**European Financial Data Space**

**The main problems and possible solutions**

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1. **Executive Summary**

This report presents a clear plan for including cryptocurrency and blockchain-related data in the European Financial Data Space (EFDS). As the European Union pushes forward with building a strong digital economy, it must also keep up with emerging financial technologies like crypto and decentralized finance (DeFi). This document offers six practical steps the EU can take to make crypto part of the EFDS. The aim is to build trust, support innovation, and ensure the system respects EU laws and user rights.

1. **Background: What is the EFDS?**

The European Financial Data Space is part of a larger EU initiative to build a network of connected, secure, and easy-to-use data systems across important sectors like health, energy, and finance. The EFDS is focused on improving how financial data is shared and used in the EU.

It has three main building blocks:

* European Single Access Point (ESAP): This is a single, online platform that gathers public reports from companies like financial statements and ESG (Environmental, Social, and Governance) reports. It helps investors and analysts find information easily.
* Framework for Financial Data Access (FIDA): This gives customers the right to share their financial data (like bank or insurance information) with apps or services they choose. It ensures real-time and secure sharing through standardized digital tools.
* Supervisory Data Strategy: This is a plan to simplify how financial institutions report data to regulators and to allow authorities to better share data with each other.

Right now, crypto and blockchain data are not officially part of the EFDS. But given their growing importance, they should be included soon.

1. **What’s Missing – and What’s Possible**

Key problems the EU needs to solve:

* Blockchain data is not standardized. Different crypto projects use different formats and systems, which makes data sharing difficult.
* Blockchain is permanent and public, but EU privacy laws like the GDPR require users to have the right to delete or hide their data.
* Most blockchains don't have clear ways to link wallet addresses to real people, which is a problem for anti-money laundering (AML) rules.
* There are many blockchains and DeFi platforms, all operating independently with different rules and data types.
* The volume and speed of blockchain data is very high, making it hard to manage and understand without advanced tools.

Despite these issues, there are big opportunities:

* Blockchain makes financial transactions transparent and traceable in real time, which can help detect fraud and monitor risks.
* By combining blockchain with other data spaces (like energy or environmental data), the EU can track things like carbon credits or sustainability.
* Blockchain allows for programmable finance—services that run automatically through smart contracts.
* The EU’s digital identity systems could be connected to crypto wallets to improve security and compliance.
* Crypto can help provide basic financial services to people who are currently underserved.

1. **Step-by-Step Roadmap for Crypto Integration**

**Step 1: Set Up a Crypto Data Space**   
This means creating a dedicated structure inside the EFDS that focuses specifically on crypto and blockchain data. It should include tools, policies, and legal frameworks to manage this kind of data effectively. The EU should involve all relevant parties—regulators, tech companies, researchers, and representatives from the crypto world. This space would act as the starting point for gathering and organizing blockchain-related information in a safe and structured way.

**Step 2: Create Common Formats and Definitions**   
To work smoothly across borders and platforms, crypto data needs to follow shared rules. The EU should work with global organizations to define what a crypto wallet is, how tokens are categorized (like stablecoins or NFTs), and how smart contract data is stored. This makes it easier to compare, exchange, and analyze data, and avoids misunderstandings when different systems try to talk to each other.

**Step 3: Make Blockchain Compatible with Privacy Rules**   
Since blockchains are permanent, they can conflict with EU laws like the GDPR that require users to be able to delete their data. One solution is to store personal data off-chain (outside the blockchain) while only storing references on-chain. Privacy-enhancing technologies like zero-knowledge proofs can also help verify information without revealing personal details. The EU should offer clear guidance on how crypto companies can follow privacy laws.

**Step 4: Connect Crypto to EU Digital Identity**   
The European Digital Identity Wallet is a tool that lets citizens control their personal information online. By linking crypto wallets to verified digital identities, users could prove who they are in a secure and EU-approved way. This helps with KYC (Know Your Customer) and AML (Anti-Money Laundering) requirements while still respecting user privacy. Verifiable credentials could also be used to prove someone's age or citizenship without revealing too much.

**Step 5: Develop Public Crypto Data Tools**   
The EU should invest in creating open-access platforms that allow users, businesses, and regulators to view and analyze crypto data. These platforms could include dashboards that track prices, trading volumes, or DeFi activity. They could also host crypto indexes like CRIX that show how the overall market is performing. Making this information freely available increases transparency and encourages innovation.

**Step 6: Align with Existing Laws**   
Any effort to bring crypto into the EFDS must follow current EU regulations. This includes MiCA, which sets rules for crypto assets and service providers; the Data Act, which governs how data is accessed and shared; and laws related to anti-money laundering and cybersecurity. The EU should also prepare to enforce the Transfer of Funds Regulation, which tracks who is sending and receiving crypto transfers.

1. **Making the Roadmap Work**

This plan aligns with existing EU regulations:

* MiCA: Defines rules for crypto tokens, issuers, and exchanges.
* FIDA: Gives people control over their personal financial data, including crypto.
* DORA: Ensures financial services are resilient to cyber threats.
* Data Act and Data Governance Act: Set the ground rules for fair and safe data use.

1. **Recommendations**

* Launch a crypto-focused working group to lead integration efforts under DG FISMA.
* Build sandbox environments to test crypto reporting tools and data-sharing systems.
* Offer benefits (like funding or simplified reporting) to companies that participate early.
* Encourage collaboration with other sectors, like energy or healthcare, to enable cross-sector innovation.
* Keep the process open—host workshops, publish updates, and engage stakeholders regularly.

1. **Final Thoughts**

Crypto and blockchain technologies are transforming the financial world. To keep pace and lead responsibly, the EU must integrate these technologies into its data ecosystem. With careful planning, strong legal alignment, and open collaboration, the European Financial Data Space can become the global model for trustworthy and inclusive digital finance.

1. **References**

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