

NSR Tech Policy: European Parliament passes the world's biggest regulatory threat to Big Tech

By [Matt Perault](#) | July 8, 2022

What's new: The European Parliament formally passed the Digital Markets Act (DMA) and the Digital Services Act (DSA) on Tuesday. The DMA regulates platform power, and the DSA regulates online content moderation. Passage of both was expected, as we stated in our Q2 assessment of tech regulatory risk ([LINK](#)) and as Damien Geradin, the founding partner of Geradin Partners and a professor of law at Tilburg University, described on a New Street Research expert speaker call earlier this year ([LINK](#)).

The impact of the DMA: As we stated in our Q2 presentation ([LINK](#)), we expect the DMA to have the most significant impact on Apple and Google, given the importance of app stores and vertical integration to their products and business models. The regulation also limits the use of data for personalized advertising, which could also have a significant impact on Meta and Google.

The scale of the DMA's impact will be shaped not only by its text, but also by how the European Commission enforces it. The Commission has previously emphasized the importance of the enforcement model, and a blog post published by Commissioner Thierry Breton on Tuesday stated that the Commission would “centrally supervise...very large platforms.” The DMA will be much more constraining if it functions more like utility-style regulation — with constant exchanges between the Commission and companies about what's permissible and what's not — rather than if enforcement is closer to the current model, where complaints instigate review.

The impact of the DSA: As we detailed in our Q2 risk assessment of tech regulatory risk, the DSA may make it more difficult for smaller platforms, such as Reddit, Snap, and Twitter, to compete with Big Tech. Although the DSA imposes different obligations on companies of different sizes, smaller platforms will be disproportionately burdened by the increase in compliance costs, which larger platforms are better able to bear.

What happens next: The Council of the European Union must adopt the DMA and the DSA, and it is expected to do so this fall. If it does, the DMA would take effect in the spring of 2023, with the remainder of 2023 focused on the process of designating “gatekeepers” under the law. Designated gatekeepers could then be liable under the law in 2024.

Full 12-month historical recommendation changes are available on request

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