

Open Finance: prospects and next steps of the FiDA proposal

1. Opportunities from open finance

A regulator observed that data is a key asset in today's economies. Financial data sharing, if leveraged correctly, can support innovation and thus economic growth, but it is necessary to ensure that this innovation benefits both incumbents in the financial sector and new players and also customers.

A second regulator noted that open finance could significantly accelerate the digitalisation of financial services, and the adoption of artificial intelligence (AI) in particular, by expanding the volume and diversity of datasets available to train AI models.

A third regulator described the expansion from open banking to open finance as a major growth opportunity. In the UK, it has been estimated that smart data initiatives enabling cross-sectoral data sharing could deliver a £27 billion boost to GDP. Once legislation is passed, the FCA will look to consult on mandation options for data sharing in open finance.

A broader sharing of data could support practical applications addressing real-world challenges, such as improving credit provision for SMEs and households with limited credit histories and strengthening financial inclusion. One example is its potential to ease the burden on vulnerable individuals facing debt. In the UK, over-indebtedness increasingly stems from utility, telecoms or council tax bills rather than traditional financial liabilities. A particular difficulty for those affected is the need to engage repeatedly with multiple creditors and provide the same information, compounding stress at a time of financial fragility. Open finance could enable secure data sharing, reducing this burden and supporting more effective assistance.

Another important application is the development of pension dashboards, now being rolled out in both the UK and Europe. These platforms will allow individuals with multiple employers to view all their pension entitlements in one place, helping them make better-informed decisions about retirement planning.

An industry representative argued, however, that open finance will not have a significant impact on the digitalisation of financial services, because there is no notable customer demand for services based on data sharing. In addition, relatively few customers are willing to share their data. A survey by a French mutual insurer, for example, found that only 9% of customers were prepared to share their insurance data. Europe's financial institutions are already highly digitalised, the group is processing over 12 million digital interactions daily and continuing to invest in new digitalization projects and features leveraging technology, such as more flexible mortgage management. FiDA, on the contrary, risks diverting financial institutions' resources

to comply with complex requirements for services customers do not want. It is customer demand, not regulation, that should drive innovation.

2. On-going adjustments to the FiDA proposal and remaining issues to consider

2.1 On-going trilogue negotiations

An official noted that FiDA mandates financial institutions to share real-time customer data, with the customer's consent, to help foster a more competitive environment. This obligation is expected to apply to both retail and corporate segments. It is essential that the regulatory framework strikes the right balance between promoting innovation and ensuring risk mitigation. The level 1 text should avoid excessive regulation and allow sufficient flexibility for an effective implementation on the ground. Trilogue negotiations began earlier this year, with the objective of building on the foundations of PSD2 and creating a more competitive ecosystem.

A regulator noted that the original FiDA proposal, which complements the digital finance package, triggered concerns, especially regarding its complexity and cost for financial institutions and the potential competitive imbalances it may lead to between financial institutions and advanced tech companies.

In response, the Commission proposed simplifications including a reduction of the scope of the regulation by excluding large corporates, credit rating agencies, and smaller investment firms from the data holders concerned by FiDA. These changes are being considered in the context of ongoing trilogue negotiations.

Some of these adjustments may, however, undermine the objectives of the regulation, the regulator noted. First, the combination of excluding large corporates from the customer data category and small, non-interconnected investment firms from the data holder category risks narrowing the scope too much. These smaller intermediaries typically serve fewer but larger clients, meaning this combination of exclusions would leave only medium-sized corporates within scope, potentially diluting the intended reach of the regulation. Second, the proposed exclusion of e-money token and asset-referenced token (ART) issuers is questionable. In most cases, particularly for e-money tokens, issuers are banks or electronic money institutions, which would remain subject to FiDA for other client-related activities. As a result, the exclusion would only apply in practice to ART issuers that are not banks, payment institutions or electronic money institutions, raising concerns about its effectiveness and consistency. Third, the exclusion of

UCITS-related data is difficult to justify, particularly given FiDA's objective to empower retail investors.

Another regulator considered that significant progress has already been made in addressing the key issues posed by the original FiDA proposal such as consent management, cost compensation for data holders and the role of gatekeepers. The objective of simplification in particular is welcome. Standard-setting efforts led at the European level are also essential to improve efficiency and competitiveness, as they are challenging to achieve solely with market-driven efforts. Fundamental objectives should be enshrined in the level 1 text to ensure democratic accountability, while level 2 and 3 measures should not pre-emptively regulate use cases before their value is demonstrated. Applications should be allowed to emerge in the market with guidance coming after their value has been demonstrated.

In response to a question regarding the inclusion in FiDA of insurance data, which is more sensitive, complex and generated less frequently than banking data, the regulator considered that insurance data, particularly that related to savings in pension products, must be within the scope of FiDA. It is indeed important to develop new solutions in this area and to raise awareness of the need for long-term savings.

An industry representative observed that while attention is now being given to the role of digital gatekeepers, FiDA appears somewhat misaligned with today's geopolitical and strategic context. FiDA may favour large non-European tech companies with the resources to exploit data sharing across a broad scope of activities, rather than allowing smaller European fintechs to develop. A similar concern has been raised in discussions on AI. Greater strategic clarity must be established before expanding access to European citizens' financial data.

2.2 Remaining issues to consider

A regulator highlighted three key issues that still need addressing in the ongoing work on FiDA.

First, customers must be aware that their data is not only used to deliver personalised services but may also contribute to training AI systems that ultimately benefit other users. Two approaches are under discussion in the trilogues – a market-driven model and a regulated one – with the latter seen as more suitable for maintaining customer trust. The second issue concerns the definition of customer data. There is a risk that the concept of “raw data” could be interpreted inconsistently, allowing firms to avoid mandatory sharing in certain circumstances. While frameworks such as the GDPR and the Data Act provide useful reference points, they do not offer a fully adequate definition for the financial context. Any definition should therefore reflect sector-specific practices, particularly how customer-originated data is transformed in financial services. Finally, the issue of data retention periods also warrants reconsideration. The Commission's original proposal of a fixed ten-year timeframe is generally seen as acceptable, but the introduction of rolling time limits seems unnecessarily complex and difficult to implement.

A second regulator stressed that several operational aspects, beyond the FiDA regulation itself, must be

addressed to ensure the success of open finance. First, financial digital literacy needs to be strengthened so that users can fully benefit from open finance. Second, regulators must engage directly with market participants, to understand the practical implications of open finance and ensure its effective implementation, moving beyond theoretical use cases. This interaction is crucial to defining the right approach and providing appropriate support. Ultimately, success will depend on holistic planning that goes further than the legislative text alone.

An industry speaker stressed that FiDA's success depends on striking the right balance between opportunities and risks. This requires clearly identifying the features of open finance that serve the general interest of market participants and customers, while addressing the legal and technical challenges of the proposal and drawing on lessons from more advanced implementations in countries such as Brazil. In the insurance sector, for example, risk pooling and prudent long-term risk management, supported by regulation to ensure solvency, are key features. The challenge with FiDA is that it could enable new entrants to select risks, leading to a partial demutualisation of insurance and potentially undermining insurers' solvency and financial stability, a trend already visible in areas such as home insurance.

Another key consideration is ensuring operational effectiveness and security under FiDA. The framework must safeguard European digital sovereignty through secure financial data-sharing schemes (FDSS) at national level, with clear governance structures and an appropriate division of responsibilities. Data sharing should be based on explicit, double-verified consent. Success also depends on leveraging existing European data and API standards and phasing in requirements gradually, according to effective use cases and the operational capacity of market participants.

A second industry speaker echoed concerns about the potential demutualisation of risk under FiDA, stressing that mutualisation is equally vital for banking activities to support financial inclusion.

A regulator noted that moving to open finance requires data to be shared with a wide range of entities, including utilities, telecom and energy providers. This presents an additional challenge, making digital identity solutions and open APIs essential components of open finance.

3. Challenges posed by the FiDA regulatory approach

3.1 The risk of over-regulating

An industry representative warned that there is a risk of stifling innovation through excessive regulation. FiDA, in the speaker's view, reflects an outdated assumption that regulation can by itself foster growth and innovation. What Europe now needs is regulatory simplification and an end to the constant accumulation of new rules. A recent CEPS survey found 101 laws and

88 governance bodies applying to the European digital sector, illustrating the scale of regulatory accumulation. Developing data sharing on the basis of bilateral contractual agreements, seems preferable to additional regulatory requirements. Their bank already offers open banking services in partnership with fintechs on a contractual basis. This model works well as it preserves data privacy and security, ensuring greater customer trust.

An official observed that regulators often face the recurring “chicken-and-egg” dilemma of whether they should take the lead in driving innovation. While regulators are not intended to be first movers, there are situations where an initial push is necessary. Without such intervention, progress may be too slow with market participants moving in different directions

3.2 Lessons learned from PSD2 and the implementation of open banking

An industry speaker questioned the fundamental rationale of FiDA, drawing on three lessons from PSD2 and the implementation of open banking in other jurisdictions. First, building an infrastructure alone does not ensure customer adoption or added value. Despite PSD2, open banking usage in Europe remains below 2%. It is therefore essential to identify the concrete benefits FiDA could deliver to customers and the specific problems it would solve before rolling out the regulation.

Second, sharing financial data is technically complex. PSD2 dealt only with transactional account data, which is relatively standardised, yet still required significant effort to harmonise formats, develop APIs and define service-level agreements. Extending this to all types of financial data would demand far greater time and investment.

Third, PSD2 lacked a clear authority responsible for making open banking work, stimulating customer demand and supporting fintech activity. Without such leadership, FiDA risks the same shortcomings. To succeed, it must address real consumer needs, realistically assess implementation costs, and be driven by a dedicated coordinating body. The UK's experience illustrates the value of an implementation entity, and for FiDA this role could be fulfilled through a public-private partnership.

A regulator considered the UK's open banking experience as broadly successful. Although it required significant effort from all stakeholders, it created an infrastructure that has delivered substantial consumer benefits and stimulated fintech growth. Today, around 15 million consumers in the UK use open banking, which has been enhanced with features such as variable recurring payments. In January alone, 5% of all tax payments were made using open banking. The initiative has also supported the development of a vibrant fintech ecosystem, with around 150 third-party providers active in open banking, some of which have grown into global players.

The regulator agreed that progress on open finance must be collaborative and driven by a central authority. In the UK, this function is supported by the Smart Data Accelerator, which is designed to encourage

experimentation and test new use cases as open banking evolves into open finance.

4. Lessons from international comparisons

Panellists also reflected on international experiences, drawing comparisons with the UK, Brazil, the US, and other jurisdictions.

A regulator noted that jurisdictions such as India and Brazil are advancing quickly on open finance, highlighting the need for the EU to keep pace. International coordination is also important in this area to ensure interoperability of open finance standards across jurisdictions. This work is being advanced through an interoperability committee under the Bank of International Settlements Innovation Hub Hong Kong Project Aperta, which the FCA co-leads with the UAE Central Bank.

An industry speaker observed that approaches to open finance differ significantly across jurisdictions, with the EU, UK and Brazil each pursuing distinct models. Some rely mainly on regulation, while others are more market-driven. Developments in the US also warrant attention. The CFPB proposed a regulation at the end of 2025, but implementation has been put on hold, highlighting hesitation in advancing open finance. At the same time, a major payment provider has reportedly scaled back its ambitions in the US, shifting focus to markets with greater opportunities, such as the EU and Latin America.

A second industry speaker provided further detail on Brazil's Open Insurance (OPIN) framework, developed by the insurance supervisor SUSEP following the launch of open banking. Implemented in four phases over four years, the framework began with the sharing of non-personal data such as product information and pricing. In 2022–23, it expanded to include personal and transactional data, subject to explicit consumer consent. In 2024, the third phase introduced service portability and interoperability, extending to open pension plans and microinsurance, while the fourth phase aims to unify standards across the wider financial sector. Recent regulatory updates have extended deadlines and clarified participant roles to ensure inclusiveness and broad benefits for stakeholders.

The costs of open finance platforms are shared proportionally among market participants. SUSEP enforces API standards consistent with Brazil's data protection law, an important distinction from the EU, and oversees data exchanges through secure platforms and approved APIs. Key use cases include tools that give customers consolidated visibility of their financial assets, enable comparison of offers, and facilitate switching between providers. Fintechs and aggregators are expected to seize these opportunities to expand their presence in the market.