



# BLOCKCHERS

## POLICY RECOMMENDATION

[www.blockchers.eu](http://www.blockchers.eu)

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This project has received funding from the European Union's Horizon 2020 research and innovation framework programme through Grant Agreement no. 828840

Partners:



# Agenda



- Aim of the policy recommendation
- Methodology
- Key areas to be tackled
- Further important legal aspects



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# What is the aim of the policy recommendation?



## **WHAT:**

The aim is to fill the information gap between regulatory institutions and SMEs and start-ups deploying DLT technology.

## **WHY:**

Blockchain/DLT has the potential to bring great improvements to the European industry and citizens, and Europe has a great potential to stay ahead of the curve in this innovation race:

- that can lead to new and improved business models that benefit society and stimulate sustainable economic growth through efficiency gains
- especially in combination with other exponentially growing technological advancements, like IoT and AI.

**However, blockchain technology clashes with established structures and applicable standards in many areas, due the decentralized and immutable character.**



# Identified and analyzed industries



In-depth analysis of findings gathered throughout the BLOCKCHERS project

Public services

Manufacturing

Further literature research was conducted analyzing trends and applications across industries

Analyzing the use cases of all applicants, and selected start-ups in depth

Energy

Real Estate

Input by leaders, entrepreneurs, and academics, collected through workshops and questionnaires

Utilizing Alastia's network and sector committees

Logistics

Food and Beverage

Enriched through one-on-one interviews conducted by Alastria with third party projects.



# Design differences should be kept in mind



The key to achieve innovation in line with EU interest is

→ the elimination of system breaks, interoperability and regulatory certainty

→ which would lead to economically viable business models through network effects, and investment security

Therefore an EU-initiated basis in the following areas would be of utmost importance:

- 1) Governance
- 2) Identity Framework
- 3) Digital signatures
- 4) Euro-on-blockchain
- 5) Standardization



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# Establish governance thresholds



## Status Quo

- Currently, there are no defined standards and thresholds for blockchain governance structures.
- However, a solid governance structure is essential to ensure a blockchain offers the characteristics generally linked to this technology, like immutability and trust mechanisms.



## Recommendation

- A governance rule set per industry should be defined.
- The important aspects is to establish a minimum standard for legal enforceability.
- To ensure the rule of law, protect stakeholders and enhance trust.



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# Initiate a blockchain based identity framework



## Status Quo

- Identity is a crucial building block of all interactions
- Need for onboarding requirements and counterparty KYC across industries
- For trustworthy and unique identification
- For natural and legal persons and across domains (IoT and the increase of autonomous agents in the future economic system)



## Recommendation

- A government initiated blockchain identity framework would lay the basis for trusted interaction. A basis through laws, business registers, identity systems.
- The need for a robust identity system that puts people back at the center was announced by Ursula Von der Leyen
- A interoperable blockchain complaint identity solution would be essential for needed network effect.



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# Enable legally binding transactions through blockchain compatible digital signatures



## Status Quo

- A properly signed contract, that is legally enforceable, is the basis for many economic activities
- The eIDAS regulation was set to offer a single standard for e-signatures within the European market, to meet needs in the internet age
- While Blockchain systems can comply with the essence of eIDAS, they do not fall under eIDAS regulation.



## Recommendation

- The clarification of requirements to achieve qualified signatures, i.e., legally binding digital signatures across entities would be essential.
- That offer up to the same legal certainty as a handwritten format
- Set out as an objective under the European self-sovereign identity framework (ESSIF)
- Interoperability is key to work towards network effects.



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# Reduce risk and frictions through the digital, programmable Euro



## Status Quo

- The application of distributed ledger technology (DLT) is increasingly discussed in the field of payments, i.e., commercial banks and central banks.
- DLT can be used to implement novel payment infrastructures set up and governed both by commercial banks and central banks.
- A lack of a suitable means of payment is a major hurdle for broad adoption.



## Recommendation

- The digital, programmable Euro issued by banks or central banks would be beneficial in terms of default risk and would lead to higher acceptance and less friction for many use cases in the long term.
- Policymakers should push for the implementation of a DLT-based digital programmable Euro.



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# Push for overall standards to avoid fragmentation



## Status Quo

- Currently, we have a fragmented landscape driven by various consortia developing industry standards.
- Blockchain technology can only live up to its potential through standardization and certification across industries and domains.



## Recommendation

- We argue that policymakers should push for overall standards quickly, to avoid further fragmentation.
- Standards will lead to interoperability, reduce the risk of fragmentation, avoid lock-in effects, create trust in privacy and security aspects, establish one common language, and draft clear governance rules.
- There are many associations and other bodies working on standards - combining their efforts to push for a widely accepted standard seems beneficial.



# Further important legal aspects



01

GRPR

There is a need to clarify and develop guidelines for complying with the GDPR for three crucial areas: the right to be forgotten, the controller determination, and the anonymity threshold

02

Cross-border jurisdiction

A clear regulatory framework is needed that addresses the issue of cross-border jurisdiction.

03

Token Taxonomy

The lack of a commonly accepted classification and taxonomy for blockchain technology and cryptographic tokens results in legal uncertainties for all stakeholders and therefore slows down the adoption process.



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# blockchers

Facilitating the revolution of DLT across European SMES



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