

2nd Meeting of the Virtual Worlds Steering Group (VWSG)¹ **20 June 2024, Mercier Building – Arena Room - Luxembourg**

Minutes of the meeting

1. Approval of the agenda and of the minutes of previous meeting

The meeting was chaired by the Head of Unit of DG CONNECT Unit G.2. Interactive Technologies, Digital for Culture and Education (hereby “Chair”).

Yvo Volman, Director of DG CONNECT G, Data, warmly welcomed the Member States’ representatives. The Director highlighted the contribution of Virtual Worlds to European Competitiveness and stressed the role of the Steering Group in ensuring common approaches to avoid the fragmentation of the Single Market. He recalled that one of the actions mentioned in the Communication is the use of regulatory sandboxes by Member States to support innovation in the area of virtual worlds and Web 4.0. He highlighted that the aim of regulatory sandboxes is to foster an enabling environment for European businesses, and particularly startups, by providing opportunities for them to test innovative technologies, products, services, or business models, to improve legal certainty and address regulatory barriers, helping to strengthen the competitiveness of the EU. The Commission and the Member States will work together to explore the potential of setting up pilot regulatory sandboxes by the Member States.

The meeting agenda was **approved** by the representatives without comments.

2. Nature of the meeting

The meeting of 20 June was the 2nd meeting of the VWSG. It was held in-person and was non-public.

The Chair reminded the representatives about the need to maintain confidentiality of the meeting proceedings.

3. List of points discussed

The Chair welcomed the newly nominated Member States’ representatives and Commission colleagues attending this second meeting.

DG CONNECT Unit G.2 provided an update on the Commission’s strategy on Virtual Worlds that was adopted on 11 July 2023 and the status as of June 2024, as well as an update on EU studies related to Virtual Worlds. The publicly available Zero Distance XR Applications and Services study² was also presented. The open public consultation on standardisation and calls with relevance to Virtual Worlds were also announced.

The Chair opened the floor for a dedicated questions and answers session.

¹ Published in the Register of Commission Expert Groups and Other Similar Entities, code number E03936

² <https://op.europa.eu/en/publication-detail/-/publication/37303855-0052-11ef-a251-01aa75ed71a1/language-en>

Representatives expressed their interest in having resources and links on studies, open consultations and calls made available on the Teams Group. The NL representative proposed to gather Member States opinions and create a common position for the upcoming World Telecommunication Standardisation Assembly taking place in October 2024 in New Delhi, India. The LV representative suggested to be informed about the data that the study on observing the evolution of virtual worlds will collect, as Member States could provide input in relation to their national ecosystems. The DK representative asked whether a study to map gaps in the EU regulatory framework would be beneficial, to which the Chair replied explaining the intention to understand the barriers through an innovation-first approach.

DG CONNECT Unit G.2 and DG RTD Unit G.2 presented the Regulatory Sandboxes introduction and concepts, with a special focus on Regulatory Sandboxes applied to Virtual Worlds. The Chair opened the floor for a dedicated questions and answers session.

The NL representative asked whether the Commission has considered REFIT fitness checks³ as an instrument to find out if regulation is fit for purpose in the case of virtual worlds. EC explained that fitness checks, same as regulatory sandboxes, are part of the Better Regulation Guidelines of the Commission and are closely connected. The HU representative highlighted that facilitation would be necessary for the implementation of pilot regulatory sandboxes by MS. EC informed that consultations with the industry are running in parallel, to understand their views about regulatory sandboxes and the areas / use cases relevant to them.

The afternoon session started with presentations from DG CONNECT Unit E.3, on the European Blockchain sandbox and by DG ENER B.5 on regulatory sandboxes in the Energy Sector and Net Zero Regulatory Sandboxes.

The Chair opened the floor for a dedicated questions and answers session.

In response to the question by the HR representative about the time needed to establish the blockchain sandbox, CONNECT E.3 explained that the sandbox is implemented by a contractor. It took roughly one year to consolidate this process and about one year to establish the dialogue of the first cohort with all interested authorities. The HR representative pointed out that speed is of essence in order to have at least one sandbox by 2028. The BE representative added that a compilation of best practices in the development and implementation of regulatory sandboxes could be beneficial and that relationships with such sandbox initiatives should be explored.

For the breakout session on regulatory sandboxes, MS representatives were split in four breakout groups to discuss the following sets of questions:

Part I: Identification of areas

- What would be your main motive and objective for setting up regulatory sandboxes?

³ REFIT – making EU law simpler, less costly and future proof - European Commission (europa.eu)

- What would be key legal/technological areas that regulatory sandboxes should focus on to achieve these objectives?
- Can you list existing or anticipated regulatory gaps, grey areas or challenges in relation to Virtual Worlds in your Member State?
- Which of those areas do you expect to be more pressing to be addressed for promoting innovation by 2030?

Part II: Pilot implementation

- Is your Member State interested to develop or be involved in the implementation of a pilot regulatory sandbox?
- If so, what would be areas, topics of interest or scenarios of interest for your Member State?
- What would be the main obstacles or legal barriers for implementing a pilot regulatory sandbox in your Member State?
- What should be next steps? How could the EC support this?

The key takeaways from the four breakout groups were shared in the plenary session that followed. The discussion and input of Member States summarised in Annex I.

4. Next steps

The EC will analyse the Member States' input on regulatory sandboxes, with the aim of better understanding the landscape (priority areas/topics, use cases, key conditions, resources, etc), and will also bring into the discussion the output of the consultations with the industry.

All documents presented during this meeting have been posted on the dedicated Microsoft Teams collaborative platform for the group.

5. Next meeting

The next meeting will take place, online, in the mornings of 21 and 22 October.

6. List of participants

Members of the Virtual Worlds Steering Group:

Austria, Belgium, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovenia, Sweden.

Representatives of European Commission services:

Directorate-General for Communications, Networks, Content and Technology – Unit G.2.
Interactive Technologies, Digital for Culture and Education

Invited speakers from:

Directorate-General for Communications, Networks, Content and Technology – Unit E.3.
Next Generation Internet

Directorate-General for Research and Innovation – Unit G.2. Common Programme Analysis
& Regulatory Reform

Directorate-General for Energy – Unit B.5. Digitalisation, Competitiveness, Research and
Innovation

Virtual Worlds Steering Group, 2nd meeting, 20 June 2024

Breakout session on Regulatory Sandboxes

Input from the 4 breakout groups

- Overall, Member States were **supportive of the action to implement regulatory sandboxes for virtual worlds and Web 4.0**, for identifying regulatory gaps, and for facilitating technical developments and innovation by providing support and advice to SMEs.
- Member States' **experiences with regulatory sandboxes** vary. For example, DE or PT already have a dedicated national strategy/ framework for regulatory sandboxes, with legislation in preparation. Other Member States, such as LU, AT, MT, LV, FR, HU, SE, FI, have some experience with the regulatory sandboxes, in various areas (e.g. NFTs, data protection, blockchain, autonomous driving, PSD2 sandboxes (payment services directive)). Many Member States, like DK, IE, HU, NL, PL, mentioned they are in the process of planning/developing the AI sandbox.
- Regarding the questions on the identification of **legal/technological areas** to prioritise:
 - Breakout group 1 participants highlighted **IPR, data sharing, and interoperability**, although they considered that **all proposed topics are relevant** and should be tackled, without specific priorities; emphasis should be placed on avoiding fragmentation in the European Market;
 - Breakout group 2 highlighted areas such as **certification, accountability, digital identity / digital wallet, GDPR, IP rights, cybersecurity, moderation of minor protection, environmental protection, fight against terrorism**;
 - Breakout group 3 participants raised aspects such as **IPR, protection of minors, hardware, environmental considerations, interfaces, inclusion of human beings, bio signals, ways to keep the data and information in Europe, digital sovereignty**;
 - Breakout group 4 participants suggested **security, privacy, IPR related matters, connectivity, scalability, ethical aspects (deep fakes, protection of children), jurisdiction, interoperability**.

In one group, it was suggested to keep the scope wide and not focused on specific areas, or to apply a funnel approach, starting with a wide scope and then further narrow it down.

In another group, participants suggested starting at a smaller scale, i.e with a regulatory sandbox for one use case and one legal aspect, and then gradually scaling up.

Participants in different groups suggested to first identify clear and **tangible, real world, use cases** and then related **questions**. There is also a need to identify **stakeholders** in each Member State who would be interested to be involved ("who wants to play", ie regulatory agencies, SMEs, academia, or others), depending on the use case.

- Regarding the questions on **pilot implementation**, several Member States (DE, FR, FI, HU, SE, PT, NL) showed interest to be involved and explore further possibilities for implementation of pilot regulatory sandboxes for virtual worlds. Some smaller countries were more hesitant due to limited capacity or resources.
- Regarding **next steps** for the implementation of regulatory sandboxes, participants across breakout groups suggested to:
 - Set specific goals regarding the implementation and objectives/monitoring: clearly defined indicators would help to ensure a common understanding, highlight the economic values of sandboxes, and help companies see a clear benefit.
 - Identify concrete examples of legal issues and use cases; create an inventory of use cases and regulatory questions/areas of interest.
 - Cross border cooperation and coordination essential to support the establishment and operation of sandboxes by MS (national or joint). Member States should work together since virtual worlds technologies are cross-border by nature. EC needs to play a coordinating role.
 - Raise awareness in the industry.
- Participants also suggested various funding instruments, such as SME incentives or Digital Innovation Hubs, as potentially useful, or vehicles such as EDIC or IPCEI, to enable cooperation between Member States.