European Commission

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How will the EU's data protection reform benefit European businesses?

A chain of shops has its head office in France and franchised shops in 14 other EU countries. Each shop collects data relating to clients and transfers it to the head office in France for further processing.

Under current rules, the French data protection authority would be responsible for enforcing the law and would provide a point of contact in case of any problems. But the individual shops would still be required to process their customers' personal data in accordance with the laws of the country where they were located – which might differ from the rules applicable to their head office in France. In addition, shops may have to observe guidelines and decisions taken by the national data protection authority which could differ from – and even contradict – those applicable to other parts of the same company.

What is the current situation and why does it need to change?

Currently, businesses in the EU have to deal with 27 different national data protection laws. This **fragmentation** of rules between EU countries is a costly administrative burden that makes it harder for many companies, particularly **small and medium-sized businesses (SMEs)**, to access new markets.

Businesses that fail to adequately protect individuals' personal data risk losing their **trust**. This trust, particularly in the online environment, is essential to encourage people to use new products and services.

Attitudes towards data protection

- Authorities and institutions are **more trusted by Europeans than companies** (particularly online businesses).
- A majority believe that their personal data would be **better protected in large companies** if these companies were obliged to have a data protection officer **(88%)**.
- **70%** of Europeans are concerned that their personal data held by companies may be used for a purpose **other than that for which it was collected**.
- Most Europeans think that companies breaching data protection rules should be **fined (51%)**, **banned** from using such data in the future **(40%)**, or compelled to **compensate** the victims **(39%)**.

Special Eurobarometer 359
Attitudes on Data Protection and Electronic Identity in the European Union, June 2011

Any questions?
http://ec.europa.eu/justice/data-protection/index_en.htm
Contact Europe Direct: 00 800 67 89 10 11 - http://europa.eu/europedirect/

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What is the Commission proposing?

The aim of the EU's data protection reform is to modernise, simplify and strengthen the **data protection framework**, in order to unlock the full potential of the single market. This in turn will foster economic **growth, innovation** and **job creation**. The reform will **drastically cut red tape**, particularly for SMEs, including the current obligation to notify data processing, which costs businesses about **€130 million per year**, or prior authorisation for international transfers of data based on binding corporate rules or standard contractual clauses. Instead, the rules will focus on requirements that offer **legal certainty** and **real added value** to Europeans.

Under the new proposals, companies will only have to deal with **one set of data protection rules** and be answerable to a **single data protection authority** – the national authority in the EU country where they have their main base. This **one-stop shop for data protection** will **greatly simplify** the way businesses interact with data protection laws and **give incentives to trade and invest cross-border in the internal market**.

In return, the reform will oblige companies to be **more accountable** for their data processing. Big companies (over 250 employees) and also companies systematically monitoring citizens will have to appoint an independent **data protection officer**. **'Privacy by design'** and **'privacy by default'** are principles that will would need to be integrated into business processes. This means that data protection safeguards should be built into products and services from the earliest stage of development, and that privacy-protecting default settings, for example in social networks, should be the norm.

How will this help?

One single law and one single authority will apply to a business based in the EU. Companies based outside the EU, offering goods or services in the EU or monitoring behaviour of citizens, will also have to apply EU data protection rules. Companies will be able to offer their customers assurances, backed up by a regulatory framework, that valuable personal data will be treated with the **necessary care and diligence**.

Simpler, clearer and stronger rules will also help build **individuals' trust** in emerging businesses, particularly online. Privacy-friendly European companies will have a competitive advantage on a **global scale** at a time when the issue is becoming increasingly sensitive. With the emerging **global digital economy** and the increasing popularity of cloud computing services, legislation which reinforces trust in the market will be a key driver for business growth. This is in turn expected to attract **more investment** and make the EU a more attractive place to do business, taking full advantage of the single market's **growth potential**.

What will be the key changes?

- **A level playing field for businesses** through **one single law** applicable to any business across the EU. This harmonisation is expected to **save businesses up to €2.3 billion per year**.
- **Simplification** of the regulatory environment by **drastically cutting red tape and bureaucratic requirements** which impose unnecessary costs on businesses.
- A 'one-stop-shop' – companies in the EU will be answerable to a single data protection authority (DPA), no matter how many EU countries they do business in.
- **Enhanced cooperation** between DPAs to ensure the consistent application of rules across the EU.
- Companies with more than 250 employees should be proactive and take measures to ensure compliance with data protection law by appointing a data protection officer.

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