

## POSITION PAPER ON FiDA



### *A Position Paper co-signed by various key industry players*

With the potential entry into force of the FiDA regulation in 2025, key market players – including fintechs, TPPs, neobanks, financial institutions, professional associations - have come together to initiate a collective discussion on this regulatory framework, its opportunities and challenges.

The common goal is to foster a constructive dialogue to address the realities of the existing data-sharing market and to propose concrete recommendations for an effective and balanced implementation of FiDA.

### *From Open Banking to Open Finance: the strategic role of FiDA*

On June 28, 2023, the European Commission presented the FiDA (Financial Data Access) regulation, a regulatory framework designed to structure access to and sharing of financial data in Europe. Its implementation is expected between 2026 and 2027.

This text marks a major step forward for the financial sector, by expanding the scope of Open Banking established by PSD2 towards a genuine Open Finance ecosystem. Moreover, it constitutes an essential initiative in the European Union's digital finance strategy.

Open Finance is based on the principle of broader access to financial data (bank accounts, savings, insurance, pensions, investments, etc.), allowing authorized service providers to offer innovative services under the supervision of national regulatory authorities and with the explicit consent of users. This framework recognises that data belongs first and foremost to citizens, and must be used in their interests, to provide them with new services and rights.

This evolution follows in the footsteps of Open Banking, introduced by PSD2 in 2018, which enabled the secure sharing of banking data via standardized APIs. This model has fostered innovation and competition between traditional players and fintechs, bringing tangible benefits to consumers and businesses, particularly SMEs. Access to banking data has facilitated the emergence of account aggregation services, financial analysis tools, budget optimization solutions and credit scoring efficiency. Given this success and the proven security framework, extending data-sharing to a broader financial spectrum now appears both a natural and necessary opportunity.

Given the scope of the data involved, regulators have determined that industry stakeholders should play a central role in defining the implementation framework, particularly concerning the technical standardization of data exchanges. Therefore, it is essential that the stakeholders affected by the regulation -fintechs, financial institutions, regulators, and professional associations- actively participate in a collaborative and constructive dialogue in order to shape the implementation of FiDA.

The operational framework of FiDA is based on the establishment of schemes, which will define the interaction rules between data holders and data users in Europe. These schemes will play a key role in structuring the market and must meet several essential objectives:

- Establish common governance and accountability rules between stakeholders, ensuring a harmonized and secure framework.
- Define technical and interface standards that enable seamless and interoperable implementation.
- Structure financial compensation mechanisms between data holders and data users to ensure a viable economic model.

FiDA should also recognize the layered ecosystem of financial data, where some actors rely on regulated intermediaries for data access. Governance schemes should clarify the responsibilities and rights of both direct and indirect data users to ensure traceability and accountability across the chain.

### ***From PSD2 to FiDA: building a unified and competitive Open Finance ecosystem***

The PSD2 directive represented a major breakthrough for the European financial landscape. Although its implementation required significant investment from market participants, it is now fully integrated by all, including traditional players and had many positive impacts. PSD2 enhanced transaction security through the widespread adoption of Strong Customer Authentication (SCA), strengthened regulatory compliance, reduced fraud rates, and provided consumers with seamless and secure payment experiences. It also laid the foundation for a structured Open Banking framework, fostering innovation and modernizing financial infrastructures. The liberalization of banking data exchanges has led to healthier competition and improvements in financial service offerings.

However, while PSD2 has standardized and clarified access rules for payment accounts, the financial ecosystem remains fragmented. Payment account data benefits from secure and streamlined processes, while other sectors such as credit, insurance and savings operate under heterogeneous approaches, with varying practices across different players. The lack of harmonized rules on Strong Customer Authentication has resulted in multiple verification processes, creating confusion for end-users and complicating the adoption of new services. It is crucial to eliminate this two-speed system, which prevents the full realization of Open Finance's potential.

Data sharing should encompass all financial assets, including transactional data (e.g., transaction history), with the added possibility of initiating transfers between financial accounts, similar to how PSD2 enabled Payment Initiation Services. FiDA should also encourage the integration of non-traditional financial products and platforms, including real estate investments, crypto-assets, and alternative savings products, provided they meet security and consent criteria. This would offer a more holistic view of user wealth and align with evolving investment behaviors in Europe.

The opening up of financial systems may require investments from banks and other traditional players. However, in the long term, it will create efficiencies and competitiveness, reduce risks and unlock commercial opportunities in a more open and interoperable framework. Unlike PSD2, where the regulator didn't finalize an homogeneous standardized protocol, FiDA offers greater flexibility in terms of data exchange standardization. Through schemes, industry participants will be able to adopt technological solutions tailored to their specific needs. We strongly encourage a pragmatic approach that would help avoid unnecessary additional costs for data holders and, by extension, for data users, such as the use of authenticated direct access or highly standardized APIs across all stakeholders. A stable and reliable access to financial data is crucial for user trust. Today, many fintechs depend on APIs that frequently change or degrade over time. FiDA should guarantee long-term interoperability and operational performance through mandatory uptime and change notification standards for data holders.

In alignment with the DORA regulation, which harmonized security standards across the financial sector, FiDA offers a strategic opportunity for the European Union to create a cohesive and integrated Open Finance market. By fostering a fluid, transparent, and accessible ecosystem, this regulatory framework could position Europe as a global leader in Open Finance. With a market of 460 million consumers, Europe has a considerable potential. However, this potential remains underutilized on the global stage due to regulatory barriers and inconsistencies. By establishing harmonized rules and encouraging structured collaboration between various players, FiDA could act as a catalyst for financial innovation and strengthen Europe's competitiveness in the international arena.

### ***FiDA will create new opportunities for the industry***

In a context where financial data management is becoming a strategic lever for market players, several areas of optimization can be explored to enhance efficiency, transparency and service-personalization. FiDA undoubtedly plays a key role in this transformation by facilitating the development of new uses that illustrate the value of standardised and secure access to financial data.

Discussions between the diverse stakeholders impacted by this regulation have revealed several concrete business cases across all segments covered by the text. These use cases are at different stages of maturity: some already exist but remain limited due to the lack of appropriate regulatory framework, while others could emerge.

### **Savings & Investments**

FiDA will expand the scope, depth, and quality of available data, enabling the production of a more reliable and comprehensive consolidated view of clients' financial assets. This enhanced consolidation will provide a solid foundation for optimized portfolio management and more relevant investment advice, based on a complete understanding of the client's wealth.

Beyond consolidation, FiDA should support the enrichment and categorization of financial data (e.g., type of investment, risk profile, asset class) to enable more granular and personalized investment analysis. This opens the door to tailored financial insights and portfolio recommendations, enhancing financial literacy and decision-making for end-users.

Furthermore, FiDA will streamline the integration of extra-financial data into reporting, thereby improving transparency, risk management, and performance analysis.

### **Credit**

FiDA will optimize the assessment of creditworthiness and solvency by consolidating clients' savings and loan data. Refinancing and debt consolidation offers will be further personalized based on customer profiles, allowing for optimized interest rates and cost reduction. Additionally, FiDA will facilitate advanced insolvency risk detection, enabling financial institutions to implement proactive support measures.

### **Insurance**

In the insurance sector, FiDA will facilitate coverage aggregation, providing customers with a comprehensive view of their insurance policies, helping to identify redundancies and assess premium levels. It will also enable guarantees and premiums to be adjusted based on market conditions and customer needs, ensuring more tailored coverage solutions.

### **Treasury Management**

FiDA will enhance the optimization of treasury management, improving businesses' visibility over cash flows and strengthening efficient liquidity management. This case highlights the importance of keeping SMEs within the regulatory framework to ensure their financial flexibility.

#### KYC & Fraud Prevention

Finally, FiDA will support the automation of identity verification processes, simplifying client onboarding by leveraging information already provided to other institutions. Improved customer identification will also help to anticipate suspicious activities, strengthening fraud detection mechanisms. Moreover, FiDA will enable the establishment of a "real" investor profile based on actual financial investments, ensuring a more precise alignment between investment strategies and client expectations.

Effective implementation of FiDA would standardize and secure these use cases, fostering transparency and innovation, while promoting a more competitive, accessible and customer-centric financial market, to the benefit of the entire European financial ecosystem.