MAPLES GROUP

DIGITAL SERVICES ACT

Overview for Irish Start-Ups

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DSA Overview for Irish Start-Ups

Summary

The Digital Services Act is part of the European Digital Strategy, Shaping Europe's Digital Future. As part of this strategy, the European Commission ("Commission") published two legislative initiatives on 15 December 2020: the Digital Services Act ("DSA") and the Digital Markets Act ("DMA"). The DSA regulates the obligations of digital services that act as intermediaries in their role of connecting consumers with goods, services, and content. It modernises the liability regime for intermediate service providers ("ISP"), increases transparency obligations and regulatory oversight over online platforms, and provides for substantial fines (up to 6% of turnover).

Small and medium-sized ("SME") digital platforms represent 92% of Europe's online platforms with up to 10,000 high-growth SMEs trying to scale in the Single Market. At the same time, in 2019, the combined market capitalisation of the five leading platforms was over $4 trillion or ¼ of EU's GDP1 . This paper will analyse the DSA and its potential impact on start-ups, particularly with respect to:

- **Harmonisation and legal certainty;**
- **Scope;**
- **Liability regime;**
- **Staggered obligations;**
- **Start-ups due diligence obligations;**
- **Asymmetric obligations; and**
- **Penalty provisions.**

Background to the DSA

The DSA package was born out of a number of concerns, including:

- **The trade and exchange of illegal goods, services and content online;**
- **Manipulation of online services by algorithms to spread disinformation; and**
- **The emergence of a select number of very large platforms that act as gatekeepers, which can result in unfair conditions for businesses using these platforms.**

It is intended to create a legal framework protecting fundamental rights and the safety of users online while building on the principles of the e-Commerce Directive. The DSA package is an acknowledgment that the objectives of the e-Commerce Directive have not been fully achieved and that modernising legislation is necessary to meet the new challenges posed by the digital economy.

The package will update the responsibilities and obligations of digital services providers. It is also intended to create a robust governance structure by mandating oversight at EU and national level, and a framework that will facilitate cross-border cooperation.

Timeline for Implementation

The proposals for the DSA must still be discussed and the final text agreed upon by the Commission, the European Parliament and the European Council, and as a result, it may be several years before the proposed changes are adopted and implemented. The Vice-President for *A Europe Fit for the Digital Age*, Margrethe Vestager, hopes for the process to be completed in approximately 18 months.

There undoubtedly will be changes to the proposed measures as they undergo this process, which may impact the conclusions drawn by this paper.

[1] https://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupMeetingDoc&docid=41347

Harmonisation and Legal Certainty

Before considering the DSA's scope and its operative provisions, it is important to note two of the key DSA objectives, namely harmonisation of the rules governing digital services and establishing greater legal certainty in this space. In its Q&A Press Release, the Commission noted:

"What impact will the Digital Services Act have on start-ups and innovation in general?

It will make the single market easier to navigate, lower the compliance costs and establish a level playing field. Fragmentation of the single market disproportionately disadvantages SMEs and start-ups wishing to grow, due to the absence of a large enough domestic market and to the costs of complying with many different legislations. The costs of fragmentation are much easier to bear for businesses which are already large.

A common, horizontal, harmonised rulebook applicable throughout the Digital Single Market will give SMEs, smaller platforms and start-ups access to cross-border customers in their critical growth phase."

The theme of harmonisation is repeated in the DSA proposal itself. The proposal notes that while there will be inevitable costs for complying with due diligence obligations, these will be offset by reducing the legislative fragmentation that currently exists. By harmonising digital service obligations through the DSA, the proposal intends to boost competitiveness, innovation and investment in digital services which it argues will benefit European start-ups. The corresponding summary impact statement states "Updated and uniform rules will help SMEs operate across the Single Market, helping scale-ups and innovators. The [Impact Assessment] shows cost-savings also for SMEs that might have to deal with illegal content."

In principle the DSA's provision for harmonisation of the applicable rules will be beneficial for start-ups. By taking the form of a regulation, rather than a directive, the provisions will be directly applicable to all Member States. This form of legal instrument is intended to remove Member State discretion on how to implement the regime. However, some Member States, including France, Poland and Austria are moving faster than the Commission, preparing national laws to regulate Big Tech and content moderation. This may create tension with the DSA and perpetuate fragmentation across the EU in this area.

Harmonisation is intended to enhance legal certainty about obligations in cross-border contexts. This legal certainty will be beneficial to everyday operation including reducing costs for cross border scaling businesses. The simplicity of conforming to one regime rather than fragmented obligations may foster innovation and facilitate the scaling of start-ups. It may also open up market-places and customers for start-ups that were not previously reachable[2]. There will be some costs associated with compliance. For example, the Commission's Impact Assessment estimates potential costs for hosting ISPs of €1,500-50,000 in respect of compliance with individual notice and take down obligations and notes that the recurrence of these costs will depend on the volume of notices.

The DSA does not apply to services provided to recipients outside of the EU. Therefore, the challenge posed by fragmentation will still exist for start-ups providing services to non-EU users, e.g. users in the United Kingdom. The degree of harmonisation in practice will therefore depend on the users a start-up is trying to reach.

[2] The European Commission Impact Assessment estimates cost savings of €400,000 per annum for a medium enterprise and up to €4-11 million for a company present in more than 10 Member States. See further Annex 2.

Scope

In considering the impact of the DSA, it is necessary to first consider its scope and what type of start-ups will come under its remit.

Substantive Scope

The DSA applies to digital services which transmit or store the content of third parties[3]. It is focused on providers of the following intermediary digital services ("ISP"):

- **'Mere conduit' services:** information provided by the service user is transmitted in a communication network or the provision of access to a communication network;
- **Caching services:** information provided by the service user is transmitted in a communication network for the sole purpose of making the onward transmission of the information more efficient; and
- **Hosting services:** the storage of information provided by and at the request of the service user[4].

By way of illustration, a start-up will be an ISP if it provides services to recipients in the EU and is a:

- **Social media platform;**
- **Cloud services and webhosting provider;**
- **Video and audio hosting platform;**
- **Travel and accommodation platform;**
- **App store;**
- **Online marketplace;**
- **Internet access provider; or**
- **Domain name registrar.**

Territorial Scope

The DSA applies only to intermediary services provided within the EU. It does not apply to services provided outside the EU.

[3] Digital or "information services" services are any 'service normally provided against remuneration, at a distance, by electronic means and at the individual request of a recipient of services'. In principle, they cover a wide-scope of very diverse services, including: - apps, online shops, e-games, online versions of traditional media (newspapers, music stores), Internet-of-Things applications, some smart cities' services, online encyclopaedias, payment services, online travel agents, etc., but also - services provided by 'online intermediaries', ranging from the very backbone of the internet infrastructure, with internet service providers, cloud infrastructure services, content distribution networks, to messaging services, online forums, online platforms (such as app stores, e-commerce marketplaces, video-sharing and media-sharing platforms, social networks, collaborative economy platforms etc.) or ads intermediaries. The question of what amounts to an information society service has been a source of legal uncertainty for digital service providers. For example, the Court of Justice of the EU did not accept that the Uberpop app is an information society service. The app facilitates contacts between non-professional drivers and users such that any driver with a licence can provide lifts to users on a paid basis. The Court held that Uberpop's intermediation service is an integral part of an overall service whose main component is a transport service and must therefore be classified 'as a service in the field of transport' and not an information society service. In contrast, the Court concluded that intermediation services such as those provided by Airbnb cannot be regarded as forming an integral part of an overall service, the main component of which is the provision of accommodation and as such are an information society service. See Case C-434/15 Asociación Profesional Élite Taxi, ECLI:EU:C:2017:981. See also case C-320/16, Uber France, ECLI:EU:C:2018:221 and Case C-390/18 Airbnb Ireland UC, ECLI:EU:C:2019:1112.

[4] Intermediary hosting services today can be broadly divided into the following three categories of: (1) storage and distribution; (2) networking, collaborative production and matchmaking; and (3) selection, search and referencing. Annex 1 sets out examples of well-known business falling within each of these categories as included in the European Commission's Impact Assessment.

Liability Regime

The DSA contains a number of positive provisions for start-ups with respect to liability.

Liability Exemption

The DSA retains and mirrors the e-Commerce Directive set liability exemptions for providers of mere conduit, caching and hosting services. The retention of this liability exemption ensures that, provided certain conditions are complied with, start-up ISPs will not be liable for actions taken by users that are outside its control. Reflecting on the benefit of a liability exemption for start-ups, Allied for Start-ups ("AFS") noted in its submission to the Commission consultation that *"an overhauled and harmonised EU liability exemption can provide more legal clarity and simplicity for innovative start-ups… Harmonisation on the basis of a broad and robust intermediary liability exemption will give start-ups better opportunities to scale*[5]*."*

General Obligation to Monitor

The DSA' continuation of the e-Commerce Directive's ISP exemption from general monitoring obligations is welcome. For start-ups the AFS position paper noted that *"start-up entrepreneurs neither have the funding, the human resources or the technology to monitor 24/7, nor is it advisable to ask them to do so if there is to be a thriving digital economy."*

Own-Initiative Investigations – No Loss of Liability

The DSA seeks to *"eliminate existing disincentives towards voluntary own-investigations undertaken by providers of intermediary services to ensure their users' safety."* Reflecting this, Article 6 of the DSA provides that ISP liability exemptions should not be disapplied solely because they carry out voluntary own-initiative investigations or other activities aimed at detecting, identifying and removing access to illegal content. This update removes the deterrent under the existing regimes for entities to be proactive in identifying and dealing with illegal content. This is aligned with the AFS position paper recommendations.

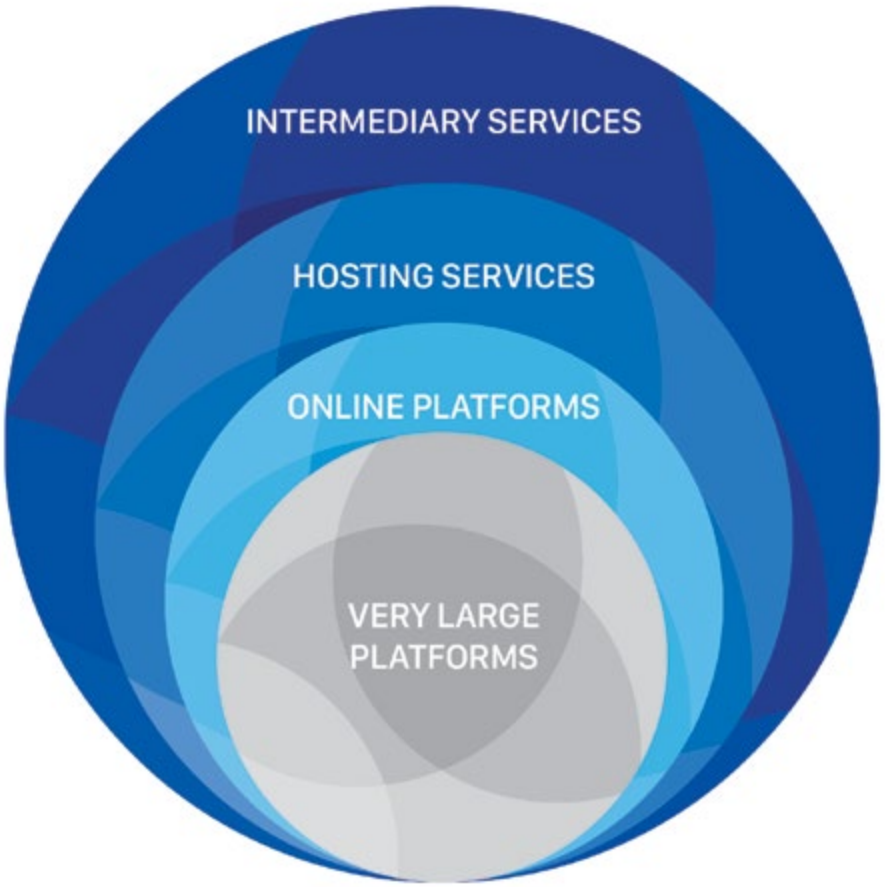
[5] "The role of the intermediary liability exemption for start-ups & scale-ups" available at https://alliedforstartups.org/2020/01/15/the-role-of-the-intermediary-liability-exemption-for-startups-scaleups/

Staggered Obligations

The DSA staggers the obligations imposed on ISPs according to sub-categories:

- **Intermediary services;**
- **Hosting services;**
- **Online platforms (provider of a hosting service which, at the request of the user, stores and disseminates information to the public); and**
- **Very large online platforms ("VLOPs") (platforms with more than 45 million active monthly users in the EU)**

Here we illustrate how the sub-sets of intermediary services are interrelated in the DSA. As will be explored in greater detail below, this structuring creates asymmetric obligations for entities based on their respective sizes and impact on the marketplace.



Asymmetric Obligations

The due diligence obligations imposed by the DSA are structured such that they vary based on the size of the service provider and its impact. This is intended to mitigate against disproportionate burdens. It recognises that VLOPs have a *"central, systemic role in facilitating the public debate and economic transactions"* and consequently must be subject to additional substantive obligations. This is aimed at ensuring that the due diligence obligations *"are proportionate to the ability of the companies to comply."*

In setting the thresholds for obligations under the DSA, the DSA recognises the special position of micro and small enterprises ("MSE"). For the purposes of the thresholds, MSEs are:

- **Micro:** enterprise employing fewer than 10 persons and whose annual turnover is less than €2 million; and
- **Small:** enterprise employing fewer than 50 persons and whose annual turnover is less than €10 million[6].

Medium sized enterprise (i.e. an enterprise that has between 50 employees and 249 employees and has either an annual turnover not exceeding €50 million or an annual Balance Sheet total not exceeding €43 million) will be subject to increased obligations under the DSA.

As will be discussed further below, the obligations that will specifically apply to MSE start-ups are significantly less extensive than the obligations falling on larger ISPs and VLOPs. While there are more requirements for hosting services, MSE start-ups will generally be required to make changes with respect to transparency and information sharing procedures. These changes will entail:

- **Strategic planning and review of existing procedures in order to efficiently implement required changes (e.g. comprehensive review of terms and conditions);**
- **Expenditure to implement necessary measures (e.g. planning and implementing a notification mechanism for hosting services); and**
- **Assigning personnel to manage specific obligations under the DSA (e.g. point of contact, person drafting the statement of reasons).**

The ease of implementation may depend on when a start-up is incorporated. For example, where a start-up is established after the DSA comes into effect then it will be a matter of ensuring that there is compliance from its inception. Compliance may be more time intensive for an already established start-up which needs to review and amend existing policies to bring them into alignment with the DSA.

All ISPs (including MSE start-ups) – DSA, Chapter III, Section 1

All ISPs must comply with minimum transparency and information sharing obligations. They must establish a single point of contact with whom the relevant Member State authority can communicate. The ISP must make their point of contact easily identifiable and contactable.

ISPs must set out in their terms and conditions any restrictions that they may impose on the use of their services in clear and unambiguous language. This information must include details about policies, procedures, and tools such as algorithmic decision-making used in content moderation. ISPs must act in a diligent, objective and proportionate manner in enforcing these restrictions.

[6] The MSE categorisation is aligned with Enterprise Ireland's definition of small enterprises.

Hosting services only (including MSE start-ups and online platforms) – DSA, Chapter III, Section 2

Hosting services must put in place mechanisms to allow third parties to notify them of the presence of alleged illegal content. Confirmation of receipt must be sent where the notice contains the name and email address of the submitting party. ISPs must process any such notices and take ensuing decisions in a timely, diligent and objective manner. Where a hosting service decides to remove or disable access to specific information provided by a recipient of the service, the hosting service must provide that recipient with a statement of reasons containing prescribed information.

All online platforms (excluding MSEs) – DSA, Chapter III, Section 3

The Section 3 obligations applying to online platforms are significant. MSEs are exempt from these obligations. The obligations include:

- **Internal Complaint-Handling (DSA, Article 17):** This requires online platforms to establish an internal complaint-handling system in respect of decisions it makes in relation to alleged illegal content or information incompatible with its terms and conditions;
- **Measures and Protection against Misuse (DSA, Article 20):** This requires online platforms to take certain measures such as suspending the provision of its services to users who frequently provide manifestly illegal content, and to have a clear and detailed policy in respect of such misuse in its terms and conditions;
- **Notification (DSA, Article 21):** Online platforms must notify their competent authority where they become aware of information which gives rise to a suspicion of serious criminal offences involving a threat to the life or safety of persons;
- **Transparency Obligations (DSA, Article 23):** In addition to the Section 1 reporting requirements, this requires online platforms to publish additional information relating to the removal and disabling of information considered to be illegal content or contrary to its terms and conditions; and
- **Online Advertising (DSA, Article 24):** This requires that recipients of the service must be able to identify, in real time, certain information about online advertisements, including the fact that it is an advertisement and the natural or legal person on whose behalf the advertisement is displayed.

The DSA, Chapter III, Section 3 MSE exemption is a benefit for start-ups. It shows a balancing of start-ups comparatively lower impact on the digital market and the expense of complying with strict due diligence requirements. However, this may be a short-term benefit. In the longer term, threshold based due diligence obligations may create a "cliff edge" of regulatory compliance that discourages smaller platforms from expanding. For example, a start-up may very quickly grow beyond what is classified as a small enterprise under the DSA, i.e. more than 50 employees and an annual turnover of more than €10 million. A medium sized start-up may therefore find itself particularly vulnerable to such a regulatory "cliff edge".

VLOPs – Section 4

VLOPs bear the majority of the DSA' obligations. These include obligations to put in place the following measures:

- **Risk Assessment (Article 26):** A risk assessment of their services including risks such as the dissemination of illegal content through their services and intentional manipulation of their services;
- **Mitigation of Risks (Article 27):** Reasonable, proportionate and effective mitigation measures, tailored to the risks identified under Article 26;
- **Independent Audit (Article 28):** An audit at least once a year at their own expense to assess compliance with obligations under the DSA; and
- **Transparency Reporting Obligations (Article 33):** At least once a year a very large online platform must make publicly available a report setting out the results of risk assessments and the risk mitigation measures identified and implemented.

The focus on these provisions is to empower the service user and to require greater information sharing and transparency. They will require establishing procedures, ongoing reviews, publishing information, and greater engagement with service users. These are material obligations, which will require significant time and investment. Indeed, according to the summary impact assessment published by the Commission, the most significant costs associated with the DSA will be limited to VLOPs. The table below provides an overview of the asymmetric obligations

MSEs: Micro and small enterprises i.e. a micro enterprise employs fewer than 10 persons and has an annual turnover of less than €2 million and a small enterprise employs fewer than 50 persons and has an annual turnover of less than €10 million.

VLOPs: Very large online platforms i.e. platforms with more than 45 million active monthly users in the EU

Thresholds

The DSA creates two long-term thresholds. The first threshold exists between Section 1-2 obligations and Section 1-3 obligations ("Threshold 1"). Once a start-up ceases to be a small enterprise and becomes a medium enterprise, the Section 3 obligations will apply. As can be seen from the table above, the volume of measures to be complied with significantly increases even before considering the time and expense required for implementation. Additionally, MSE are exempted from the Section 1 obligation to prepare and publish an annual report on any content moderation engaged in during the relevant period. This suggests that a start-up which scales quickly into a medium enterprise may be in a particularly difficult position.

As suggested in the Oxera Policy Report[7] prepared for AFS, the fact that so many additional due diligence obligations became active at Threshold 1 might prove to be a disincentive for start-ups to grow. Start-ups may choose not to expand in order to avoid increased compliance costs and requirements. This might ultimately reinforce the impact of existing VLOPs.

The second threshold exists between Section 1-3 obligations and Section 1-4 obligations ("Threshold 2"). Threshold 2 is less significant from the perspective of start-ups as it will not be applicable to all start-ups. Even where it is applicable, it will be far into the future for such start-ups. Threshold 2 kicks in where an online platform becomes a VLOP (i.e. it has more than 45 million active users in the EU). As set out earlier under 'Assymetric Obligations', new obligations for VLOPs include internal audits, assessment and implementation of risk management, and the publication of transparency reports.

Threshold 1 will be felt at an earlier stage, and will be the more impactful consideration for the vast majority of start-ups. The DSA must contend between two valid but conflicting principles: that start-ups/MSEs should not face the same regulatory burdens as large established entities because they do not have the resources to both comply and scale. However, in devising such a tiered system, thresholds are created between entity sizes which may prove to be a disincentive to growth in the long-term. In looking at the future of the DSA, it would perhaps be useful for the Commission and European Parliament to examine ways of mitigating the impact of Threshold 1 on start-ups.

[7] https://www.oxera.com/wp-content/uploads/2020/10/Impact-of-DSA-on-EU-business-policy-paper-2020-10-23.pdf

Penalty Provisions

Penalties for non-compliance with due diligence obligations in each Member State may be up to a maximum of 6% of the annual income or turnover of the intermediary services provider.
The penalties imposed by Member State authorities must be effective, proportionate and dissuasive. Penalties are applicable to infringements of the DSA by ISPs under that Member State's jurisdiction.

Penalties for the supply of incorrect, incomplete or misleading information or the failure to rectify same, can lead to a penalty of up to 1% of annual income or turnover. Periodic penalties may also be imposed of up to 5% of the average daily turnover of the intermediary in the preceding financial year.

The structuring of these penalties based on turnover is in accordance with the driving principle behind the DSA, i.e. that it is tailored to the respective size of organisations. While the lack of specific figures may provide less legal certainty, it will make it more likely that a fine will be tailored to the ability of the start-up to pay it.

However, it will remain to be seen how penalties are imposed in practice and whether different approaches by Member States will undermine the harmonisation intended by the DSA.

DSA Enforcement

The DSA governance structure provides a role for Member States' Digital Services Coordinator ("DSC"), the European Board for Digital Services and the Commission.

The Commission will have direct supervision powers over VLOPs including the power to impose fines of up to 6% of annual turnover.

Each Member State will need to appoint a DSC, which will be responsible for supervising the intermediary services established in their Member State and/or for coordinating with specialist sectoral authorities. This retains the country of origin principle whereby ISPs are regulated by the DSC of their place of establishment. There are, however, exceptions to this principle. For example, the Commission can intervene where the competent national DSC has not acted within the timeframe laid down by the DSA. DSCs will have the power to impose fines of, depending on national law, up to 6% of annual turnover.

The European Board for Digital Services will provide a supporting role for the Commission and DSCs.

Conclusions

The DSA will bring change to online intermediary services with some feeling the impact more than others. For start-ups the key issues to keep under review as the DSA progresses are:

- **Harmonisation and Legal Certainty:** By taking the form of a regulation, the DSA is intended to harmonise obligations across the EU. In principle, the legal certainty and simplicity flowing from harmonisation via regulation should be beneficial to start-ups and facilitate their growth. However, fragmentation cannot be completely erased given that: enforcement will occur at a national level; the Commission's role is limited to VLOPs; and the DSA applies only to services being provided to EU users.

- **Scope:** Relevant start-ups must be providing an intermediary service in the EU to come within the scope of the DSA. Digital services provider storing or transmitting third party content will come in scope.

- **Liability Regime:** The structure of the liability regime appears beneficial for start-ups. It will firstly provide legal certainty by retaining the liability exemption regime from the e-Commerce Directive. The decision to not include a general obligation to monitor will also be welcome for start-ups, which may have struggled to comply with such a requirement. Finally, allowing start-ups to conduct voluntary investigations will allow them to be proactive against illegal content without fear of losing the benefit of the liability exemption. These elements should all facilitate the scaling of start-ups and allow them to put their users' safety first.

- **General Due Diligence Obligations for all ISPs:** The obligations for all start-ups will include a requirement to designate a point of contact and to review its terms and conditions. There will also be additional requirements where the start-up is a hosting service. The DSA is mindful of the limited resources available to start-ups when compared to VLOPs. However, these obligations will require start-ups to plan and review existing procedures and policies, incur some expenditure, and assign staff additional roles to ensure compliance.

- **Asymmetric Obligations:** The DSA due diligence obligations are scaled to represent the size and impact of the entity on the digital market. Consequently, VLOPs bear the most burdensome requirements while MSE are exempted from many requirements. This may, in the short-term, ease the regulatory burden on start-ups. However it may also create long-term thresholds which could create a regulatory "cliff edge" impacting growth and scaling.

- **Penalty Provisions:** Penalties based on turnover will allow fines to be set proportionately to the size of the relevant business. It is not clear, however, at this stage whether there will be consistent application of fines to start-ups by different Member States.

Annex 1

European Commission Impact Assessment
Hosting Intermediary Services: Categories and Examples

CATEGORY	HOSTING INTERMEDIARY SERVICE
Storage and Distribution	**Web hosting:** The classic hosting intermediary: providing the possibility to host a website or other internet-based offering. Customers can publish their website through the services managed by the hosting company. Web hosting can vary in the extent to which it provides pre-installed web hosting and publishing features, such as analytics, programming environments, databases, etc. Examples of providers operating in this market are Leaseweb, WIX.com and Vautron Rechenzentrum AG. **Online media sharing platforms:** services, that provide an open platform for online publications as well as the consumption of those publications, including images and video (Youtube, Vimeo, Photobucket), music (SoundCloud, Bandcamp), blogging and journalism (Medium, Wordpress) and other forms of media. **File storage and sharing:** Services that offer users the ability to store and share different forms of files online (including video, audio, image, software and text documents). These services range from offering individual file storage solutions, with limited functionality to share, to services that incorporate more social features to facilitate sharing of materials between users and/or with third parties, turning them into online media sharing platforms discussed above. Examples of providers offering file storage and sharing services are Dropbox, box.com and WeTransfer. **IaaS/PaaS:** Infrastructure as a Service and Platform as a Service cloud computing services offer a cloud-age version of Web hosting for organisations to run services and applications and making them available to online users. (Notably, these services can themselves act as intermediaries, creating a situation of double hosting.) Examples are AWS (Amazon), Google Cloud, Microsoft Azure, but many smaller and niche players exist in the market.

Networking, Collaborative Production and Matchmaking	**Social networking and discussion forums:** services like Facebook, LinkedIn and Twitter that allow people to connect and communicate publicly or semi-publicly. **Collaborative production:** services that allow users to collaboratively create documents and other forms of media, and make these available to a broader audience. Wikipedia is an example of this, as well as cloud-based word processing tools, such as Google Docs or Office 365. **Online marketplaces:** services, like eBay, Marktplaats, eBid and Craigslist, offering the ability to place advertisements, and sell and buy goods, including second hand goods. **Collaborative economy:** services that allow supply and demand relating to various goods and services to connect, for instance with respect to mobility (Lyft, BlaBlaCar), labor (Twizzi), travel/real estate (Airbnb, Homestay), and funding (Kickstarter). **Online games:** services offering online multi-user gaming environments (with communication features), such as Xbox Live and World of Warcraft.
Selection, Search and Referencing	**Search tools:** Online search services, such as Google Search, Yandex, or Baidu, that provide the possibility to navigate the online environment and search for online accessible information and offerings and directories such as dmoz and startpagina. **Ratings and reviews:** Online services, like Yelp, that provide the possibility to rate and review third-party offerings of various kinds.

Annex 2

European Commission Impact Assessment Extract[8]
Summary of Costs and Benefits

OVERVIEW OF BENEFITS (TOTAL FOR ALL PROVISIONS)—PREFERRED OPTION		
DESCRIPTION	**AMOUNT**	**COMMENTS (MAIN RECIPIENTS)**
Direct benefits		
Reduced costs related to legal fragmentation (i.e. compliance costs)	Cost reduction of around €400.000 per annum for a medium enterprise (up to €4-11 million for a company present in more than10 Member States)	All intermediary services, especially small and medium sized hosting services and small and medium sized online platforms
Improved legal clarity and predictability		All intermediary services
Increased transparency regarding content moderation, recommending and advertising systems	Cutting costs of uncertainty over which reporting system to use Agency based on information for making real choices rather than dependent on design features from platforms	Citizens, businesses, regulators, researchers, civil society
Stronger and more efficient cooperation between Member States	General cost reduction by streamlining the cooperation mechanisms, cutting in efficiencies and obtaining results	**Member States, national authorities—primary recipients, and better results overall for citizens, services and other businesses**
Increased transparency of potential business wrongdoers (Know Your Business Customer)	Dissuasive for the majority of sellers of illicit products	**Legitimate businesses, national authorities, consumers**

https://digital-strategy.ec.europa.eu/en/library/impact-assessment-digital-services-act

Reduced information asymmetries and increased accountability	User empowerment to make informed choices	**Users, including citizens, businesses and society at large**
Fundamental rights and protection of legitimate users and content		**All citizens and businesses, in particular journalists and other content providers**
Indirect benefits		
Increase of cross-border digital trade and a more competitive and innovative environment	1 to 1.8% (estimated to be the equivalent of an increase in turnover generated cross-border of €8.6 billion, and up to €15.5 billion)	**All digital services and businesses**
Diminished illegal trade into the Union Increased online safety Reduced systemic risks posed by large online platforms		**Citizens, businesses, smaller digital services and society at large**

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