

Critiques and Potential Solutions to European Financial Data Space: A Data Commons Lens

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1 Introduction

The European Financial Data Space (EFDS) represents an unprecedented attempt to harmonize financial data flows across the EU’s fragmented regulatory landscape. It is part of the broader European Data Strategy (EDS), which seeks to create a single market for data while ensuring privacy, security, and competitiveness. The legal framework it operates under includes the Data Governance Act (DGA) and Digital Finance Package, including PSD2 (Payment Services Directive 2) which enables open banking, the Proposed Open Finance Framework which extends data sharing beyond payments, and the Financial Data Access (FIDA) Regulation. The EFDS is part of a network of sector-specific data spaces under the EDS including health, energy, and mobility.

However, unlike these domains where data sharing primarily serves public interest objectives, financial data operates within a complex ecosystem of competing private interests, stringent privacy requirements under GDPR, and longstanding market concentration among incumbent banks [1]. The data consolidation is enabled by banks, insurers and financial institutions that provided standardized Application Programming Interface (APIs) for secure data sharing. Consumers and businesses shall retain control over who accesses their data. At present, the FIDA regulation is under negotiation, expected to be finalized in 2025.

While the EFDS represents an important step toward integrated financial data across Europe, its current framework risks overlooking the concept of societal benefit. Such issue is discussed broadly in van der Valk and Ryan (2025)’s take on data commons and data spaces [2]. In this regard, I focus on two lapses that even though could replicate existing power asymmetries, may also fail to deliver genuine public value. The first is the resulting algorithmic exclusion cascades from prioritizing market efficiency followed by the discussion of the antithetical standards that promote and inadvertently hurt small players in the financial data field.

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2 Codification of Existing Inequalities and the Efficiency-Equity Paradox

Problem: There is a structural data gap in the API-centric model, focusing on bank-mediated transactions and excluding non-market social reproduction (care work, informal labor, community support). The financial system’s focus on monetized transactions may unintentionally exclude vital unpaid care activities - work predominantly performed by women - from being recognized in financial services and social protection systems. This oversight could perpetuate existing inequalities in access to credit and pension benefits. As the EFDS develops, there exists an opportunity to design more inclusive data parameters that better reflect the full spectrum of economic activity, including care work that forms the backbone of our communities.

Care work, which includes both unpaid reproductive labor and paid care services, is a critical component of societal well-being and economic sustainability. However, its exclusion from financial data spaces can lead to a range of negative outcomes, including gender inequalities, suboptimal economic policies, and inadequate social support systems. It can create data shadows, i.e., unpaid or underpaid labor remains invisible to financial systems as well as policy blind spots. Several studies report that unpaid care activities can equal 3.7–5% of GDP (in Italy and Poland), account for at least half of gross development product (across 14 countries), and even hold valuations between €2.1 and €5.5 billion in single-country estimates (Ireland) or £162 billion annually (England and Wales) [3].

As a result, algorithms trained on formal sector will penalize caregivers, gig workers, or marginalized groups (refer to O’Neil’s ‘Weapons of Math Destruction’, wherein automated decisions based on incomplete data reinforce exclusion [4]). Governments using EFDS data may underfund social services (e.g., elderly care) if informal labor is not quantified. Even in Sweden’s advanced systems, care work is only partially formalized. The technical standards imposed by the EU obscures political choices about what counts as ‘financial data’.

Solution 1: A ‘Social Data Layer’ for the EFDS First, public data stewardship must expand the EFDS’s ontology of “financial” data. Municipal care registries, time-use surveys, and cooperative labor platforms should feed into standardized APIs, rendering visible the economic substrates that sustain formal markets. Sweden’s pension credits for caregivers demonstrate the feasibility—but not the sufficiency—of such an approach. The Data Governance Act’s data altruism framework (Article 5) focuses on scientific and public-sector data. Hence, amending the implementing acts to recognize care work as a category allow care givers to voluntarily contribute anonymized labor logs to public datasets. Again, with reference to Sweden, tax deductions for parental leave data sharing is a precedent based on its 2019 reform [5].

Second, algorithmic accountability mechanisms should audit EFDS-derived financial products for informality bias, requiring lenders using open finance data to disclose how non-market labor factors into risk models.

Solution 2: Restructuring EFDS Expert Group A Commission Expert Group on EFDS set up in 2021 is also responsible for assessing data sharing with the aforementioned other data spaces. If the said group remains dominated by traditional finance and tech stakeholders without mandated inclusion of: 1) social economy representatives (care

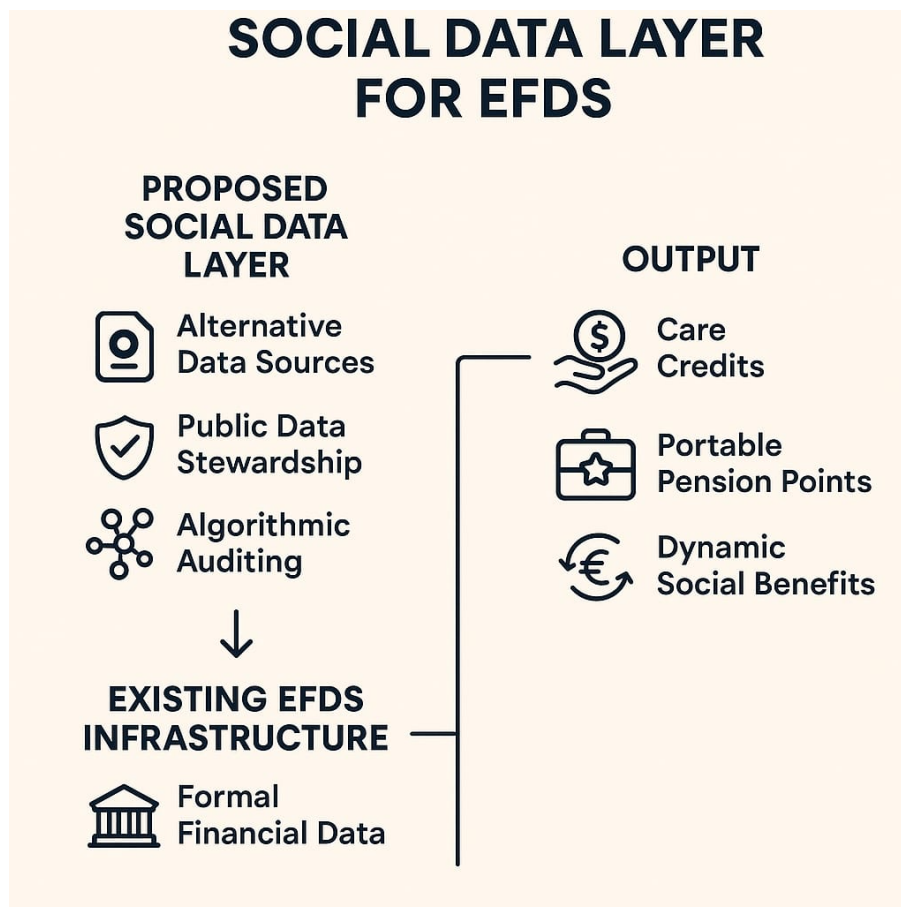


Figure 1: Visual Concept for Social Data Layer Solution

cooperatives, solidarity finance networks); 2) critical data scholars (studying algorithmic bias, informal economies) or grassroots labor organizations, then the EFDS will replicate the same exclusionary outcomes stemming from limited financial data or desire to keep data sharing with other sectors of economy where care work is more represented.

3 Data Monopoly Risks and Governance Gap

Problem: The EFDS’s laudable goals of openness and privacy can only be achieved if its architecture actively prevents monopolistic lock-in. While the EFDS promises open access and privacy preservation, its technical and governance design creates structural advantages for large financial institutions and tech intermediaries, effectively forming a *de facto* monopoly. Strict API standardization already creates competition and data quality issues [6] and GDPR complicates data altruism options [7]. My focus rather is the effect of lock-in on data post-processing. While individual data is protected, aggregated behavioral data enriches platform monopolies. In the case of data as the commodity enabling monopoly, the concept of *intellectual monopoly* is more apt, i.e., one that involves systematic concentration of knowledge, allowing firms to dominate specific markets and dictate terms of innovation [8].

The problem thus lie in that data liquidity or openness promise does not lead to data equity. Data pools can be accessed by all authorized participants but there is asymmetric capabilities. Big tech companies like Amazon Web Services, Google Cloud dominate cloud infrastructure, giving them privileged insights into data flow patterns. Being able to process metadata faster can also be considered competitive intelligence. The schemas of such are also shaped by incumbent groups. Further raising potential conflicts of interest are firms in data infrastructure with a related financial company (see Table 1).

Company	Cloud/Data Infrastructure	Financial Services
Adyen	Adyen Cloud (Dutch headquarters)	Adyen Banking (Dutch banking license)
Deutsche Bank	DB Cloud (German sovereign cloud)	DB Retail & Corporate Banking
ING Group	ING’s Wholesale Banking Cloud (Netherlands)	ING Direct, Payment APIs
Worldline	WL Open Banking Hub (French data centers)	Payment processing, Merchant banking
SAP	SAP Cloud (HANA databases)	SAP Pioneer (Banking software)

Table 1: EU-Native Companies with Cloud & Financial Services

Solution 1: Compliance Support EFDS’s technical requirements (e.g., API standards, audit trails) impose disproportionate costs on SMEs, fintechs, and community

banks. An EU-funded technical assistance could scale up DIGITAL EUROPE’s SME cloud voucher program to cover EFDS integration costs; create regional EFDS ‘sand-boxes’ where small actors test compliance tools, or provide open-source API blueprints to reduce customization costs as also suggested already by Serrano (2022) [9].

Solution 2: Infrastructure Neutrality EFDS’s reliance on AWS/Google Cloud services creates vendor lock-in and exposes financial data to non-EU jurisdictions. Mandatory interoperability can look like a legal requirement of EFDS nodes to at least two sovereign cloud providers and banning of exclusive partnerships between EFDS gateways and hyperscalers.

4 Conclusion

The previously mentioned problems intersect at a critical juncture: the EFDS is being built precisely when financial surveillance capitalism (Zuboff, 2019 [10]) and geopolitical data rivalry [11] are reshaping Europe’s digital economy. As this analysis has shown, the initiative’s success will depend on addressing two interrelated challenges: ensuring the infrastructure’s technical design captures the full spectrum of economic activity, while preventing the concentration of data governance power among market incumbents. These challenges are not merely technical oversights but reflect deeper tensions between financialization and democratic control over data. The ongoing finalization of the FIDA regulation by 2025 presents a timely occasion to refine the EFDS framework. With thoughtful adjustments, the system could achieve its dual objectives of market integration and social progress.

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