
Brussels, 12 October 2020

Mairead McGuinness
Commissioner for Financial services, financial stability and Capital Markets Union
European Commission
Rue de la Loi 200
1049 Brussels
Belgium

cc.

Peter Power, Head of Cabinet of Commissioner Mairead McGuinness
Nathalie Debasaldua, Deputy Head of Cabinet of Commissioner Mairead McGuinness
Marcel Haag, Director for Horizontal Policies, DG FISMA
Jan Ceyskens, Head of Unit, Digital Finance, DG FISMA
Peter Kerstens, Adviser for Technological innovation and cybersecurity, DG FISMA
Pēteris Zilgalvis, Head of Unit, Digital Innovation and Blockchain, DG CONNECT

Dear Commissioner McGuinness,

Blockchain: The Opportunity for Europe

We would like to congratulate you on your recent appointment and to present our vision for blockchain technology and the opportunities it presents for European innovation.

Blockchain for Europe (“BC4EU”) is an EU-based trade association representing globally active blockchain companies at the EU level and across European member states. BC4EU strongly believes in education, transparency, innovation and empowerment as hallmark principles for developing effective policy and regulation, particularly where new technologies are concerned, and we therefore wanted to present to you an introduction to blockchain which we hope you find useful.

Blockchain technology is not limited to financial services transactions - it is better to think of blockchain as a database technology that can be used to record the unique existence of any item whether tangible (e.g. a house, university results and certificates or a contract) or intangible (e.g. a unit of currency, a digital identity, a stock). Blockchain offers new functionality – and therefore opportunity - that builds upon the Internet as we know it today in two fundamental ways.

Firstly, where internet technology has so far provided a global communications and information exchange platform, blockchain takes this a step further by adding the ability to transfer value. This is achieved through the creation of unique, immutable digital records that are subject to a robust validation process. Through peer-to-peer networking technology and cryptographic techniques, the integrity of the records is ensured, access controlled, and transactions can be executed with confidence. Processes are simplified and operational costs are reduced.

Secondly, blockchain platforms enable direct peer-to-peer transfers of digital items without the need for intermediaries. Users can simply move items between themselves in a multi-level secure manner through a two-way trusted data exchange. The traditional role of the intermediary, to provide trust

and security in transfers, is instead provided by the transparent and tamper-proof nature of the blockchain database itself. While not all blockchains are ‘decentralized’ in this way, the potential is there both to lower transaction costs and to put users in control of their own data and possessions. An added benefit is that blockchain solutions are generally easy to use and to operate, smoothly integrating with existing IT systems and without requiring extensive hardware.

A blockchain database can also be a foundational element of a more complex, integrated technology stack. For example, when integrated with smart contract technology (essentially a program that automatically executes when a triggering event or instruction occurs), its potential for innovation is considerable. Good examples for these Covid-19 times include that of travel refunds: one could envisage a smart contract where the cancellation of a flight or other trip automatically results in compensatory payments to the customer. Or indeed a blockchain certification solution can enable reliable back-to-work certifications to track Covid-19 immunity and completion of PPE training. Other examples include corporations embracing blockchain to enhance traceability of items and payments throughout their supply chains, including in areas key to public health, such as food and medicines.

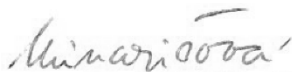
The support that blockchain-based innovation needs from policy makers is simple: technology neutral regulation that focuses on the essential nature of the item and not the blockchain platform on which it exists.

We have encouraged such technology neutral thinking for the Markets in Crypto-Assets (MiCAR) proposal – and we look forward to collaborating with Marcel Haag, Jan Ceysens and their team as the Regulation continues its consultation process in the coming weeks and months.

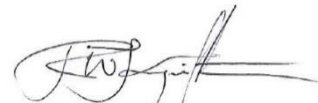
If you or your team have any questions regarding blockchain or the work that we do, we would be delighted to arrange a virtual meeting. We have also included a “cheat sheet” of core blockchain concepts as a quick reference guide.

We wish you every success in your new role and look forward to our ongoing collaboration with your team to support your endeavours.

Yours Sincerely,



Maria Minaricova
Chair of the Board,
Blockchain for Europe



Robert Kopitsch
Secretary-General,
Blockchain for Europe