



# TECHNOLOGY

04 October 2017

## POLICY DEVELOPMENTS

### FREE FLOW OF DATA

On 13 September, the Commission [published](#) a Proposal for a Regulation on a framework for the free flow of non-personal data in the European Union. The proposal is part of the Commission's data economy package, which was published in January 2017.

The Commission believes SMEs will primarily benefit from the initiative. Indeed, free movement of non-personal data would directly reduce their costs and favour a more competitive market position.

Below you can find more information on the proposed scope and measures.

#### Scope

The proposed scope encompasses the storage or other processing of electronic non-personal data. This ranges from data storage to the processing of data on platforms or in applications. The proposal does not affect the General Data Protection Regulation (GDPR), which regulates the procession of personal data.

Like the GDPR, the proposal has a geographical scope that extends beyond the borders of the EU. The proposed rules would apply to data processing services:

- provided to EU users, regardless of whether the provider is established in the EU
- carried out by providers residing or having an establishment in the EU

#### Measures

The proposal contains three primary measures.

Firstly, the initiative tackles data localisation measures, i.e. Member States would no longer be allowed to restrict or prohibit the processing of data in other Member States.

This measure is particularly relevant for the accountancy profession. The Commission [identified](#) the accountancy sector as one of the sectors with the most (unjustified) data localisation measures. The proposal will thus affect national taxation and accounting laws that restrict where practitioners can store their data.

This is a welcome development. Accountancy Europe [called](#) in the public consultation preceding this proposal for the removal of data localisation measures. This is because they limit the choice of data processing services such as cloud storage and can therefore lead to increased costs for the profession.

Secondly, the initiative foresees measures to ensure that competent authorities have access to data, even if it is processed in another Member State. This is to address Member State concerns. Some existing data localization measures are aimed at ensuring that authorities have access to data, for example in the context of a tax inspection or an audit.

Thirdly, the proposal aims to facilitate the switching of data service providers. The Commission wants to achieve this by encouraging the development of self-regulatory codes of conduct to:

- develop best practices in facilitating the switching of providers
- ensure that they provide professional users with clear information before a contract for data processing is concluded, for example what charges apply in case of a switch to another provider

The Commission intends to review this self-regulatory approach after two years.

The question of switching providers becomes more relevant for the profession as more accountancy practices move to the cloud. Measures to support professional users are therefore a welcome development. This is especially the case for SMPs, which have lower bargaining power towards providers.

## **CYBERSECURITY PACKAGE**

On 13 September, the Commission published its Cybersecurity Package.

It has two measures: (i) a legislative [proposal](#) to bolster the EU's Cybersecurity Agency, ENISA, and to introduce an EU cybersecurity certification framework; (ii) a [Communication](#) to set out a long-term cybersecurity strategy.

### **ENISA proposal**

The proposal for a Regulation on ENISA aims at increasing awareness, capabilities, and preparedness of businesses. Moreover, different measures seek to bolster Member State and EU-level capabilities and cooperation.

The proposal would increase ENISA's mandate, primarily by giving it an active role in facilitating Member State cooperation in case of cross-border attacks and in creating an EU certification framework.

Certification is important because it can reassure users about the security properties of their ICT products and services. Currently, the landscape of cybersecurity certification in the EU is patchy. Companies may, therefore, need to certify separately in each Member State. This leads to market fragmentation.

The Commission proposal would address this problem by creating a framework for ENISA to develop certification schemes for specific ICT products/services. Such schemes would attest that certified ICT products and services comply with cybersecurity requirements. For example, ENISA could develop a certification scheme that cloud service providers can use to demonstrate their ability to protect data.

Such certification schemes could be helpful for the profession. They can help:

- external accountants evaluate the safety of their ICT products/services, such as cloud storage
- accountants in business to better understand the cyber security risks of their organization
- external auditors to better understand the cyber security risks of the audited organisation

## Cyber-security strategy

The cybersecurity strategy aims to address threats from cyber-criminals and state actors. The strategy both proposes new measures and the implementation of existing ones.

The Communication's proposal is centred around three themes: (i) resilience, (ii) deterrence, and (iii) international cooperation. Primary examples of new initiatives include the ENISA Regulation (see above), a 'Blueprint' for cross-border incident response, and increasing awareness and skills.

The proposals were either published alongside the Communication, or will be put forward in 2018.

## TAXATION OF THE DIGITAL ECONOMY

Taxation of the digital economy continues to accumulate political momentum. There are currently three parallel developments:

- the Estonian Presidency led a discussion on taxation challenges of the digital economy at the informal ECOFIN on 16 September
- France, Germany, Italy and Spain are pushing for a so-called 'equalisation tax' on the turnover of large digital companies such as Google, Apple, Facebook and Amazon (GAFA)
- the Commission published its Communication on the taxation of the digital economy in which it announced it 'stands ready' to present a legislative proposal by spring 2018

The EU Ministers will aim to agree on a common approach by December. The ultimate objective is to devise a unified EU front in the OECD and harness support for a prospective EU proposal. This will not be easy because of divisions among Member States.

To learn more about this, please consult our [Tax Update of 19 September](#).

## BASEL COMMITTEE ON BANKING SUPERVISION CALLS FOR FEEDBACK ON FINTECH RECOMMENDATIONS

The Basel Committee on Banking Supervision (BCBS) is seeking feedback for its paper [Sound Practices: Implications of fintech developments for banks and bank supervisors](#). You can provide comments until Tuesday 31 October 2017 via this [BCBS link](#).

The consultative document summarises the main findings of the BCBS's task force on the implications of fintech for supervisors and banks. These implications are uncertain because of the fluidity of fintech developments. The BCBS therefore looks at different potential scenarios.

The analysis finds for each scenario that banks will have difficulties to maintain their current operating models and that there will be a 'battle for the customer relationship'. As a result, the current position of incumbent banks will be challenged.

The BCBS provides recommendations for banks and supervisors. Banks are recommended to have effective processes for governance structures and risk management, IT management, and outsourcing operations.

Moreover, bank supervisors should:

- cooperate with other relevant authorities and with their counterparts internationally
- assess their staffing and training modules and the potential of new technologies to improve the methods
- review their regulatory, supervisory, and licencing frameworks
- learn from each other

Both banks and their supervisors are recommended to balance safety considerations with minimising risk of inhibiting innovation.

## ACCOUNTANCY INITIATIVES

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

### IBR: GIDS MET GOEDE INFORMATICA PRAKTIJKEN VOOR KMO'S

Can you accept USB sticks from strangers? Should a password have at least 5, 12, or 28 characters? Is it safer to access the internet via WIFI or cable?

If you do not know the answer to these questions, then the IBR's cybersecurity hygiene [guide](#) for SMEs is a must-read for you.

SMEs have become the target of cyber-attacks. Unfortunately, they are not always equipped to defend themselves.

The IBR, therefore, wants to sensitise SMEs by offering simple measures that they can apply in their business. The document covers issues ranging from protecting your smartphone to securely ordering office supplies online.

Each recommendation is supported by a real-life example. This helps the reader understand not only what has to be done, but also why.

### NBA: DE ACCOUNTANT VOOR HET BLOCK GEZET: DE IMPACT VAN BLOCKCHAIN TECHNOLOGIE OP HET SAMENSTELPROCES

On request of the NBA, two accountancy students wrote their [dissertation](#) on the implications of blockchain technology for Dutch Small and Medium Practitioners (SMPs) active in preparing financial statements.

The study finds that current blockchain applications do not bring any added value to the preparation of financial statements by SMPs.

However, this is likely to change if businesses insert their administration in blockchain technology. At the moment, this is difficult because the technology was not designed for this purpose.

The students conclude that until the basis of blockchain technology is adjusted for its use in businesses, it is neither a threat nor an opportunity for the SMP's work in preparing financial statements.

## 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!

- [Robots, technological change and taxation](#) (Tax Journal)
- [Simple steps to boost cybersecurity](#) (Journal of Accountancy)
- [Why we need the Data Ethics Canvas](#) (Open Data Institute)
- [Robots will be running the UK Government, says Chancellor Philip Hammond](#) (information age)
- [Tech's push to teach coding isn't about kids' success – it's about cutting wages](#) (The Guardian)

## 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).