JOINT STATEMENT FOLLOWING THE POLITICAL AGREEMENT ON THE DATA ACT

We are pleased that the concerns expressed in our Open Letter reached policymakers, and we appreciate the efforts they have made to address them. They have taken the time to discuss with our sector and explain why we should not be overly worried about the interpretation of the Data Act and its limited scope of application, which is not meant to limit the use of smart contracts on permissionless technology. While we appreciate the progress made in the final stretch, we do regret to see that the pressure of concluding the negotiations did not allow sufficient consideration to the necessity of using the term "digital contract" instead of "smart contract" instead in the text. We believe that a more thorough examination of this aspect would have provided greater clarity and alignment with industry expectations and needs, as the distinction between the two terms is significant and can have implications for the understanding and implementation of the rules.

However, after thoroughly reviewing the final version of the Data Act and discussing it with the policymakers involved, the primary focus of the legislation seems to be on the intention and mutual consent of the parties involved in a data-sharing agreement. This means that the requirements of Article 30 would apply only when 2 (or more) parties decide to enter into a data sharing agreement and consent to deploy a 'smart contract' (as defined by Article 2(16)) which complies with the requirements. Further, as established by Article 30 (da), such an agreement would have to clearly disclose the smart contract's safe termination or interruption features and access control mechanisms, as contractual terms are prerequisites for the essential requirements to be enforced.

The rest of Article 30 clarifies the important role that European standardisations organisations will have in defining common standards that vendors or developers of these smart contracts meant to be used to execute data sharing agreements should use to ensure their smart contracts compliance with the requirements of Article 30 (1).

If our understanding of the Data Act aligns with the regulators' intentions, it is crucial to initiate further discussions and consultations with standardization committees and second-level regulators. This step is necessary to address the open questions that have arisen from the broader text of the Data Act and establish a well-informed and harmonized regulatory framework. A thorough examination of the potential implications of the legislation on the use of smart contracts and permissionless blockchain technology should be ensured through these discussions and consultations.

However, while we appreciate the progress made in trying to legally define "smart contracts" at EU level, we remain cautious about potential unintended implications in future regulatory proposals. It is crucial to engage in further discussions to better understand the nature and capabilities of permissionless technology before referencing this definition in another

legislation. Failure to do so could unintentionally hinder the use of smart contracts and permissionless blockchain technology as a whole.

Throughout the negotiation process, we have come to recognize the need for increased dialogue and understanding between regulatory bodies and the blockchain industry, which already deploys and utilizes smart contracts. Misconceptions surrounding these smart contracts have already been criticized for causing confusion and perplexity among both the regulators as well as developers. This highlights the importance of education and awareness-building to address the nuances of this emerging industry - including the role of intermediaries.

While policymakers have emphasized the need for the industry to trust their intentions, we urge for reciprocity in trust-building. The blockchain industry has proactively worked towards standardizing smart contracts and implementing measures to increase legitimacy while safeguarding consumers and investors. It is crucial for regulators to acknowledge these efforts and understand that forcing an intermediary in a disintermediated environment does not necessarily enhance technology security but introduces new risks.

To fully harness the potential of permissionless technology and address risks within the traditional financial system, regulators must strive to develop a comprehensive understanding of its fundamental aspects before implementing regulations. A proportionate approach, accompanied by a learning curve mentality, should guide all regulatory actions. This will ensure that risks are effectively addressed without stifling the growth of this nascent industry.

Finally, it is important to note that the interpretation provided in this statement is our understanding based on currently available information. However, we recognize that there are still many open questions that we hope regulators will address and clarify.

We extend our gratitude to all the organizations that participated in this collaborative effort and assure them that we will report back on any developments or updates regarding this matter. The commitment of the leading organisations and signatories of the open letter remains unwavering, as we stand ready to engage and support the regulatory bodies, leveraging our expertise and providing ongoing support to advance the shared goals of innovation, consumer and investor protection, and the establishment of a sustainable and secure digital economy.

Sincerely,

BLOCKCHAIN FOR EUROPE

EUROPEAN BLOCKCHAIN ASSOCIATION

DIGITAL CURRENCIES Governance Group

eUCi European Crypto Initiative

INATBA International Association for Trusted Blockchain Applications

IOTA