

An Estonian Databanking Pilot

Custodial separation, tested on infrastructure Estonia already operates

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Organisations rarely need a copy of a person's data. They need an answer derived from it. Estonia already queries registries where they sit, binds every transaction to a strong electronic identity and shows people who has accessed their records. What it has not yet built is the step that keeps a record from being copied when it crosses into the private sector. This pilot proposes replacing that transfer with a query to a licensed custodian of the person's choosing.

— The model

Databanking keeps personal data with a regulated custodian, a Databank, which is barred by law from analysing what it holds. The relying organisation submits an authorised computation, and the Databank returns only a bit-scarce result under an auditable leakage budget. Individuals choose their Databank, can move their account to another on a standardised schema, and receive a share of every access fee. The model is set out in the [Databanking whitepaper](#).

— What Estonia already has

X-Road, the state data-exchange layer in production since 2001, lets institutions query one another's registries instead of replicating them, and is federated with Finland's. Strong authentication by ID card, Mobile-ID or Smart-ID is routine. The Data Tracker on eesti.ee shows people which institutions have accessed their data, and a 2025 proposal would make it mandatory for nearly all public databases. The consent service lets a person authorise the release of state-held data, such as tax records, to a named company. By 2024 a fifth of Estonian adults had used it.

— What it does not yet have

The consent service ends in a transfer. The company receives the record and holds its own copy,

so an applicant who asks three lenders for credit creates three copies of the same tax record. There is one state layer, no competing custodians, no account to move between them, and no mechanism by which part of the value of an access returns to the person.

No log can follow a copy after it has left.

— The proposal

The record is released once, through the consent service, into an account with a licensed custodian the individual chose. The relying company submits its computation to that custodian and receives only the result. Every query appears on eesti.ee through the Data Tracker protocol, and a fixed share of each access fee is credited to the individual. Two custodians operate from the start, so that choice, switching and portability can be observed in practice.

— Lead use case: affordability for credit

Estonian lenders must verify a borrower's income, and from 20 November 2026 the revised Consumer Credit Directive requires the creditworthiness assessment to rest on information that is "necessary and proportionate". In the pilot the

lender's affordability rule runs inside the Databank against the Tax and Customs Board income record and returns only whether the requested credit passes. The same transaction already runs through the consent service with a full transfer, so answer and record can be compared directly.

The only change is the recipient: a custodian the individual chose.

— Why Estonia

The value of a pilot lies in testing the assumptions most vulnerable to failure, and for Databanking these are institutional and economic. Estonia already runs the exchange layer, identity binding and release channel that elsewhere would absorb most of a pilot's budget, so the resources of a pilot

— What it would take to start

The only commitments needed at this stage are those that allow scoping and design to begin. None involves legislation, national deployment or funding.

From the Estonian authorities

- 1 A scoping meeting convened by the Ministry of Justice and Digital Affairs with RIA, Finantsinspektsioon, the Data Protection Inspectorate and the Tax and Customs Board.
- 2 Access to the X-Road test environment for two pilot Databanks, with the register of taxable persons offering its consent-based service to them.
- 3 Agreement from RIA that a pilot Databank may implement the Data Tracker protocol.
- 4 A named contact at Finantsinspektsioon on whether a Databank result can discharge a lender's duties.

there can be concentrated on what no existing system tests. As an EU Member State it would run the demonstrator directly under EU law, with a cross-border phase available over X-Road's federation with Finland.

— What the pilot would test

Institutional. Can a custodian independent of both the registry and the lender hold a credible separation between custody and exploitation?

Market. Will individuals choose and switch custodians, and will lenders accept an answer in place of the record?

Regulatory. Can the supervisor accept a Databank result and audit record as discharging the lender's duties?

From the European Commission

- 1 To forward the proposal to these Estonian counterparts.
- 2 To take the pilot into account as evidence on the separation required of data intermediaries, in the work on the Data Governance Act and the Digital Omnibus.
- 3 To consider the cross-border phase for an interoperability regulatory sandbox under the Interoperable Europe Act.
- 4 To offer the same design to other Member States with comparable infrastructure.

Every element except the custodian already exists in Estonian production infrastructure.

Can Estonia demonstrate, on infrastructure it already operates, that a lender can make a lawful credit decision based on an answer instead of a record, where the record is held by an independent custodian that the prospective borrower chose and can change?

Full proposal: databanking.org/pilots/Estonia.html | Enquiries: contact@databanking.org