



EU Snapshot

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The Blockchain

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It was just 6 years ago that [Satoshi Nakamoto](#) (a pseudonym for a still unknown person) published the [blue-print](#) for the **Bitcoin**. Within its complex mathematics lay a disruptive **new payments system**. Recently, the bitcoin's underlying '**distributed ledger**' has been christened the '**Blockchain**' and an ever growing number of startups are looking to use Blockchain technology to disrupt many more parts of the economy.

The European Parliament's Economic and Monetary Affairs (ECON) Committee has just adopted an own initiative [report on virtual currencies](#), led by German socialist-democrat rapporteur [Jakob von Weizsäcker](#). At their discussion of amendments on April 19 it became clear that there is broad cross-party support for a light regulatory touch, but with a call to the Commission to devote resources to monitoring the issues arising for payments and other uses of Blockchains. The tone, which echoed the approach of policy makers in the earlier days of the Internet, was refreshing given the pressures already present for a more precautionary approach.

The question the Blockchain seeks to address is 'how to trust a stranger'. As individuals we face this question multiple times daily, and **state-backed currency** is a vital part of the solution : identifiable and (reasonably) non-counterfeitable, currencies have oiled the wheels of commerce for millennia. Managing money supply is a vital state function (often entrusted to the Central Bank), and much of government policy is devoted to ensuring the international trustworthiness of its currency. Today, most currency exchanges use communications technologies, so it takes only limited effort to imagine that internet-based disruption will emerge at some stage. **Enter the Bitcoin.**

The Bitcoin opportunities are clear: **payment costs** remain high, especially for extra-Eurozone transactions, and the technology can help regain some **payments privacy** lost in the shift to generalised digital transactions. But new technologies are available to bad actors as well as good, carry the potential to **disrupt traditional business models** and

often solve many of the market failures that justify existing regulatory frameworks (and their regulators). But issues can arise (for Bitcoin one such is money laundering) and legislative frameworks need to be adjusted, which is crucial for policy makers. The pressure to intervene can quickly mount.

One of the earliest official statements was by the European Banking Authority, an independent EU Authority which [warned](#) (in 2013) consumers on virtual currencies, [claimed](#) in July 2014 to have identified 'more than 70 risks', and 'advises [national supervisory authorities] to discourage financial institutions from buying, holding or selling virtual currencies while no regulatory regime is in place'.

The first official statement about virtual currencies by the European Commission came in the [Action Plan](#) to strengthen the fight against terrorist financing published in February 2016. The Commission [identified](#) virtual currencies as 'creat[ing] new challenges in terms of combating terrorist financing' and promised to bring anonymous currency exchanges under the control of competent authorities by extending the scope of the Anti-Money Laundering Directive. The plan of the Commission to propose amendments to the Directive by June was subsequently endorsed by member states.

However, the basis for the link between terrorism and virtual currencies is unclear. A [report by Europol](#) from January 2016 noted that 'despite third party reporting suggesting the use of anonymous currencies like Bitcoin by terrorists to finance their activities, this has not been confirmed by law enforcement'.

Balancing the pressures to intervene with the knowledge that intervention often brings unforeseen consequences is the question the European Parliament and other policy makers are now grappling with. In the Parliament at least there seems to be some consensus : the ECON Committee voted through Jakob von Weizsäcker's report on April 26, so that it now passes to the full Parliament for adoption on May 25.



Soft landing for the Passenger Name Record (PNR) !

“Delighted that the European Parliament has just approved with final vote and a big majority my EU-PNR proposals” tweeted British Conservative rapporteur Timothy Kirkhope on April 14. After five years of work, two reports and innumerable meetings with shadow rapporteurs, he can be!

A **Passenger Name Record** gathers data provided by travellers (contact and payment details, travel dates, etc.) and collected by air carriers for commercial purposes.

With the abolition of EU internal controls under the Schengen Convention, several Member States allowed their authorities to access PNR for law enforcement purposes. Concerned by legal fragmentation, the Commission proposed in 2007 a [Council decision](#) to harmonise the rules to collect, process and exchange between Member States the data of **passengers flying to and from the EU**. National authorities would use them to prevent, investigate and prosecute transborder crime. The Lisbon Treaty entered into force before the Council agreed on the text, so the Commission proposed a new [directive](#) in February 2011. Five years after the initial proposal, the Council adopted its [position](#) in April 2012.

The PNR journey in the Parliament was nothing but more

turbulent. In the Civil Liberties committee, the **“security vs privacy”** debate split MEPs along and within party lines on three issues: the **necessity** of the proposal (would it prevent terrorist attacks in the EU?), its **proportionality** (should intra-EU flights or tour operators be included?) and **data protection** concerns. Insufficiently reassured by the rapporteur, the committee [rejected](#) the draft directive by 30 votes to 25 in April 2013.

However, after months in limbo the sky cleared up for the PNR. On the one hand, rapporteur Kirkhope’s second report in February 2015 benefited from the mediatisation of **“foreign fighters”** who returned to the EU from Syria, which pushed the MEPs into [committing](#) to adopt the proposal before 2016. This political pressure increased even more with Paris and Brussels terrorist attacks. On the other hand, the completion of the negotiations on the **general data protection regulation** partly lifted the MEPs’ concerns. Yet, the Left, the Liberals and the Greens fought hard to vote both texts as a package in plenary.

Eventually, the Parliament comfortably adopted the PNR proposal (461 MEPs to 179) one week before the Council did too. Member States now have two years to transpose it. But, the real test will be whether or not national authorities **really exchange** their PNR data...

EU public consultations*

Policy field	Title	Deadline
Taxation	Double taxation dispute resolution mechanisms	10.05.2016
Transparency	Proposal for a mandatory Transparency Register	01.06.2016
Justice	An effective insolvency framework within the EU	14.06.2016
Copyright	The role of publishers in the copyright value chain and the 'panorama exception'	15.06.2016
Telecom	Revision of the European Interoperability Framework	29.06.2016
Market	Support measures for start-ups	30.06.2016
Digital security	Review of the e-privacy directive	05.07.2016
Space	Space Strategy for Europe	12.07.2016

* For an exhaustive list : <http://ec.europa.eu/yourvoice/>

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