

PLATFORM POWER

TISA made a recent trip to Brussels to explore with various EU ministers what is likely to emerge in Europe and to determine how this will widen the remit of TISA's policy councils.

During a meeting with Andrus Ansip and his cabinet, alongside various other EU ministers, TISA found The EU Commission focused on the EU Digital Single Market (DSM) directive which will have implications for the UK.

Creating an EU DSM is one of ten priorities of President Juncker in order to contribute to a boost in jobs and growth in Europe. The presentation of the EU DSM strategy on the 6th May represented a turning point in the EU digital sphere as the strategy aims to bring comprehensive actions for digitally empowering European business, SMEs and citizens, harmonizing commerce and copyright rules while reducing red tape and administrative burden.

Particularly interesting from a UK financial services perspective is the upcoming work on online platforms. This will cover the role they play, their systemic nature and the use of the information they obtain as well as potential implications around the management of data. There is a push for a ban on Member States (MS) restricting the free movement of data within the EU and a ban on MS establishing any obligation for local data storage as well. The work will also look at the review of existing data location requirements at MS level which are fragmenting the cloud computing market and affect the take up of technologies like data analytics.

Action to regulate online platforms could represent one of the most far reaching initiatives under the DSM, with significant potential consequences for the way citizens use the internet and the internet ecosystem itself. It is widely anticipated that the Commission will address this issue as part of the strategy to create better consistency within the single market.

In their role as intermediaries, platforms (particularly when they have attained market power) can act as a gatekeeper to the internet and disrupt its benefits by manipulating the processing and presentation of information to their own commercial advantage. This is particularly a risk when platforms are vertically integrated. The problem is compounded by a lack of transparency as to the process and practices used by the platforms in delivering their service. The algorithms and strategies of the platform are usually a closely guarded commercial secret. There is also the additional problem of customer lock-in and lack of interoperability between different platforms.

The EU Parliament are generally agreed that before deciding on the need for specific measures to regulate online platforms and the nature of such measures, further evidence and reflection is required. Measures to achieve these outcomes could range from self regulatory approaches and open standards or codes of conduct and guidance to co-regulation, or legally prescriptive and enforceable legislative measures. It is worth noting that at this stage that no services are actively promoting a system of *ex ante* economic regulation of online platforms akin to that applied to telecommunications networks and services under the current telecoms framework.

TISA will be keeping a very close eye on the development of policy from the Commission to the European Parliament around all appropriate aspects of the DSM strategy for Europe and debating these issues within its member policy councils. It will meet further with European ministers later in the year as the strategy develops and the implications for UK financial services platforms become clearer.

http://ec.europa.eu/priorities/digital-single-market/docs/dsm-communication_en.pdf

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