



TECHNOLOGY

11 September 2017

POLICY DEVELOPMENTS

EBA CALLS FOR FEEDBACK ON ITS FINTECH APPROACH

The European Banking Authority (EBA) [published](#) a Discussion Paper on its approach to financial technology (FinTech). The Paper follows up on an EU-wide FinTech mapping exercise among EU competent authorities.

The EBA identified proposals for future work in six areas:

1. authorisation and sandboxing regimes
2. the impact on prudential and operational risks for credit institutions, electronic money institutions and payment institutions
3. the impact of FinTech on the business models of these institutions
4. consumer protection and retail conduct of business issues
5. the impact of FinTech on the resolution of financial firms
6. the impact of FinTech on anti-money laundering and countering the financing of terrorism

Stakeholders can provide written comments until 06 November 2017. Moreover, the EBA will organise a public hearing on 4 October 2017. The EBA will assess the responses to decide its next steps.

Fintech is high on the EU agenda. The European Parliament recently adopted a [report](#) on *FinTech: the influence of technology on the future of the financial sector* (see [Tech Update of 26 June](#)) and the Commission launched a public consultation on the matter (see [Tech Update of 5 April](#)).

UK CONFIRMS COMMITMENT TO DATA FLOWS AFTER BREXIT

The UK's department for Exiting the European Union has [published](#) a policy paper on *The exchange and protection of personal data - a future partnership*. The paper points out that new arrangements to govern the continued free flow of personal data between the EU and the UK will be needed. Moreover, it stresses that it is essential to avoid regulatory uncertainty for businesses and public authorities.

The UK, therefore, wants to explore "a UK-EU model for exchanging and protecting personal data, which could build on the existing adequacy model".

The adequacy model is one of the options foreseen by the General Data Protection Regulation (GDPR) to transfer personal data outside the European Economic Area. Under this mechanism, the Commission assesses whether a country's data protection rules and their enforcement provide an adequate level of protection.

This means that if the UK wants a UK adequacy decision, it is dependent on the outcome of the Commission's assessment of its data protection framework. A positive assessment is more likely if the UK retains the EU's GDPR rules after Brexit.

The Policy Paper does not come as a surprise. A [White Paper](#) released earlier this year already revealed the UK's intention to try to maintain the stability of the data transfer between EU27 and UK.

This is important for businesses that use cloud services that process data on servers located in the UK. Indeed, the GDPR will continue to apply to UK businesses offering goods or services in the EEA.

Practitioners using cloud-based accounting solutions are therefore advised to contact their service provider to verify whether their data is stored in the UK. If this is the case and depending on the outcome of the Brexit negotiations, it might be required to take additional safeguards to ensure the privacy protection of data subjects in the EU.

EUROPOL REPORT LOOKS AT IMPACT OF TECH ON MONEY LAUNDERING

Europol published on 5 September its Financial Intelligence Group [report](#) *From Suspicion to Action – Converting financial intelligence into greater operational impact*. The report looks among other things at how technology challenges the current AML framework, as well as how it can support it.

Digitisation is leading to growing volumes of transactions and extremely large data sets. These require computational analysis to reveal patterns, trends, and associations. The use of analytics is therefore becoming essential for both reporting entities and FIUs to cope with large information sets and fully exploit their potential. Unfortunately, not all FIUs might have the resources to do this.

Additionally, the report notes that technology has led to the development of borderless virtual environments and transnational/global business. Europol believes that it is therefore necessary to complement national supervision with a supranational overview.

Nonetheless, the authors highlight that technology can help improve the monitoring of customer profiles and the reporting of suspicious transactions. RegTech has the potential to offer new ways of reporting. Especially analytics and assessment techniques can help reporting entities to automate and ease compliance tasks. Moreover, technology has the potential to improve collaboration between reporting entities, FIUs, and other law enforcement authorities.

The report concludes by recommending to make sufficient resources available to keep pace with the changes brought by technology.

NEW RECIPES FOR OLD PROBLEMS

In an [interview](#) with Euractiv, the Estonian Labour and Health Minister Jevgeni Ossinovski discussed the issue of a social Europe in the context of the app economy. For Mr Ossinovski, it is becoming more important to guarantee social protection to all citizens. However, he is sceptical about the use of traditional legal instruments to tackle new problems. Estonia is, therefore, exploring alternative solutions to the challenges posed by the app economy in the field of tax collection and social protection.

Moreover, Mr Ossinovski believes that there is a need for wider and clear EU minimum standards on social security to address the increasing amount of cross-border activity and platform-based work. The Commission is currently reviewing EU law with a view to propose an initiative by the end of this year to reform how written contracts apply for app economy jobs.

In a parallel development, the Estonian Presidency will initiate discussions on taxing the digital economy at the [informal ECOFIN](#) on 16 September. This will include an exchange of views on the question of significant economic presence and the definition of permanent establishment. The Estonian Presidency is aiming to finalise a Council roadmap on taxation of the digital economy by the end of its term in December.

France will bring its own proposals to the table during that Ministerial meeting. The country has been particularly vocal because of internal issues arising from its digital economy (for more information, see our [Tax Policy Update](#)). The Commission is likely to come forward with a proposal in 2018.

ACCOUNTANCY INITIATIVES

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

ACCA: ETHICS AND TRUST IN A DIGITAL AGE

ACCA has published a study on “Ethics and trust in a digital age”. It is based on a survey of attitudes to ethics among 10,000 professional and trainee accountants around the world. It finds that more than 8 in 10 respondents believe that strong ethical principles and behaviour will become more important in the evolving digital age.

Moreover, the publication applies a ‘digital lens’ to ethical issues. Through different case studies, the report offers insight and guidance to accountancy professionals on issues such as cyber-security, crypto-currencies, or compliance with the General Data Protection Regulation.

FRC – AUDIT QUALITY THEMATIC REVIEW: THE USE OF DATA ANALYTICS IN THE AUDIT OF FINANCIAL STATEMENTS

The Financial Reporting Council (FRC) has released a [report](#) on *The Use of Data Analytics in the Audit of Financial Statements*. The report looks at the development and use of tools based on data analytics (audit data analytics or ADA) in the 6 largest UK audit firms.

According to the FRC these firms are “continuing to extend their use of ADA across their audits”. However, the report explains that the use of ADA is not as prevalent as it may appear. Indeed, the use of ADA has been overemphasised because of market demands.

The firms started using ADA to increase audit quality. ADA tools have been most widely used for journal entry testing in relation to ISA 240.

The report focuses on good practices for the effective use of ADA tools. For example, it is better to focus on the roll out of a small number of ADA tools and to use specialised staff for data capture.

Finally, the report warns for the challenges related to data security and confidentiality.

ROBOTS IN THE NEWS

Technology is getting so much news coverage that it starts becoming difficult to keep track of what is happening or is 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!

- [Robot behaviour is creeping beyond our control](#) (Financial Times)
- [Can AI spy financial crime without implicating innocents?](#) (American Banker)
- [The jobs we'll lose to machines — and the ones we won't](#) (TED talk)
- [The rise of robot currency traders](#) (Financial Times)
- [Estonia could offer ‘estcoins’ to e-residents](#) (e-Residency Blog)

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 50 professional organisations from 37 countries that represent close to **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)