



The New EU Data Protection Regulation

Understanding the changes to the Data Protection requirements and how to comply.

A lot has changed since 1995, the last time a major European law was passed on the subject of data protection (the Data Protection Directive 95/46/EC). For example, mobile devices are ubiquitous, and it's not unusual to carry two or even three at a time. Meanwhile, sensitive company data is moving outside the safety of the traditional corporate security perimeter. Employees email documents to themselves, access data from personal smartphones and tablets, and store data in the cloud. Major personal data breaches are commonplace today, putting customers at risk of identity theft and financial loss, and businesses at risk of losing customer and investor loyalty, as well as regulatory fines. This whitepaper discusses what the new EU-wide General Data Protection Regulation will mean to organizations globally.

Why are the changes needed?

Like the majority of states in the U.S., all countries in the European Union (EU) have implemented data protection laws to reflect this new reality of the dissolving network perimeter. As with the differences between U.S. states, the European data protection regulations currently vary from country to country. There has not been a significant overhaul of EU data protection regulations in some time. This, paired with the need to address the major technological developments since 1995, has driven efforts to modernize and homogenize the EU Data Protection regulations.¹

For three years the EU has worked on new Data Protection Regulation reform proposals that set a Union-wide framework to replace the existing patchwork of country-specific legislation (the new regulation does permit certain, country-specific derogations to be made, such as the age of consent for submitting personal data). The new law will be in the form of a regulation, meaning that it will apply directly in every member state in the form in which it is passed. Current data protection legislation in member states stems from a directive which each country implemented into its national legal system with a degree of flexibility, leading to differences from country to country. The regulation is intended to strengthen the privacy rights of EU citizens, restore confidence in online activities and better protect customer data by requiring companies to adopt new data protection processes and controls.

The regulation officially entered into force on May 24, 2016, and from this point countries have up to two years to implement the new requirements.² However, it is important to note that this is the upper limit to implement the changes. Countries may choose to put the new regulation into effect as soon as possible; the Netherlands for example has already made changes to its data protection laws.

The text itself consists of 99 articles³ and like any piece of legislation can be confusing. Our goal with this whitepaper is not to educate readers on the entirety of the law, but instead to focus on the need to protect the security of personal data, which falls under the most severe set of proposed fines. To learn more about the regulation, please visit the resources listed in the appendix of this document.

The European Union (EU) is a unique economic and political partnership between 28 European countries that together cover much of the continent. While each country has its own culture and legislation, EU countries also have economic, political and legislative integration in many areas. The rationale behind the EU is to avoid further conflicts between member states, and to enhance trade and the free movement of goods and people in the Union.

A derogation is an exemption from, or partial relaxation of a law.

Core Elements of Reform

As expected, the new legislation hasn't strayed that far from earlier drafts, although there have been some clarifications in terminology, as well as changes to the size of fines. In this section we have extracted some of the key articles related to keeping personal data secure and the potential consequences of failing to do so.

Article 32³ addresses the security of processing data:

1. *Taking into account the state of the art, the costs of implementation and the nature, scope, context and purposes of processing as well as the risk of varying likelihood and severity for the rights and freedoms of natural persons, the controller and the processor shall implement appropriate technical and organisational measures to ensure a level of security appropriate to the risk, including inter alia as appropriate:*
 - (a) *The pseudonymisation and encryption of personal data;*
 - (b) *The ability to ensure the ongoing confidentiality, integrity, availability and resilience of processing systems and services processing personal data;*
 - (c) *The ability to restore the availability and access to personal data in a timely manner in the event of a physical or technical incident;*
 - (d) *A process for regularly testing, assessing and evaluating the effectiveness of technical and organisational measures for ensuring the security of the processing.*

Put simply, the article requires organizations to implement appropriate security measures to protect personal data. The article makes specific reference to 'encryption of personal data' as one of the means to achieve this.

The article also mentions the 'ability to ensure the ongoing confidentiality, integrity, availability and resilience of processing systems and services processing personal data'. In regard to encryption technology, this means having a robust key management procedure in addition to encrypting your data. The wider implications are having a sound disaster recovery plan in place.

Should a personal data breach occur, **Article 33³** specifies that the company is required to notify the supervisory authority within 72 hours after having become aware of the breach. However, the company may or may not be required to notify individuals whose data was breached. **Article 34³** states:

1. *When the personal data breach is likely to result in a high risk of the rights and freedoms of natural persons, the controller shall communicate the personal data breach to the data subject without undue delay.*
2. [...]

Data Protection Proposals Terminology

Personal data

Is any information which directly or indirectly identifies an individual. It may relate to person's private, professional or public life. It may be a name, a photo, an email address, bank details, his/her posts on social networks, medical information or his/her computer's IP address.

Data controllers

Decide on the conditions, purposes and manner in which personal data is processed. They may be individuals, companies, firms or public authorities. Examples of individuals include doctors, pharmacists and politicians who keep data on their patients, clients and constituents.

Data processors

Process personal data under the authority of data controllers but do not take decisions on conditions, purposes and means of the processing (outsourcers). For example, payroll companies and market research companies may process personal data on behalf of others [e.g. other companies or public authorities, which would be data controllers in such cases]. However, if they decide on conditions, purposes or act beyond the instructions of the controllers, they become controllers for that specific processing activity. Under the new regulation processors have direct obligations, such as compliance with security requirements.

Data subject

Personal data is used to identify a natural person. That person is the "data subject."²

The New EU Data Protection Laws: Understanding the Data Protection Requirements and How to Comply

3. *The communication to the data subject referred to in paragraph 1 shall not be required if any of the following conditions are met:*

(a) The controller has implemented appropriate technical and organisational protection measures, and those measures were applied to the personal data affected by the personal data breach, in particular those that render the data unintelligible to any person who is not authorised to access it, such as encryption;

(b) The controller has taken subsequent measures which ensure that the high risk of the rights and freedoms of data subjects referred to in paragraph 1 is no longer likely to materialise; or

(c) It would involve disproportionate effort. In such case, there shall instead be a public communication or similar measure whereby the data subjects are informed in an equally effective manner.

If, at the time of the loss, the personal data was protected in such a way as to be unintelligible (and therefore useless to an unauthorized party, such as via encryption) – and the company can prove this to the supervisory authority, then the company is not required to disclose the breach to the individuals whose personal data was lost or stolen.

If a company fails to do any of these things – adopt internal policies and implement appropriate measures for ensuring and demonstrating compliance, or notify the supervisory authority or the data subject of a personal data breach, where appropriate – then

Article 83³ on Administrative fines sets out the potential maximum sanction as:

1. *Infringements of the following provisions shall, in accordance with paragraph 2a, be subject to administrative fines up to €20,000,000, or in the case of an undertaking, up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher.*

To summarize: If you don't put the right technology in place to protect personal data, then you may have to pay – directly to the supervisory authority and indirectly from reputation damage, and loss of goodwill and customer trust. However, companies that encrypt their data, protect their customers – and themselves.

Regulation enforcement

A significant change in the new regulation relates to enforcement powers. The new maximum fines of €20 million or 4% of annual worldwide turnover are a significant increase on what could previously be enforced. For example in the UK, the Information Commissioner's Office could only implement up to a £500,000 fine. Which means the consequences of a breach have become much more significant.

Who is impacted by the new legislation?

The changes to EU Data Protection Regulation should be of global interest, as it impacts any company doing business with European citizens – regardless of where the company is based. This is very similar to many US data protection laws. For example, a company based in France doing business with American customers in California must comply with California's data protection law. If that same company also does business with customers in Massachusetts, then it must also comply with Massachusetts' data protection law, and so on. Some of the benefits of the new legislation are:

- One EU market, one law – European and non-European companies no longer need to research and know the details of 28 different rules and regulations.
- Unified process – The same process will be followed in case of breaches and/or violations.
- Same rules apply to all companies – Regardless of where the companies are based, the same rule set will apply when doing business within the EU.

How to Comply with the New Legislation

For the many companies that must comply with the new legislation, the best way to prepare is to implement a solid data protection strategy and process that **includes encryption** in order to be most efficient.

While the new legislation does not require a specific type of technical control, it does make several references to encryption as a means to secure personal data and render it unintelligible to unauthorized users. So how are organizations achieving compliance with other regulations that seek to protect personal data? The Health Insurance Portability and Accountability Act (HIPAA), the Payment Card Industry Data Security Standard (PCI DSS) and Sarbanes-Oxley (SOX) are a few examples of regulations that require data protection controls similar to those in the EU Data Protection Regulation. Because it renders data unintelligible, encryption is widely accepted as an adequate means of addressing these requirements. If encrypted data becomes lost or stolen, it is essentially worthless. No one can access the actual data. And that's the crux of data protection laws and regulations.

Bottom line: If you want to be ready for the Data Protection Regulation changes, you should start looking at encryption technologies.

How Sophos SafeGuard helps you meet the data protection challenge

Adoption of encryption technology has largely been driven by the need to comply with legal and regulatory requirements. However, encryption-adopting companies often have concerns about the technology. Encryption is traditionally perceived as a resource hog that strains IT and hampers user productivity. Older encryption technologies can slow boot up time and annoy users. Others don't work on the latest hardware or can incapacitate machines and inevitably require time from IT, which is already in high demand.

[Sophos SafeGuard Encryption](#) provides unprecedented protection against data loss while making it easy for users to collaborate securely across devices and locations, and keep everyone working.

We make encryption simple by protecting all machines across all platforms without getting in the way of users and how they want to work. SafeGuard encrypts all files by default and follows data to protect it everywhere. Whether in the cloud, on removable storage devices, in network files, or on mobile devices – SafeGuard goes wherever your data goes.

Keeping encryption simple also means making it easy for IT to roll out and manage. Auditing and reporting capabilities support compliance efforts, enabling IT to prove that a file, machine or USB stick was encrypted at the time it was lost, stolen or breached. All of these features bring peace of mind to companies that risk high fines if found to be in breach of data protection laws.

Only Sophos gives you encryption for your users' computers, their shared folders, removable media and data stored in the cloud, both for Windows and Mac; as well as the ability to read and edit encrypted data on Android and iOS mobile devices. And you get all this versatility from a single agent and management console. Our certified encryption stops data breaches and makes compliance simpler without getting in your way. Plus you save time because our data protection is easy to manage.

In addition, Sophos SafeGuard is part of Sophos' integrated portfolio of products that are engineered to work together to deliver better protection. Ensure that only trusted users, devices and apps can access encrypted data via automatic integrity checks, and automatically revoke access keys on compromised endpoints.

Conclusion

With high profile breaches regularly hitting the headlines and historic revelations concerning government surveillance, the pressure and requirements to protect sensitive data are increasing. Meanwhile, customer confidence in business is eroding. By way of the new regulation, the European Parliament, data protection authorities and governments intend to help safeguard and boost the European online economy, meaning that many companies will need to implement processes and technical controls to ensure the confidentiality and security of customer data.

Encryption should be a part of this solution, as it will prevent unauthorized users from reading data if it is lost or stolen. [Sophos SafeGuard Encryption](#) ensures that companies get the protection they require without impacting user workflows or draining IT resources.

Appendix

1. Q&A on EU Data Protection Reform. European Commission, December 21, 2015
2. Q&A: new EU rules on data protection put the citizen back in the driving seat. European Parliament. June 1, 2016
3. Regulation (EU) 2016/679 of the European Parliament and of the Council. April 27, 2016

See how it works

Learn how SafeGuard Encryption can help your company comply with data protection regulations at sophos.com/encryption

Try it for free

Register for a free trial at sophos.com/free-trials

More than 100 million users in 150 countries rely on Sophos as the best protection against complex threats and data loss. Sophos is committed to providing complete security solutions that are simple to deploy, manage, and use that deliver the industry's lowest total cost of ownership. Sophos offers award winning encryption, endpoint security, web, email, mobile, server and network security backed by SophosLabs – a global network of threat intelligence centers. Read more at www.sophos.com/products.

United Kingdom and Worldwide Sales
Tel: +44 (0)8447 671131
Email: sales@sophos.com

North American Sales
Toll Free: 1-866-866-2802
Email: nasales@sophos.com

Australia and New Zealand Sales
Tel: +61 2 9409 9100
Email: sales@sophos.com.au

Asia Sales
Tel: +65 62244168
Email: salesasia@sophos.com