

OPEN FINANCE AND FIDA NEXT STEPS



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Open finance: European Union's next step

Open finance is a key component of the European data strategy. It unlocks the potential of data sharing, facilitating broader objectives such as data-driven innovation, digitalisation, retail access, and enhancing competition. By providing a framework for secure and controlled data sharing, open finance can enable the development of new business models and revenue streams, benefiting both consumers and financial institutions.

While the increased availability of customer data facilitated by open finance is expected to lead to more precise and tailored risk assessments for policyholders, it also raises potential concerns. For instance, increased data use could undermine the mutualisation principle, resulting in more individualised approaches that may lead to price discrimination, affecting vulnerable customer groups. Moreover, the increased availability of customer data raises privacy and data

security concerns, highlighting the need for robust safeguards to protect sensitive customer information.

The Financial Data Access (FiDA) proposal, currently under negotiation, provides a framework for the development of open finance in the EU – overall aiming at enhancing opportunities for customers “to benefit from open, fair, and safe data-driven innovation in the financial sector”. The primary objective of the regulation is to empower customers, giving them effective control over their financial data and enabling them to make informed decisions about who and how will use it. Upon consent, operators in the insurance market (undertakings, intermediaries, the newly created Financial Information Service Providers – FISPs) could reuse customers’ historical data for a more accurate assessment of their financial and insurance needs and potential risks, fostering a more competitive and innovative ecosystem. Since the sharing schemes introduced by FiDA should require improved interfaces (versus current practices such as screen scraping), higher quality and timeliness of shared data are expected to support the development of innovative services.

EU's open finance initiative: Weighing benefits and risks.

A key question regarding the development of the EU open finance framework is whether it is truly needed and whether the effort to create it is justified. Some market participants argue that before proceeding, there should be clear evidence of demand and use cases, and an assessment of the potential impact on the industry, especially given the costs involved. Others believe innovation will flourish and drive demand, making justification unnecessary.

EIOPA supports policymaking rooted in evidence and impact assessment. However not all potential impacts of enabling legislation can be established ex ante. It is difficult to anticipate how FiDA will evolve and whether it will truly drive open finance growth, as expected. For instance, will FiDA create incentives to develop new business models, products, and services benefiting consumers? What impact will it have

on the industry, and will consumers ultimately be willing to share their data? The debate around FiDA highlights the complexity of developing open finance and the need for careful consideration of its potential impacts.

Ahead of the triologue negotiations, several questions about FiDA remain. Will consumer consent function as intended, given consumers real control over their data, or will it face similar challenges to those seen with cookie consent, where consent is often given without a true understanding on what is being agreed? Why is only the financial sector addressed? Could FiDA create an imbalance by opening data to third parties, such as gatekeepers, in a way that puts the European industry at a disadvantage? How will its implementation be structured: gradually or all at once? What role will the European Supervisory Authorities (ESAs) play? And is it possible to create regulation in an efficient way, thereby avoiding a large need for clarification at Level 3?

Ultimately, open finance has the potential to significantly benefit the European financial sector. However, developing it will require careful consideration of the complex issues involved. To this end, FiDA should be designed with a willingness to adapt and evolve over time. Adopting a step-by-step approach, with FiDA applying to different products at different stages and allowing sufficient time to develop standards, can be very helpful. Such an approach, coupled with evaluations of its impact, can strike the right balance between innovation, consumer protection, market specificities and industry dynamics, enabling a regulatory framework that benefits both consumers and financial institutions.



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Data sharing in the European financial sector

We are living in an era where data, data protection, and the economic possibilities for customers, data holders, and data users, are the subject of endless conversations. In the financial services sector in particular, the impact of the digital economy has been transformative, overhauling traditional methods of doing business and opening up new frontiers for innovation and faster, bespoke, and personalised services.

The journey is ongoing and there is no end in sight. As with most journeys of discovery, we feel there might be something out there but we're not sure what it is, where it is, or how long it will take to get there.

To date, we have seen legislative frameworks struggling to keep pace. To an extent, this makes sense. It is not the role of policy-makers to decide where the next innovative frontier will be. Consequently, there will always be a lag. However, it can also make sense to develop legal frameworks that allow the space and time for new products, services, and ideas to emerge.

That is why having a broad and innovation-friendly framework for data sharing can be valuable in general. The

challenge is to make sure the framework is not overly onerous or burdensome so that it ends the journey before we even get there.

This challenge has only become more acute in recent months. Europe is living in a post-Draghi, post-Letta world. We should be conscious of the need for a renewed focus on competitiveness and innovation, particularly given the geopolitical context. Europe is falling behind in a number of spheres and the economic realities of this are very much biting.

In theory, this is exactly what any data-sharing framework should be helping to ameliorate - empowering consumers, data holders, and data users to better access the benefits offered by the digital economy. However, it is something that requires time and precision to finalise in order to ensure that it really achieves these aims. Indeed, achieving these aims should be the litmus test.

It is right also to take account of legitimate concerns that exist in relation to the way forward. Individuals have a right to expect that their data will be secure and under their control. Data holders want to know that they will not be overburdened. Data users want an opportunity to develop their offerings. Data sharing could offer potential opportunities for the EU economy and society, but also potential risks if it is not done right.

It is clear now that after some doubt, proposals for the next steps in terms of open finance remain live and the work continues. As a result, it behoves everyone to engage with the process.

The challenge is to make sure the framework is not overly onerous or burdensome.

Therefore, it is worth giving the work on these frameworks the time needed to achieve results and we should not be afraid to ask the difficult questions. This includes questions about current market demand, scope, timeline, data interoperability, and the nature of the schemes. It is more important to get the basics right than to rush to an overbearing and overly precise open finance framework that does not inspire confidence.

Draghi speaks about being less prescriptive and relying less on ex ante regulation. This spirit could be applied to data sharing also.

More broadly, it is very important that we respect the values of the single market and the freedom to provide services. This should not be undermined.

Frameworks like this do not exist in isolation either. Over the recent years, a significant amount of legislative work has been done to create legal structures to support the digitalisation of the economy. From instant payments, to data sharing, to data protection, and operational resilience, the financial services sector is dealing with new rules and structures that did not exist a few short years ago, and a significant amount of consolidation work is needed. It has come as part of a wave of change, in light of the fast moving nature of digitalisation. Each framework has a value in itself, however when these frameworks diverge or create duplications then frustrations arise. As part of the broader work of simplification, it is worth looking at where all these structures can work better together. One framework should not mandate structures or standards that differ from another where such structures could instead interact much more seamlessly. When it comes to the digital economy, a holistic approach can bring benefits that a siloed approach cannot.

In conclusion, when it comes to data sharing and open finance, there are many moving parts. It is the role of legislators to examine critically all elements and ensure that the outcome achieves the aims it sets out to do.



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FIDA: preparing for effective implementation

The proposal for a European financial data access regulation (FIDA) aims to extend the logic of sharing payment data, introduced by PSD2, to the entire financial sector, moving from “open banking” to “open finance”. The draft text is under discussion since June 2023 and trilogues are expected to open soon with a view to improve and finalize the text and to contribute to the development of data exchange in the EU.

FIDA is indeed part of a broader Commission strategy, already launched during its previous mandate, to foster the development of data-sharing services in the EU. In its recently published Competitiveness Compass, the Commission plans to develop a strategy for the European data union.

In this spirit, the FIDA Regulation aims to benefit customers by fostering competition and innovation, while strengthening the customer’s control over their data. The list of potential use cases most often cited includes contract comparators, savings and asset management tools, as well as more comprehensive account aggregators, but we can also imagine more novel use cases, with solutions facilitating the

sharing of information as part of the “know your customer” process, or the fight against fraud.

FIDA should also provide legal certainty by regulating activities already carried out by certain players under poor conditions. Indeed, much of the financial data within the scope of the regulation is already collected by third parties: this collection is made outside a specific legal framework, often through *web scraping* techniques that do not obey the best security standards. The implementation of financial data sharing schemes and the development of secure data sharing solutions would address this issue.

However, as with any text relating innovation in the financial sector, the balance between openness and security, and the trade-off between the potential benefits of new use cases and the operational or financial risks involved, are delicate exercises.

FIDA can and must certainly be further improved to better address the concerns of market players.

This is why the introduction of such a data-sharing framework is the subject of criticism and concern on the part of certain market players who hold the data. According to them, the cost and complexity of implementation would exceed the expected benefits in terms of competitiveness, the opening up of data would lead to increased cyber risks and could raise sovereignty issues, giving an advantage to “bigtechs”; finally, in insurance, the opening up of data could endanger the principle of risk pooling. These concerns clearly need to be taken into account, and to a large extent they have already been raised in the discussions in the European Parliament and the Council. These discussions led to significant improvements in the initial proposal on important points: staggering the opening up of data into three phases will extend the implementation time for sharing the least standardized data in digital form, the possibility of applying a remuneration for data sharing will help to offset costs, the specific regulation of data access by Bigtechs should limit the risks to data sovereignty, finally anti-reverse engineering measures are to reduce the threats to business secrecy and in particular to pricing models.

FIDA can and must certainly be further improved to better address the concerns

of market players. It must also be improved with a view to its operational implementation: a supervisory authority, tasked with enforcing the text, can only be particularly sensitive to this aspect. Three principles would ensure the proper implementation of this future regulation: first, simplification wherever possible, second, clear signals to the market and, third, European supervision for players acting at European level. Here are a few illustrative examples. With a view to simplification, the merger of the statutes of financial information service providers, established by FIDA, and account information service providers under PSD 2 could be studied. In order to best prepare the market and give it real incentives to set up schemes, a detailed timetable with deadlines should be provided for by the Regulation. The text should also contain mechanisms to ensure the genuine cooperation of all stakeholders, including at a technical level: the implementation of PSD 2 has taught us not to neglect these operational aspects. Finally, the assessment of gatekeepers should be carried out at European level by the Commission (which monitors gatekeepers in the DMA) or by European Supervisory Authorities (ESAs) in order to ensure fair, consistent, simple and effective supervision. With the same logic, the assessment of financial data sharing schemes should be carried out at European level unless they operate on a purely national level.



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Innovation, regulation and supervision – making open finance work

Innovation plays a key role in our economic growth, competitiveness and wellbeing. Innovation in financial services is an important part of that, and has the capacity to bring many benefits for consumers, businesses and the wider economy.

While naturally associated with the private sector, the public sector plays a crucial role in enabling innovation, as well as ensuring its safe adoption – thereby maximising the benefits while minimising the risks. This is important, as risks must be appropriately managed if the benefits of innovation are to properly accrue over the longer term.

For financial sector innovation, Regulation and Supervision plays a pivotal role in this regard. Through appropriate guardrails, Regulation establishes trust – essential for innovation to be widely adopted, particularly in the area of financial services. Supervision in turn provides a mechanism for maintaining that

trust through the cycle, by ensuring innovative firms are well run, products are appropriately designed, and neither introduce undue risks for their consumers or the system.

The role of regulation and supervision for innovation in financial services has long been recognised in Europe, with a number of important pieces of enabling regulations enacted over the last decade. European supervision has also been keeping pace with innovation – deepening our understanding, adapting our approaches, while continuing to ensure innovative firms meet the fundamental expectations for regulated entities entrusted with the public's money.

While there has already been significant innovation in financial services, given the pace of digitalisation in our society we may well be only at the beginning of the transformation of our financial system. For technology isn't just introducing new entrants, new products and new ways of serving customers – it is also, with the help of regulation, breaking down barriers and enabling businesses and consumers to do more. Data, and the use of data, is a fundamental component of this.

While data has long been the lifeblood of the financial sector, rapid digitalisation and advances in technology have made it increasingly so. In a data-driven world, empowering consumers with their financial data means empowering consumers with their financial lives.

For this reason, the Central Bank of Ireland recognises the benefits for innovation and consumers of Open Finance, and supports the Commission's proposed framework for financial data access (FIDA), subject of course to data ethics frameworks and robust safeguards being in place.

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But for Open Finance, and indeed FIDA, to work there are certain principles it, like all regulation, needs to follow.

Firstly, interoperability. As technology breaks down barriers, it is important we don't embed new ones into the future. Open Banking taught us that there needs to be a level of standardisation to

enable integration and interoperability among different financial institutions and third-party service providers. We need to be mindful of this for Open Finance, and ensure we design the framework in a way that enables interoperability between different schemes as they develop.

Secondly, costs and benefits. Recognising trade-offs, and weighing costs and benefits is an important feature for any regulatory intervention. While it is not policymakers' job to protect incumbents, but rather to ensure any transitions are orderly, it is important that the costs introduced by regulations are outweighed by the benefits they will deliver. This is something we need to be mindful of – but not something that should be perennially used to halt progress.

Thirdly, supervisability. It is crucial that any regulations assigning responsibilities to Competent Authorities, or where new sectors are subject to oversight, are capable of being supervised – and that policymakers consider this when developing legislation. These elements must work in practise. As I said, Supervision plays an important role in maintaining trust in the financial system. As such, including clear requirements on the role of Competent Authorities in terms of Financial Data Sharing Schemes (FDSS) and ensuring they can effectively supervise Financial Information Service Providers (FISPs) is important for the future and enduring adoption of Open Finance.

Finally, it is crucial we remain focused on ensuring FIDA is delivering in the best interests of consumers. Protections for consumers, including data protection and privacy and ensuring they retain full control over how their personal and non-personal data is used is key. As is the proposed mandate for the ESAs to develop guidelines on how personal data should be used – giving consumers confidence and assurance to embrace the potential of Open Finance.



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The opportunities opened up by FIDA raise dangerous challenges

Context and spirit of FIDA regulation

Initially, it is noted that some service providers already enter customer spaces after obtaining access codes/passwords from customers. This practice constitutes illicit web scraping as the provider has not been authorized by the system owner to access this IT environment. FIDA concerns all data held and processed by financial institutions (banks, insurance) and their intermediaries, aiming to provide a secure sharing framework. Health data and data held by small intermediaries are notably not concerned.

Legislative process

Trilogues are expected to begin in the first quarter of 2025, with the Council and Parliament largely aligned with the Commission's text. It is unlikely that the draft regulation will be completely suspended. However, there may be changes to make the system optional, either at the data holder level or at the Member States level. This option would be temporary to allow different members to acclimate to this system. Nordic countries seem more receptive to this text than others

1. Arguments of fintechs to promote the reform

Fintechs will be able to propose innovative services to the client, with their explicit consent. The data belongs to the citizen who should be able to use it to access new rights, particularly in insurance and asset management.

Additionally, access to data facilitates the automation and digitization of value chains, stimulating competition and reducing costs for financial institutions.

Finally, the opening of insurance data enhances the interoperability of contracts through standardization and smooth information exchanges between insurers and clients, providing access to tailored products, especially for populations sometimes excluded from traditional offers.

2. Counter-arguments of the industry

Data is precious, and the data holder is its guarantor beyond what the client can imagine. Their consent cannot be informed as they do not measure the extent and sensitivity of the information entrusted to their financial partner. Digital sovereignty is at stake, even if GAFA are supposedly excluded from the system. Moreover, the massive availability of data increases the risk of fraud. Banking experiments on PSD2 favor partnerships with chosen actors. Instead of new rights, clients will be exposed to new risks.

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Before any savings, the operational cost of the data availability system will be enormous, impacting profitability and consequently the price of products. Data is indeed stored by different actors (agents, brokers, distributors) in a multitude of IT systems, and an impact study is essential to measure these costs.

Finally, digitization, driven by contract interoperability, will simplify offers to focus solely on price, neglecting guarantees tailored to specific needs. This undermines the advisory and supportive role of insurers. Moreover, by standardizing insurance prices individually instead of incorporating new populations, certain risks typically covered through mutualization and solidarity, such as climatic perils, will be excluded. This exclusion creates a significant problem, leading to an

insurance gap for those vulnerable to climate-related events.

3. More systemic consequences of the reform

The client relationship is based on the duty of advice, which requires the collection of a large amount of data that cannot be shared. Insurance is not just a service offer. FIDA risks transforming the profession into a "junk food supermarket."

Moreover, the level playing field is not respected, the compensation proposed to compensate insurers who deliver their data will be marginal compared to their actual acquisition costs. Competition is unfair, especially in the era of AI, which will allow fintechs to exploit the data made available.

Finally, targeting the most profitable clients by fintechs will leave the highest risks to traditional insurers, endangering risk mutualization and the principle of solidarity, a pillar of the insurance model.

Finally

It is desirable to limit the opening of data to those that allow the development of services without endangering the insurance model. Mutual or capitalist insurance systems have allowed us to navigate exceptional climatic events, secure the industrial fabric, and offer the greatest number of people the opportunity to build their lives with confidence. Less than already very satisfactory competition on insurance coverage, clients demand services to organize their security and protect their future in a context of climatic and geopolitical transition. In this respect, certain information held by insurers can be useful to fintechs to offer innovative services. The scope and modalities of data sharing must be strictly proportionate to an objective of progress in a secure environment, without endangering a currently efficient and strategic insurance system for the protection of our societies.



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FiDA, a step towards a customer centric, data-driven economy

Context is a key ingredient in the analysis of FiDA from the perspective of the opportunities it may bring. Over the past years, data sharing ecosystems had two characteristics, (i) they had a sectoral view with a focus on financial services and (ii) the rationale behind them was an effort to foster competition in certain markets with new players and business models. As the digital economy thrives with the emergence of new technologies and customer behavior changed, this perspective has positively evolved in part over time. Recently, data has acquired the consideration of an asset of strategic relevance to improve companies' competitiveness.

In this context, data access and use in secure environments is becoming a geopolitical objective for governments amid increasing protectionist policies related to strategic sovereignty. The European Union has traditionally approached data in silos, or what it called "data spaces", but has more recently shifted into approaching data in a cross-sectorial fashion, one that best reflects the realities of data ecosystems. Nonetheless, there is still much work to do and still today the main regulatory approach to data sharing is on the financial services space with the

evolution from open banking (PSD2) to open finance in the form of the Financial Data Access (FiDA) regulation.

The FiDA proposal, released in June 2023, has been navigating the regulatory process since then. While the underlying objective of fostering meaningful innovation for the benefit of EU businesses and citizens continues to be the core of this proposal, over last months several elements have changed that are worth considering in the development of this regulation. Most notably the geopolitical context in which we find ourselves, and the European Commission's drive to simplify the regulatory burden for companies and the focus on making Europe competitive in the international arena.

While FiDA's initial *raison d'être* is commendable and shared amongst most stakeholders, the proposal as currently stands fails to address three main challenges to ensure it is future proof and geared towards competitiveness. These challenges relate to the potential impact on the European data ecosystem, the current geopolitical landscape and its own approach.

Firstly, beyond the technical aspects of the proposal, it is critical to understand the potential impact that FiDA may have on the ecosystem (both companies and consumers) before moving forward. Hence, an exhaustive and comprehensive impact assessment is required to better understand the ramification it may have. The EU better regulation principle and new simplification objectives, as a key enabler of Europe's competitiveness, calls for EU actions to be "informed by the best available evidence", which we currently do not have.

While FiDA's initial *raison d'être* is commendable, the proposal needs to address challenges.

In addition to this, putting the analysis of the expected demand of potential solutions steaming from FiDA at the core of the proposal is fundamental. Focusing on use cases (instead of data categories) that may have a high expected demand will make FiDA more meaningful for citizens and will impose less burdens to companies subject to the regulation. At the end, this will revert in benefits for everyone as companies will dedicate more resources to those use cases that appears as more relevant for citizens and businesses.

Secondly, the geopolitical context has taken the center stage in every discussion and should not be ignored. Putting in context Europe with other jurisdictions with a clear focus on deregulation, brings to the forefront the challenges Europe confronts. It is essential that European companies can develop their data services and products on a levelled-playing field vis-à-vis other global competitors. This will, in turn, allow European companies to thrive in a highly dynamic global market.

Lastly, FiDA should not be perceived as an end-game scenario, but rather as a step towards a truly cross-sectoral data sharing ecosystem that places consumers in the center and genuinely fosters a data-driven economy. It is in the combination of data from different sectors where the maximum benefit can be achieved for all. Data sharing should be regulated in a horizontal, cross-sectoral perspective in order to maximize innovation opportunities. A good example of this could be accessing data on energy consumption, for instance data coming from utilities, mobility (e.g. airlines, train) or energy performance certificates (EPCs) to enhance green financing and provide sustainable investment opportunities for consumers and SMEs.

If and when FiDA tackles and successfully resolves these challenges in a balanced fashion, is where the potential benefits related to the promotion of innovation in a data-driven economy can become a reality.

Now is the time in which all stakeholders need to work together to ensure that FiDA is fit-for-purpose.



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Protecting our citizens' financial data is fundamental for Europe's security

In the context of the renewed ambition to restore Europe's competitiveness, a data driven economy is an important and valuable aim. For the financial industry, greater availability of data leads to better risk assessment and monitoring, better fraud detection and better customer experiences with some new horizons for more individualized offering.

However, we consider that innovation cannot be driven by regulatory intervention, which would have the very complex challenge to provide the right balance between additional value for diverse categories of end users and market players, security challenges, and complexity and costs of implementation. We firmly believe that the focus should be put on fostering innovative market-led initiatives in actively nurtured sectoral ecosystems rather than imposing a new mandatory framework pretending to cater to the evolving needs and constraints of all stakeholders.

Many concrete examples show that data sharing is already flourishing and can be further developed within the current regulatory framework in Europe (GDPR, PSDx, Data Governance Act...). However, it is worth noting that these

legislative initiatives have not enabled the emergence of significant European players in open banking services. Additionally, because of its overly broad scope, its systemic ambition and its unnecessary duplication with existing regulations, FiDA will require significant new investments and therefore divert resources from digitalization projects requested by customers. For these reasons, we believe FiDA in its proposed form would contribute negatively to European competitiveness. Protecting the access to European citizens' financial data is a matter of sovereignty and security that deserves great attention. Europe is facing an uneven playing field in the access to data in a world where an extremely limited number of players have built monopolistic positions. FiDA does not address sufficiently the risk of these actors taking further advantage of more data – directly or via third parties – with no possible fair competition.

Building resilience in a world of increasing and fast evolving cyber-risks is at the top of all stakeholders' priorities. Social intelligence or retro engineering capabilities coupled with the advent of artificial intelligence open new and dizzying challenges in terms of privacy, cybersecurity and consumer protection. By multiplying volumes of exchanges of financial data, including personal data, FiDA will inevitably increase the inherent level of risk for European citizens. This increase in risks would have a cost that no one can assess today. Overall, this could harm the trust everyone can have in their digital usages.

Is hyper-individualization the key priority today?

As FiDA would create new market players (financial information service providers - FISPs) that would be on the receiving end of large quantities of confidential customer data, implications for data security and privacy necessitates, at a minimum, a regulation and a supervision of these new entities to the same standards as those applied to regulated financial institutions. As an example, DORA with its current embedded proportionality principles for smaller players, will imply added risks and does not seem compatible with any compulsory participation in a scheme which gathers players who are subject to different rules. Trust is a key asset in any customer relationship in the financial sector, which must be preserved. In that respect, liability between FISPs and financial institutions cannot be blurred. In fact, customers will always be tempted

to seek the liability of established and regulated players like banks, who in turn need to keep control over their client's data protection.

Digitalization is constantly reshaping the way economies perform with fantastic opportunities for individualization of products and services. At the same time, individualization comes with important challenges on social inclusivity. If we value that the decision to share financial data rests on the customers' shoulders only, supervisory and data protection authorities have all observed increasing unethical practices on online environments (e.g., nudge, gamification, use of social media or affiliates to market services) to influence customers' decision-making or from a provider perspective to select abusively the best customers only. We regret that discussions on FiDA do not consider enough this difficult aspect, with the risk of having new players targeting only the best customers and leaving others in a position of increased vulnerability.

Despite improvements introduced by the Parliament and the Council, we believe that our concerns on potential demand, on level playing field, competitiveness and data protection remain largely unaddressed. We still believe that this proposal is not aligned with Commission's current objectives of competitiveness and simplification.



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Financial Information Data Access Regulation from a Fintech perspective

One of the main goals of the Financial Information Data Access Regulation (“FIDA”) is to extend the information services to further products, including mortgages, loans, savings products and certain types of insurance. Even though, with this step, the legislator wants to open up new opportunities for market participants and to promote data-driven innovation, from a market perspective it de facto adds an additional layer of regulation to already highly regulated products. That’s why from our perspective a careful balance of costs and benefits is needed for the successful introduction and implementation of the Regulation.

Firstly, it should be outlined that already open banking itself goes beyond regulated access to data and it also includes bank cooperations with Fintechs. Another important aspect that needs to be mentioned is that such integrated services are also highly beneficial to the customer. They allow for a larger variety of products. Some products - such as e.g., wealth management - were previously only available for the richest clients and can now be accessed by many more. Open banking on a cooperation basis also makes cross-border offerings of financial

products substantially easier and last but not least the products can be offered cheaper as the development costs can be shared among market participants.

If we look at some of the most successful ventures - particularly in Europe - in the financial sector over the past years, there are diverse companies that are data driven. Many of these companies focus on cooperation with banks or other Fintechs rather than on the regulated access to data under PSD-II. Open finance in such a wider sense includes many cases, in which products or services, which are for different reasons not core to an institution, are provided via integration of third party products or services.

There are numerous reasons for such cooperation including:

- A product may be new on the market and therefore requires special knowledge and technology that are offered by third party providers.
- The cost for incumbent players to develop new products may be higher. In case of a separate development the fixed cost can economically be shared between several service recipients.
- The products can be rolled out quicker as companies specializing on a product provide these to other market players who then act as distribution partners. The potential scope of such arrangements is as large as the banking sector itself and may be relevant in all parts of the value chain.

We believe that in the current economic situation the regulatory burden - which is already substantially higher in the European Union in comparison to other jurisdictions - should be rather reduced than increased.

For example in the savings area there are platforms for deposits. This allows different banks to offer their deposits on market-places in Europe. This can be seen as an example of the practical application of the capital markets union based solely on cooperation. We should highlight that these platforms are not dependent on forced access to data from

third parties as such data is shared based on mutual cooperation.

We strongly believe that new regulation should be analysed looking at the specific consequences for the current market and the potential costs of the implementation. The purpose of regulation should be to look at specific deficiencies of the market and address these. The legislator needs to focus not on the broad concept of fostering innovation, which is difficult to achieve in practice, but rather on avoiding the creation of additional regulatory bureaucracies for market participants. We believe that in the current economic situation the regulatory burden - which is already substantially higher in the European Union in comparison to other jurisdictions - should be rather reduced than increased.