



TECHNOLOGY

14 March 2017

POLICY DEVELOPMENTS

IOSCO PUBLISHES FINTECH REPORT

The International Organization of Securities Commissions (IOSCO) published a *Research Report on Financial Technologies (Fintech)*. In its report, the global standard setter for the securities sector looks at issues such as Peer-to-Peer lending, robo-advisers, and distributed ledger technologies. Aside from assessing the risks and opportunities, the study provides an overview of the market evolution and the regulatory responses.

The report concludes that Fintech is already creating substantial changes. In certain cases, this is leading to disintermediation and re-intermediation. This means that traditional actors, which served as intermediates between a client and a service, are being replaced by new actors or technology. For example, peer-to-peer lending platforms sell loans and thereby they disintermediate or replace the role of banks. Another example is the appearance of robo-advisers, which disintermediate traditional advisors by providing automated investment advice.

CYBER SECURITY IN THE SPOTLIGHT

The European Union Agency for Network and Information Security (ENISA), the EU cyber security expertise centre, published its *Threat Landscape 2016*, which gives an overview of the main cyber threats encountered in 2016. The top three threats are malware, web-based attacks, and web application attacks. These were also the top threats in 2015, but have even further increased since then.

ENISA explains that everybody is exposed to cyber-threats and that “optimization of cyber-crime turnover was THE trend observed in 2016”. Therefore, ENISA provides many recommendations for businesses, including to use cyber threat intelligence (CTI), raise awareness among staff, and to examine methods to communicate about cyber-threats with the boardrooms. Practitioners are advised to take note of these recommendations.

Cybercrime featured also among Europol’s five priority crime threats. In its Serious and Organised Crime Threat Assessment 2017, the EU’s law enforcement agency points out that cryptoware became the leading malware in terms of threat and impact.

In a parallel development, ENISA published a report on the *Security aspects of virtualization*. Virtualization solutions are widely adopted by ICT providers and allow different users to manage and share physical hardware. A classic example is cloud computing. Virtualisation offers many advantages that increase ICT flexibility and efficiency.

However, ENISA warns that “Virtualized systems introduce important security gaps”. Luckily, the cyber security watchdog also provides recommendations to address this issue, ranging from training of human resources to using assurance systems to monitor the behaviour of virtualized systems.

UK INTENDS TO MAINTAIN DATA FLOWS

The UK department for Exiting the European Union issued a White Paper providing a vision of what the UK will seek from the exit negotiations. On the issue of data transfers and data protection, the paper explains that the UK will try to maintain the stability of the data transfer between EU27 and UK.

This is important for businesses that use cloud services which process data on servers located in the UK. 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.

EUROPEAN PARLIAMENT ADOPTS REPORTS ON ROBOTS AND THE CLOUD

On 17 February, the European Parliament (EP) adopted an own-initiative report on *Civil law rules on robotics*, which calls for rules to regulate the use of robots. This includes tackling the issue of liability or even creating a separate legal status for robots that can learn by themselves. Robots are considered to be physical machines that can gather data, such as self-driving cars or drones. The latter could be useful for accountants as an add-on service to enhance routine audits or asset assessments (see also technology update 2).

An earlier version of the report called for a debate on the sustainability of our tax systems in light of potential job losses as a result of robotics. While this reference was removed in the final version, it has not stopped the debate from already starting outside the EU institutions. Bill Gates called for a tax on robots to address the issue of job losses. However, this was criticised by the Economist, who argued that this could deter investment and overlooks the fact that most workers would benefit from the decrease in consumers' prices. Others pointed out practical difficulties, such as identifying what constitutes a robot.

While the report has no legal effect, it will contribute to setting the EU policy agenda and developing the EP position on potential future initiative that tackle these issues.

The EP Committee on Legal Affairs also launched a public consultation to seek views on how to best address the ethical, economic, legal and social challenges resulting from developments in the area of robotics and artificial intelligence. The outcome of the consultation will contribute to assessing the feasibility and content of further potential EU policy initiatives.

FATF DISCUSSES FINTECH

On 18 February 2017, the Financial Action Task Force (FATF) held a roundtable with stakeholders on FinTech and RegTech. The purpose of the discussion was to start developing a partnership with the FinTech and RegTech community to support innovation in financial services, while mitigating the associated risks. This should enable the FATF to become more proactive in the development of standards, guidance and best practice in this area.

During the roundtable, representatives of financial institutions shared their experiences in a number of emerging FinTech and RegTech solutions, such as distributed ledger technologies and digital currencies, regulatory reporting solutions, and technologies supporting initial and ongoing customer due diligence measures. The FATF intends to remain engaged with these issues and with representatives from the FinTech and RegTech industry.

REGULATORS SUPPORT BLOCKCHAIN

In the last months, several regulators announced to increase their support for distributed ledger technologies (DLT).

The European Commission Vice-President Ansip explained that the Commission is actively monitoring DLT developments. Within its FinTech Task Force, there is a work stream dedicated to explore DLT in the context of financial services. In addition, the Commission is reflecting on possible pilot projects to foster 'decentralised innovation ecosystems'. While the Commission already backs DLT-enabled projects (e.g. DECODE, D-Cent,

MyHealth MyData), it plans to increase support in the coming months (e.g. for Decentralised Data Management). Finally, Mr. Ansip announced that a study will look into EU specific DLT actions and challenges.

In a parallel development, Governor of the Banque de France François Villeroy de Galhau announced that the French central bank is testing DLT and is opening a lab to work with start-ups. Moreover, he stressed the need for an overall EU strategy for innovation in financial services.

ACCOUNTANCY EUROPE (MEMBER) INITIATIVES

ICAS: FIVE PRACTICAL TIPS FOR STRONG CYBER SECURITY

Cyber security measures are some of the biggest risks facing businesses in today's digital world. Therefore, the Institute of Chartered Accountants of Scotland [published five top tips](#) to strengthen your data protection:

1. tailor your strategy on what you wish to protect and on what scale that information exists
2. carry out regular threat intelligence updates
3. adapt software and security measures of different devices
4. limit access to your data and network
5. keep out foreign programs by using a firewall

ICAEW: PROVIDING LEADERSHIP IN A DIGITAL WORLD

The Institute of Chartered Accountants in England and Wales released an [overview of the impact of technology on the profession](#) (and society at large). ICAEW's approach seeks to obtain a better understanding of technology trends and how these can be applied to the profession. In this regard, the institute offers its expertise as a trusted information source, partner and hub for innovative thinking.

"we have to think about how we need to position the profession for the future to be successful in this new context" (Kirstin Gillon, ICAEW)

ROBOTS ARE TAKING OVER

JOURNAL OF ACCOUNTANCY: DIRTY DOZEN TOP TAX SCAMS LED BY PHISHING SCHEMES

This [news article](#) is about the 'Dirty Dozen' List of Tax Scams for 2017 from the Internal Revenue Service (IRS). The top three scams are (i) phishing (fake emails or websites which are looking to steal personal information), (ii) phone scams, and (iii) identity theft.

DELOITTE: 'ZEVEN TECH TRENDS DIE BEDRIJVEN OPSCHUDDEN'

Deloitte's report [Tech Trends 2017 – The kinetic enterprise](#) analyses the trends that could disrupt businesses in the next 18-24 months. It outlines how companies should sift through emerging technologies to find solutions that offer real potential for their use and benefit. The top trends include machine intelligence, distributed ledger technology and advances in computer vision and pattern recognition.

THE GUARDIAN: CHATBOT THAT OVERTURNED 160,000 PARKING FINES NOW HELPING REFUGEES CLAIM ASYLUM

The piece reports about a Chatbot that uses Facebook's Messenger to help refugees to fill in an immigration application in the US and Canada. The Chatbot asks the user a series of questions to gather the necessary details for completing the asylum application. The software uses encryption and deletes all (user) data after use automatically. In a previous life, the software, also called 'the world's first robot lawyer', used to provide free legal aid to users by overturning 160,000 parking tickets in London and New York.

UPCOMING EVENTS

- 21/03/2017: *European Consumer Day 2017 - The Digital Single Market: How does it benefit consumers?*, European Economic and Social Committee, Malta. [See website.](#)
- 23/03/2017: *Digital Day in Rome* (the digital part of the official celebrations marking the 60th Anniversary of the Treaties of Rome), Rome. [See website.](#)
- 29/03/2017: *Digital Day, Accountancy Europe*, Brussels. [Register here.](#)
- 19-20/04/2017: *The 8th Annual Internet of Things European Summit*, Brussels. [See website.](#)
- 7-8/06/2017: *Annual Privacy Forum (APF)*, ENISA & the Law Faculty of the University of Vienna, Vienna. [See website.](#)

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)