



TECHNOLOGY

19 January 2018

POLICY DEVELOPMENTS

DATA PROTECTION IMPLICATIONS OF BREXIT

The Commission [published](#) in January an information notice to stakeholders about the legal repercussions of Brexit for compliance with the General Data Protection Regulation (GDPR).

This will affect accountancy practices which are based in a EU non-UK Member State and which process personal data in the UK. For example, when making use of a cloud service provider with servers in the UK. Therefore, it is important to check with IT suppliers whether any personal data is transferred to the UK.

Because of Brexit, the UK will become a 'third country' from 30 March 2019. From that moment, the GDPR's rules for transfer of personal data to third countries will apply to such transfers from EU Member States to the UK.

There are three ways to remain compliant in such scenario:

- The Commission adopts an 'adequacy decision' to allow the transfer of personal data
- Data controllers, e.g. accountancy practices, adopt appropriate safeguards such as [standard data protection clauses](#) or binding corporate rules
- Data controllers make use of 'derogations', which allow transfers in specific cases

This is subject to any transitional arrangement that may be contained in a possible withdrawal agreement.

NEW RULES FOR PAYMENT SERVICES START APPLYING

The revised Payment Services Directive (PSD2) started applying on 13 January 2018. However, many Member States have not yet transposed the Directive and the Commission calls on them to do so as a matter of urgency.

PSD2 aims to modernise Europe's payment services, for example by opening the EU payment market to companies offering payment services. This means that consumers and companies will be able to grant third party payment service providers access to their payment data or allow them to initiate payments.

As a result, PSD2 can make it easier for accountants to access the data they need to provide clients with an overview of their accounts or to present cashflow analyses. In addition, businesses could be able to authorise payments within their accountancy software environment.

You can find more information on the implications of PSD2 in the Commission's [frequently asked questions](#).

COUNCIL AGREES POSITION ON DATA FLOWS

The Council Presidency [received](#) a mandate to launch negotiations with the European Parliament on the Commission's proposal on the free flow of data. This initiative aims to set out a clear legal framework under which non-personal data could move freely across borders in the EU. The proposal complements the General Data Protection Regulation (GDPR), which regulates the processing of personal data.

The Council and the Parliament must agree on the text before it can enter into force. However, the Parliament has not yet adopted its position.

For more information on the proposal, see our [Tech Update of 4 October](#).

EU TO REGULATE DRONES

Drones are increasingly used by the accountancy profession. The latest example comes from PwC UK, which [announced](#) in January that it would set up a drone team. This comes in addition to the already existing team of around 50 people in Poland. Previously, EY also [announced](#) that it had launched a project to expand the use of drones as part of its digital audit capabilities.

The increased popularity of drones has led the EU to regulate its use. The Council and the Parliament recently [agreed](#) on the first ever EU-wide rules for civil drones. These will introduce:

- basic principles to ensure safety, security and privacy
- rules on noise and emissions
- certification requirement for higher-risk drone operations

The text will still need to undergo legal-linguistic finalisation, before the Parliament and the Council can formally approve it. This is expected to be completed in spring 2018. Following adoption, the Regulation will be published in the EU's Official Journal and enter into force twenty days after publication.

The European Aviation Safety Agency (EASA) will then develop more detailed technical rules, which will be enacted through a Commission implementing act. The EASA already published a ['prototype'](#) regulation for drones.

COMMISSION OPTIMISTIC ABOUT ADEQUACY DECISION FOR JAPAN

European Commissioner for Justice, Věra Jourová, has expressed optimism to adopt an adequacy decision on data protection with Japan by May 2018. However, this would mean that some fundamental differences between the EU and Japanese data protection need to be resolved.

To recall, businesses can benefit from an adequacy decision to transfer personal data to countries outside the EU. Under EU privacy rules this is only allowed when the same level of data protection can be guaranteed. An adequacy decision is adopted when the Commission considers the level of protection of third countries as 'adequate'.

The Commission has so far recognized Andorra, Argentina, Canada (commercial organisations), Faeroe Islands, Guernsey, Israel, Isle of Man, Jersey, New Zealand, Switzerland and Uruguay as providing adequate data protection. The Commission also considers that there is adequate protection to transfer personal data to US-based companies that are signed up to the EU-US Privacy Shield.

ACCOUNTANCY EUROPE RESPONDS TO CONSULTATION ON THE TAXATION OF THE DIGITAL ECONOMY

Accountancy Europe has responded to the Commission consultation on fair taxation of the digital economy. Our response consists of the [consultation form](#) itself and a [comment letter](#).

ACCOUNTANCY INITIATIVES

If you would like to share your latest technology-related initiative, please contact [Willem](#) or [Robin](#)

ACCA - THE RACE FOR RELEVANCE - TECHNOLOGY OPPORTUNITIES FOR THE FINANCE FUNCTION

This ACCA [report](#) explores the opportunities and challenges that technology presents for the future CFO function. It is based on insights from leading executives across the world and examines how finance can harness the explosion in digital capabilities to help drive long term corporate value.

This report considers technologies that:

- enable enhanced finance processes: cloud, analytics and robotic process automation technologies
- support the communication of information: social media
- provide protection for information assets: cyber technologies
- look to the future: artificial intelligence

“In this corporate race for future relevance, recognising the opportunity is essential. The revolution has started and adaptation is critical.” ACCA

TEXT MINING TO DETECT FRAUD

Forensic Technology Consultant (KPMG) and PhD student (University of Twente) Marcia Fissette [found](#) that text mining can be used to detect indications of fraud in annual reports. The study looked at the Management Discussion & Analysis section of 1,727 annual reports, of which 402 were known to be fraudulent. Her text mining model managed to correctly classify 89% of the annual reports.

ROBOTS IN THE NEWS

Technology is getting so much news coverage that it starts becoming difficult to keep track of what is happening or relevant. To help you navigate this ever-expanding information stream, we offer you our selection of articles that we found most interesting. Is there an article missing that you think should be part of this list? Please send it to [Willem](#) or [Robin](#) and we will include it in our next update!

- [Privacy in 2018: Expect the Unexpected](#), Hogan Lovells
- [Data will change the world, and we must get its governance right](#), The Guardian
- [Intelligent Technology Can Give Ethical Guidance](#), Bloomberg BNA
- [Putin considers ‘cryptorouble’ as Moscow seeks to evade sanctions](#), Financial Times
- [Data management and use: Governance in the 21st century](#), British Academy and Royal Society
- [Using AI to Fight Crime: The Terrorism, Trafficking And Money Laundering Links](#), Forbes

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 51 professional organisations from 37 countries that represent **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18)