency in the financial sector, empowering both customers and businesses to select and use financial services that reflect their sustainable values and priorities (FiDA 2023). It is important to add that the text of FiDA frames sustainability more as a potential benefit. By fostering innovation and allowing for the development of more tailored and potentially greener financial products, FiDA could indirectly contribute to sustainability goals. The legal text focuses more on the mechanisms for data access, consent, and the roles of different actors, with sustainability being a potential positive outcome rather than a core obligation within the regulation itself.

Sustainability information included in the FiDA are seen by the European Consumer Organisation (BEUC 2023, 15) as an opportunity for consumers to obtain green loans and mortgages, choose sustainable investment products, and access insurance that addresses climate-related risks using accurate climate data. BEUC emphasizes the need to create synergies between the open finance proposal and existing EU legislation, such as the DGA and directives related to energy performance and efficiency. This integration is important because climate-related data and energy efficiency information is currently not readily accessible to consumers or financial entities. (BEUC 2023, 15.)

The Impact Assessment Report on the Framework for FiDA discusses sustainability primarily in the context of environmental, social, and governance (ESG) data. It explores how increased data access could facilitate the development of new financial products and services that align with sustainability goals and enable consumers to make more informed sustainable choices. (SWD 2023.) Six in ten Europeans (62%) find it important that their savings and investments do not fund economic activities that have a negative climate impact (SWD 2023).

3 Research Methods

The research aims to utilize both qualitative analysis and academic study.

Reading existing literature, reports, and legal documents concerning open finance and the proposed FiDA regulation serve as a starting point to understand better the topic. As the negotiations between the EP and the Council are ongoing, at the time of writing, the research will consider the versions currently available, acknowledging that the final text could differ. Additionally, associations representing banks and insurance companies publish their positions on the proposed FiDA framework, which provides valuable information.

From a legal perspective, a qualitative content analysis of documents related to FiDA and other legal frameworks to gain insights into open finance, the role of data, and data sharing is needed. Other EU regulations, such as GDPR, PSD2, DMA, DGA, DA and DORA, provide a broader perspective on FiDA's impact on financial services. Understanding FiDA requires a broader perspective on its impact on financial services, but due to the scope of a bachelor thesis, an overly detailed analysis isn't possible.

The proposed framework for FiDA affects a wide range of entities acting as data holders or/and data users, including banks, insurance companies, investment firms, crypto service providers, as well as FinTech and InsurTech organizations (data users). To gain a deeper understanding of business and consumer perspectives, interviews were conducted with representatives from banking and insurance associations, focusing on these two areas rather than attempting to cover all entities. These interviews help to understand better stakeholder views on the potential effects of FiDA on financial services.

Interviews may be highly formalised and structured, using standardised questions for each research participant, or they may be informal and unstructured concersations. Types of interviews commonly used are structured, semi-structured and unstructured or in-depth interviews. (Saunders, Lewis & Thornhill 2015, 390.) This research will be using a semi-structured interviews, to allow flexibility, taking into account that not all participants may be able to answer every question, and enabling the researcher to adapt based on response. In semi-structured interviews the researcher has list of themes and possibly some key questions to be covered, but their use may vary from interview to interview (Saunders et al. 2015, 391).

Interview questions will address legal and regulatory aspects, benefits and challenges for stakeholders, and explore any connections between the framework for FiDA and sustainability.

For analysing results of interviews, a thematic analysis will be used. Thematic analysis involves a researcher coding qualitative data to identify themes or patterns for further analysis, related to research questions. Thematic analysis can be used analyse large qualitative data sets, as well as smaller ones, leading to rich descriptions, explanation and theorising. (Saunders et al. 2015, 579.)

By combining qualitative and quantitative approaches, the research aims to provide a comprehensive understanding of the topic. In summary, the research methods selected for this thesis are well-suited to the research question. Through the integration of legal content analysis, qualitative interviews, and potentially quantitative data, the research seeks to address the key issues surrounding open finance and FiDA.

For this study insights from five interviewees were gathered and analised, detailed in Table below.

Table 2: Research interviewees, role description, and industry

Research interviewee	**Role**	**Industry**
D1	Consultant	InsurTech
E2	Legal advisor	Financial sector
F3	Policy advisor	Insurance
G4	Policy officer	Financial services
H5	Policy advisor	Banking

4 Data and Results

4.1 Compliance challenges

Compliance challenges was a concern in four out of five interviews, highlighting the need for clear legislative guidelines and sufficient time for compliance with FiDA. Interviewee D1 pointed out the lack of harmonised standards, “It's currently up to market participants to agree on data standards, which can lead to inconsistencies.” adding further that "Compliance will depend heavily on the final version of the legislation. Financial institutions must stay updated." This reflects a broader sentiment across interviews that the rapidly changing regulatory landscape could lead to substantial operational challenges.

Interviewees E2 and H5 were concern regarding the high implementation costs and the need for realistic assessments. E2 noted that "The industry cost could be ten times higher," stressing that past experiences with PSD2 underscored the financial burden of compliance. Meanwhile, H5 emphasized that existing evaluations failed to capture the true economic impact, suggesting a mismatch between projected and actual costs. H5 further added, “There is also unclear understanding of market and customer demand for FiDA, making its practical application uncertain”. This highlights the necessity for thorough impact assessments and strategic planning to address both the economic and operational challenges presented by FiDA. Companies should not be expected to make big investments without clarity on the potential returns and benefits of data sharing under the FiDA framework.

4.2 Legal and regulatory conflicts

Many interviewees expressed concerns about FiDA's overlaps with existing regulatory frameworks, such as GDPR and DMA. H5 pointed out the potential contradictions with GDPR's data management responsibilities and DMA's participation guidelines for gatekeepers, whereby FiDA may allow access contrary to DMA's limitations.

F3 and H5 discussed the role of gatekeepers and the potential risks of data security breaches. F3 emphasized concerns regarding big tech's involvement and potentially their ability to apply for FIST licenses, and the complexity that arises if data is transferred beyond European borders. H5 agreed that FiDA's inclusion of gatekeepers could mean a potential threat to data security and fairness, advocating for stricter compliance with DMA requirements: “Excluding gatekeepers from FiDA would conflict with European laws on competition, but their participation raises concerns about

data security and market fairness". It aligns with the shared view that gatekeepers must have clear responsibilities to avoid misuse and unauthorized data access, and H5 further suggested: "Better monitoring and safeguards could help ensure that gatekeepers contribute positively to the financial data ecosystem without compromising ethical standards or security protocols". This concern over regulatory overlaps suggests that effective integration with existing laws is important.

Interviewee H5 noted overlaps specifically regarding permission dashboards and data management obligations, arguing that FiDA's broad scope might conflict with established norms.

E2 critiqued FiDA's broad definition of customer data and raised further legal uncertainties, particularly regarding the processing of health data, proposing that clear definitions are important to avoiding compliance contradictions. Regarding health data, E2 further explained the issue of ambiguity in the processing of health data within the scope of a regulation. E2 argues that "if sickness and health insurance products are excluded from the regulation's scope, there should be no need to process or reference individual health data". For example, processing such data for home insurance products would be completely unnecessary. E2 explained that proposed wording from the EP negotiation position in Article 7 (data user perimeter) regarding European Insurance and Occupational Pensions Authority (EIOPA) providing regulatory technical standards (RTSs) on processing health data and right-to-be-forgotten frameworks do not make sense. The EP's version includes health data, while the EC and Council versions restrict the scope to sickness and health insurance products. "If a category like health data is excluded from the regulation, there should be no guidelines or RTSs addressing its processing".

These observations suggest that harmonization of FiDA with pre-existing regulations is a must, requiring clarity around the framework and scope of data sharing to navigate potential legal friction. Despite the consensus on certain issues, some divergence exists between interviewees regarding FiDA as a concept. While E2 and F3 seemed sceptical of the motivations behind FiDA—highlighting the burdens on the industry—H5 saw it as an opportunity to redefine open finance, provided these regulatory conflicts are resolved. H5 expressed optimism about FiDA's potential to foster beneficial data-sharing ecosystems, contingent on proper regulatory compliance.

4.3 Economic impact

The economic implications of FiDA are twofold—opportunities and risks. Interviewee D1 articulated potential advantages for banks, stating it could empower third-party innovation and improve customer insights. As for insurance, potential benefits are more efficient processes, better

personalization, improved claims management, competition. Interviewee G4 is of an opinion that during implementation, banks and insurance companies (data holders) will need to perceive FiDA as an opportunity rather than a liability: “If they recognise it as a chance to create new services, it can be integrated into their offerings, considering that they already control a majority of data.” G4 highlights resistance among data holders to modernize their IT systems, with many insurance markets still relying on outdated methods. Adding, that there seems to be “a general misunderstanding that proper infrastructure is essential for competitiveness.” Despite open finance being the future, many seem to be unaware of the rapid digitization of the economy.

However, E2 remarked, "The cost of implementation is high," questioning FiDA's actual demand, further adding that “in Finland, it is quite easy to switch insurance providers, but it might not be as easy in other EU countries”. Despite the cost concerns, H5 sees opportunities for banks to leverage FiDA to create innovative products and new revenue streams, provided it is well-implemented. It indicates that FiDA could unlock potential benefits if managed effectively, yet the financial burden presents a hurdle that must be overcome to realize these advantages.

4.4 Customer trust and security

Building customer trust is critical for successful data sharing under FiDA. Interviewee G4 explains that FiDA “aims to address specific challenges in the financial market, such as market failures related to data sharing. Currently, data users, data holders, and customers face issues like hesitation to share data and a lack of trust in data sharing processes. FiDA seeks to overcome these challenges by establishing a framework for data access, which is essential for gaining customers' trust.”

Interviewee G4 stresses the importance of customer trust, and that data users must demonstrate that their products are transparent and effectively communicate the benefits of their services to customers.

Interviewee D1 praised the introduction of a "permission dashboard" to enhance user control and safeguard transparency. Interviewee G4 further elaborated on FiDA's emphasis on robust cybersecurity measures underscored by DORA standards. Nonetheless, interviewee H5 identified cybersecurity as an area needing closer alignment between FiDA and DORA protections, further elaborating that financial institutions have increasingly invested in cybersecurity and related data protection measures, and new actors under FiDA, such as FISPs, add complexity to the ecosystem. “There is

a mismatch between DORA's cybersecurity standards and FiDA, causing uncertainty about their integration".

Interviewees argued that comprehensive data protection is essential to winning customer trust, advocating for strengthened cybersecurity frameworks. The repeated demand for transparency and security highlights belief that winning customer trust will depend on clear communication and strong data protection.

4.5 Strategic preparation and implementation

Interviewees D1 and E2 provided guidelines for internal discussions and infrastructure building, suggesting that institutions assess FiDA's impact across departments as a competitive advantage. E2 further added that "financial institutions should have good understanding how to comply with FiDA, how to build API infrastructure, discuss which schemes should be implemented, and ensure compliance not only with FiDA but also with competition rules".

As for the implementation period by the EC, E2 argued for extending implementation timelines to 30-36 months for more effective compliance (Article 36 of the Proposal states that the Regulation shall enter into force on the 20th day following that of its publication in the Official Journal of the European Union and shall apply 24 months after its entry into force). Interviewee F3 highlighted the importance of gradual implementation stages to ensure infrastructure readiness, emphasizing not to rush the transition. F3 further explains that the proposal in the Council text for implementing the FiDA regulation recommends a phased approach, introducing certain products gradually over different periods. This strategy allows companies time to ensure their technical infrastructure is functioning correctly and effectively. The emphasis is on not rushing the process, giving financial institutions time for a smooth transition to the new regulation. These diverse approaches underline a unified belief among interviewees: thoughtful planning and phased execution are important to meeting FiDA's demands without overwhelming financial institutions.

4.6 Innovation

The interviews revealed challenges in understanding the specific new services and offerings that FiDA might enable. Many of the interviewees work in advocacy, which limits their insight into the business strategies of organisations offering new services. Nevertheless, the discussions touched on FiDA's innovative potential in more general. Interviewee D1 highlighted opportunities for

personalized finance tools and ecosystem collaboration, while interviewee F3 stressed the importance of partnerships and suggested equal data sharing among fintechs to maximize benefits. Interviewee H5 added: “Banks can leverage FiDA for creating innovative products and enhancing customer relationships, albeit requiring investments in infrastructure and personnel to ensure efficient data sharing.” Yet, it is important to mention that the ultimate beneficiaries should be in the end customers, who will enjoy experiences and new data services but without demand for new services the implementation of FiDA could be very challenging and costly.

Despite the lack of detailed business insights, there is a shared optimism among interviewees that FiDA's framework can serve as a catalyst for developing cutting-edge financial products. The success of FiDA will largely depend on effectively aligning its offerings with consumer needs and expectations to drive adoption and value.

Adding another dimension, interviewee G4 pointed out resistance to change among data holders due to outdated IT infrastructure needing modernization. Although open finance represents the future, many remain unaware of the digitization trend. Engaging with innovation departments in banks could help to address these modernization challenges and fully realize FiDA's potential for innovation.

There is optimism about FiDA's potential to catalyse innovations in financial products, with emphasis on partnerships, infrastructure investments, and aligning with consumer needs.

4.7 Sustainability

FiDA's potential to support sustainability within financial practices was a common theme in the interviews, although specific examples were not provided. Interviewee D1 highlighted FiDA’s role in contributing to the UN SDG by improving the tracking of sustainable investments. Interviewee F3 emphasized the importance of assessing FiDA’s technical infrastructure regarding its energy impact. Interviewee H5 discussed the equitable distribution of data-sharing benefits, emphasizing sustainability's key role in a digital financial ecosystem. These reflections suggest a shared expectation for FiDA to incorporate ethical considerations and sustainable practices into its framework, effectively aligning economic and environmental synergies. On the other hand, the interviewees were not deeply familiar with the sustainability aspects of FiDA, as sustainability is not the primary focus of the framework, which may explain the lack of detailed examples in their responses.

4.8 Future impact

FiDA's potential to redefine future financial services emerged as another theme. Interviewee D1 and H5 predict that increased digitalization, long-term innovation, and improved data management are significant forces in shaping the financial landscape. Interviewee G4 emphasized open finance as the future, highlighting the necessity for institutions to perceive FiDA as an opportunity rather than a liability. Overall, these themes collectively paint a picture of cautious optimism tempered by tangible concerns. Interviewees agreed that FiDA could be transformative if implemented harmoniously with existing regulations and with due consideration of compliance costs, consumer trust, strategic readiness but also technical infrastructure. By fostering innovation and sustainability, FiDA has a potential to drive the digital evolution of financial services while advocating for fair practices and strong infrastructures.

5 Conclusion

Financial sector plays an important role in European economy; therefore, stable financial system should be in the interest of all member states. This involves protecting consumers and investors, promoting fair markets, ensuring fair treatment and access to information, supporting competition and preventing market abuse.

FiDA represents a shift in financial services, bringing together regulatory requirements and opportunities for innovation. The objective of FiDA is to increase customer trust in data sharing by giving them control over their data and ensuring that third-party users can have effective access to that data with customer permission. It was clear from the interviews conducted, that customer trust is important for successful data sharing. Effective data protection is a must for earning this trust and improving security measures can further strengthen customer confidence. Ultimately, transparency and strong security are critical to maintaining customer assurance in data-sharing practices. FiDA can be seen as a driver for developing new financial products and pushing finance toward a digital future. However, achieving these changes requires handling of various challenges.

High implementation costs seem to be one of a major concern for financial institutions, as past experiences with PSD2 highlighted potential financial burdens. Outdated IT systems and their lack of interoperability present also challenges. Upgrading these systems will be costly and time-consuming, potentially resulting in compliance delays. Additionally, the absence of harmonized standards can lead to inconsistencies, while a rapidly shifting regulatory landscape may cause substantial operational difficulties.

Potential risk of data security challenges, especially concerning gatekeepers and the transfer of data beyond European borders are also a concern based on the interviews conducted. Although FiDA proposal does not directly mentions gatekeepers, they would be able to obtain the newly introduced FISP licences through entities owned be them or controlled. During the interviews it was stressed the importance of integrating FiDA with current laws to avoid misuse and ensure fair practices and security protocols.

Additionally, issues with FiDA's broad scope, including the unclear definition of customer and health data, highlight the need for precise guidelines to prevent compliance contradictions. While there is scepticism about FiDA's impact, some see it as an opportunity to redefine open finance if regulatory conflicts are addressed. Overall, harmonizing FiDA with existing frameworks is important to ensure its success and foster a positive data-sharing ecosystem.

FiDA aims to make the financial sector more transparent, allowing consumers and businesses to make better choices about responsible investing and sustainable products, yet it would be good to get a better understanding on how concretely the open finance framework can be used to improve sustainable finance.

The successful implementation of FiDA will depend on several key factors, including the strategic readiness of financial institutions and stakeholders, robust cybersecurity, high data quality, and a solid infrastructure for data exchange. Clear legislative guidelines and a well-defined scope are crucial to ensure effective deployment. The real measure of FiDA's success will rely on how well it is accepted by the market and the level of trust customers will have in sharing their data.

FiDA wants to transform the digital finance landscape by encouraging innovation, supporting fair practices, strengthening infrastructure, and contribute to a stable and inclusive financial industry. However, when new legislative act is proposed, such as now FiDA, finding the balance between the intentions of legislators and the practical needs of potential customers who will be using new services and products, plus stakeholders who must make it work, can be challenging. There seems to be uncertainty about market demand for FiDA, emphasizing the importance of comprehensive impact assessment. Yet, with strategic readiness and by aligning offerings with customer needs, FiDA can pave the way for a new era of transparent, efficient, and sustainable finance, toward a future where open finance boosts progress and inspires new ideas.

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Appendices

Appendix 1

Questionnaire for semi-structured interviews

1. Are there major compliance challenges that financial institutions might face under the FiDA?
2. Do you foresee any potential conflicts or overlaps between FiDA and existing regulatory frameworks, such as GDPR, and how might these be reduced?
3. How FiDA tries to balance the needs of customers, financial institutions, and third-party financial service providers?
4. What specific challenges in the financial market is FiDA trying to improve?
5. What are the biggest challenges you see in putting FiDA into practice?
6. What are the primary economic opportunities and risks that banks/insurance companies associate with the increased data sharing?
7. How can financial institutions build and maintain customer trust in the data-sharing process?
8. How can FiDA help make the European financial system better for the economy, people, and the environment?
9. What things need to be done to make sure FiDA supports good, long-term financial practices?
10. How might financial institutions strategically prepare for the implementation of the proposed FiDA regulation?
11. What key factors can determine the successful implementation and adoption of FiDA?
12. How do you think FiDA will change how financial services work in the next five to ten years?
13. Is there anything else you would like to add or any recommendations you have?