



TECHNOLOGY

JANUARY-FEBRUARY

ACCOUNTANCY INITIATIVES

TOMORROW'S ACCOUNTANT SUPERHEROES - INTERVIEW SERIES CONTINUED

Within the framework of its 2018 Digital Day – Accountancy Europe interviewed the speakers about the future role of the accountant.

In the next round of the interview series **“Digitalisation – Caretaker & developer: the new accountant”** Benjamin Alarie, Osler Chair in Business Law at the University of Toronto, discusses how the new accountant takes on a more strategic role as a “caretaker of finances” shaping new digital tools between software developers and managers. Find out more [here](#).

DIGITALISATION: REPORTING IS AN ART, NOT A SCIENCE

Check out our [video interview](#) with Arjan Brouwer (member of Accountancy Europe Corporate Reporting Policy Group) on **opportunities technology brings to the future of corporate reporting**. For Arjan, human input is essential. To illustrate his thoughts, he brings up the example of how artificial intelligence is able to create completely new art. As a conclusion, Arjan confirms that nothing is feasible without the help of the human mind.

POLICY DEVELOPMENTS

PRIVACY SHIELD UPDATES: EUROPEAN COMMISSION SECOND ANNUAL REVIEW

[Privacy Shield] The results of the second annual evaluation by the European Commission of the bilateral EU-US agreement on personal data flows and privacy protection launched on 18 October 2018 were published on 19 December 2018. The report shows that the US authorities implemented most of the recommendations of the first 2017 evaluation, which improved the functioning of the Privacy Shield to ensure an adequate level of protection for personal data. However, the Commission also highlighted that the US authorities should nominate a permanent Ombudsperson by 28 February 2019. The White House’s recent announcement to nominate Keith Krach for the ombudsperson role was welcomed. The Privacy Shield Ombudsperson handles complaints from Europeans whose data is processed by American companies.

Related to the [second annual review](#) of the Privacy Shield, on 24 January the European Data Protection Board (EDPB) adopted a [report](#) assessing the commercial and government access elements of the Privacy Shield. To recall, the EDPB was established by the General Data Protection Regulation (GDPR) to advise on the consistent application of data protection rules throughout the EU.

In addition, the Privacy Shield Team released [guidance](#) on how a Privacy Shield participant can rely on the Privacy Shield Framework to receive personal data from the UK following its planned withdrawal from the EU.

To recall, the Privacy Shield is a crucial tool for businesses to transfer EU personal data to the US, while remaining compliant with the EU data protection rules. It was set up because

its predecessor, the Safe Harbour framework, was struck down in court. Nonetheless, the extra privacy measures of the Privacy Shield were considered insufficient by several stakeholders. To recall in summer this year, the European Parliament adopted a resolution calling for the suspension of the EU-US Privacy Shield, unless the US authorities fully comply with it by 1 September 2018.

Given the controversy of the Privacy Shield, EU accountancy practitioners that store or process personal data in the US should closely follow these developments. You can find more information on these developments in our dedicated [GDPR special](#).

ASSESSMENT OF THE FIRST MONTHS OF THE GDPR IMPLEMENTATION

[GDPR] 28 January 2019 marked the Data Protection Day, which is eight months after the GDPR entered into force. Currently 23 Member States have transposed the legislation into national law and the other five (Bulgaria, the Czech Republic, Greece, Portugal and Slovenia) are in the process of transposition. To recall, non-compliance with the GDPR can result in fines of up to the higher of €20 million or 4% of the worldwide turnover.

In their joint statement ahead of Data Protection Day, First Vice-President Timmermans, Vice-President Ansip, Commissioners Jourová and Gabriel highlighted the positive effects of the GDPR - “citizens have become more conscious of the importance of data protection and of their rights”. More than 95,000 complaints have been placed with the national Data Protection Authorities.

Furthermore, a recent [study](#) analysed whether the GDPR has produced its desired outcomes in terms of enhancing people’s privacy after it has been enforced. According to the survey results, consumer awareness has increased - 58% of respondents indicated that they became more cautious when providing their personal information than before the GDPR. 48% of organisations have made “significant” investment to improve their GDPR compliance.

The report generated other interesting insights. For example, the GDPR effect has been felt beyond the EU showcasing that “privacy is a global concern”. Trust is essential – people are more willing to share their data with organisations they trust. There is a need to take a more consumer-centric approach as consumers do not feel the GDPR has sufficiently helped to increase the control they have over their data.

Other GDPR news:

[95,000 complaints issued to EU Data Protection Authorities](#)

[Commission adopted data protection adequacy decision with Japan](#)

[Google’s GDPR fine may cost it more than just €50m – it will impact the tech industry too](#)

[How to comply with both the GDPR and the Cloud Act](#)

EBA AND ESMA INVITE EU POLICY-MAKERS TO CONSIDER A EUROPEAN RESPONSE TO CRYPTO-ACTIVITIES

[Crypto assets] In the context of an evolving crypto-assets market, the European Banking Authority (EBA) and European Securities and Markets Authority (ESMA) assessed the applicability and suitability of EU the regulatory frameworks to crypto-assets in their respective reports.

Both the EBA and ESMA in line with the conclusion FSB believe that crypto-assets currently do not pose financial stability issues. Notwithstanding, organisations raised concerns about the risks crypto-assets may pose to consumers, level playing field, investor protection and market integrity. Fraud, cyber-attacks, money laundering, and market manipulation were identified as the key risks.

Both the EBA and ESMA presented their advice to the EU policy makers on potential future policy initiatives at the EU level. In light of the risks identified, the EBA recommends the EC carries out further analysis to determine whether there is a need for action. ESMA identified legal status of crypto-assets as a key consideration for regulators in determining applicable regulatory framework.

ETHICS GUIDELINES FOR TRUSTWORTHY AI

[AI] The EC High-Level Expert Group on Artificial Intelligence produced its first draft of [Ethics Guidelines for the development and use of artificial intelligence \(AI\)](#). AI holds a big promise for our societies, but it can also give rise to certain risks.

In designing trustworthy AI, human-centric approach is key to maximise the benefits and minimise the risks. Ethical purpose and technical robustness are essential components underlying trustworthy AI. AI systems should be transparent and explainable. Traceability and auditability will help achieve these ends: “Evaluation by internal and external auditors can contribute to the laymen’s acceptance of the technology. Importantly, in order to enable regulatory bodies to undertake verification and auditing of AI systems where needed, they would need to undergo a digital transformation and develop the necessary tools to this end.”

The final version of Guidelines is expected to be published in March 2019.

ACCOUNTANCY INITIATIVES

Please **share your latest technology-related initiative by contacting [Iryna](#)**.

AICPA AND ORACLE REPORT “AGILE FINANCE UNLEASHED: THE KEY TRAITS OF DIGITAL FINANCE LEADERS”

The recent report “Agile Finance Unleashed: The Key Traits of Digital Finance Leaders” by Association of International Certified Professional Accountants (AICPA) and Oracle shows that while there is a clear correlation between deployment of new technologies and revenue growth, 90% of finance teams lack the necessary digital skillset.

Commenting on this study, Andrew Harding, chief executive of management accounting at the AICPA, points out that “cloud and emerging technologies like AI and blockchain drive efficiency and improve insight and accuracy. Thus, they enable finance leaders to step into a more strategic role in the business and improve the organization’s data-driven decision making. To make the most of these new technologies, finance teams need to simultaneously evolve the competencies of their staff in areas such as analytical thinking, decision-making and business partnering.”

ICAEW PUBLICATION - HOW TO AUDIT THE CLOUD

In its publication “How to audit the cloud” ICAEW outlines that while cloud computing has clear benefits for businesses (operational efficiencies and costs reduction etc.) there are also associated risks and challenges (cloud security, customer services, supplier management and legal and regulatory compliance). The publication elaborates on the issues for the internal audit function to consider when working with cloud solutions. Find out more [here](#).

ROBOTS IN THE NEWS

Technology is getting so much news coverage that it is difficult to be exhaustive in one update. In an effort to be as comprehensive as possible, please see below some articles that we found most interesting.

- [There's No Good Reason to Trust Blockchain Technology](#), Wired
- [Europe: An industrial society of the future](#), Euractiv
- [Dirty money risks encroach on Estonia's digital utopia](#), Euractiv
- [EY consultant: Europe is lagging behind in power grid digitalisation](#), Euractiv
- [Know Your Blockchain to Re-Imagine Business](#), Finance and Accounting, IFAC
- [Prepare students for a future of artificial intelligence](#), FT
- [We must train the capitalist algorithm ourselves](#), FT

Is there an article missing that you think should be part of this list? Please send it to [lryna](#) and we will include it in our next update!