

Feedback of ACT | The App Association on DRAFT REPORT on the implementation and streamlining of EU internal market rules to strengthen the single market (2025/2009(INI))

Dear Mr Muller and Mr Swiderski,

On behalf of ACT | The App Association, representing small and medium-sized enterprises (SMEs) driving innovation in the app economy, we welcome the focus of the draft report on streamlining European Union (EU) internal market rules, reducing regulatory burdens, and enhancing competitiveness.

It has long been established that Europe's increasingly complex regulatory landscape has created significant burdens on small businesses, making it harder for them to compete and grow. The [Draghi Report](#), representing a notable recent acknowledgement of this systemic flaw in the EU's approach, highlights how Europe has clearly fallen and continues to fall behind due to overregulation. Similarly, these concerns are also reflected in [Atomico's 2024 State of European Tech report](#), which surveyed around 3,500 tech founders and investors. The findings show that amongst other rules, data privacy and artificial intelligence (AI) regulation made doing business in the EU harder.

Notably, a surge in EU regulations in recent years addressing nascent markets including digital platforms and AI has created additional challenges for SMEs, which are often exacerbated by overlaps and even conflicts with other regulations. This landscape has led to more uncertainties and burdens for innovation. SMEs have not benefited from the existing regulatory environment. The Digital Markets Act, for example, which was supposed to strengthen the EU's competitiveness, has done the opposite by undermining digital platforms' utility to small businesses and otherwise increasing uncertainty, ultimately making it harder for EU SMEs to develop and deploy products for existing and emerging markets. To compete in and outside of Europe, SME developers need to continue to rely on digital platforms to protect user privacy, mitigate cybersecurity vulnerabilities, and protect intellectual property rights, among other key functionalities.

Developers and deployers of AI also face heightened uncertainties under new AI rules in the EU. While the AI Act appropriately takes a risk-based approach to AI harm mitigation, its implementation has raised new concerns about whether ongoing and future developments and deployments of AI innovations by EU SMEs will be permitted and/or feasible, in addition to compliance and recordkeeping requirements.

Additionally, Europe's fragmented capital markets limit SMEs' ability to access financing, scale operations, and compete globally. SMEs often lack the resources to navigate complex financing options or the visibility to attract investment from across Europe. This

fragmentation creates an uneven playing field, where access to capital is determined more by geography than business merit.

We recognise the need for certain regulatory guidelines and protections and have historically advocated for clear and strong frameworks to support privacy, cybersecurity, improved data stewardship, and enhanced competition and consumer protection across markets. For instance, the EU's SEP Regulation was an example of a regulatory framework that provided much needed transparency for SMEs, and we continue to call for its consideration as part of the Work Programme. However, regulatory burdens tend to disproportionately affect SMEs, as compliance often requires significant resources that smaller businesses lack.

One of our overarching messages to the European Commission is that any proposed regulation must be flexible and permit the scaling of requirements to demonstrated harms presented, technology-neutral, and outcome-based, especially in fast-moving digital markets. Such an approach will ensure that regulations are adaptable and able to withstand the test of time, rather than becoming rigid and outdated as markets evolve. Additionally, we consistently advocate for regulatory frameworks that consider the unique needs of SMEs (including passed-on obligations and costs), offering lessened burdens, exceptions, or additional support to help them navigate new regulatory environments, where appropriate.

We especially appreciate the emphasis on simplification, SME needs, and better implementation of existing legislation in the European Parliament draft report. We would like to respectfully suggest a few refinements and additions to strengthen the report's support for small and medium-sized digital businesses and startups. Please find all the suggestions in the attached document.

We thank you again for your leadership on this important topic and stand ready to support the Parliament's efforts to build a more innovation-friendly, coherent, and SME-inclusive single market.

Sincerely,



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