

# global

ISSUE 6

## RIPE FOR DISCOVERY

CHANGING TASTES  
IN GLOBAL TOURISM

**FOOL'S GOLD?**  
BITCOIN'S FICKLE FORTUNES

**RISE OF THE MACHINES**  
IS FINTECH THE FUTURE?

**POWER SURGE**  
ELECTRIC CARS COME OF AGE

The network  
for doing  
business



## IN THIS ISSUE

3

**MORE AERO,  
LESS SPACE**Innovators reach  
for the sky

4

**DIRECTION OF  
TRAVEL**The changing face  
of global tourism

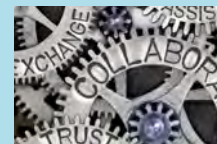
8

**PITFALLS OR  
POTENTIAL**The uncertain  
world of bitcoin

11

**COGS & WHEELS**

Sharing for success



12

**PERSPECTIVES**The rise and rise  
of the electric car

16

**GLOBAL NEWS**Headlines for  
international business

18

**PERSONAL PROFILE**UHY's Yong Sun on  
work, family and faith

19

**IS THERE AN APP  
FOR THAT?**Keeping up with the  
Fintech revolution

22

**SERVING CLIENTS,  
SERVING  
COMMUNITIES**Global stories from our  
remarkable people

## WORD OF WELCOME

It gives me great pleasure to introduce issue six of *UHY Global*, our twice-yearly magazine covering international business with a local perspective.

We are a global network of independent member firms, present in over 320 business centres across more than 95 countries. It is our mission to bring reassurance, consistency and expert thinking to all of our clients working internationally in a complex and uncertain world.

In this issue of *UHY Global*, we look at how some industries are meeting the challenges of globalisation and the march of technology.

Our opening article (opposite) considers how aerospace manufacturers and suppliers are harnessing the power of new digital technologies in what is being described as the fourth industrial revolution.

Likewise, the automotive sector looks set for significant change. In our *Perspectives* feature, UHY experts discuss the impact of electric and hybrid vehicles, and ask whether new regulation and political ambition really do signify the end of the internal combustion engine.

Our own industry, too, is not immune to change. We examine the disruptive phenomenon that is bitcoin, and conclude that while cryptocurrency investment has much to prove in the longterm, the real potential for business lies in the 'blockchain' process that underpins it. We also look more broadly at the rise of financial technology, and the impacts it may have on the way we all do business.

Change of a different sort is highlighted in our feature on the tourism industry. Despite economic slowdown, hostility and natural disasters, this is a buoyant global market which shows that we are – more than ever before – finding new ways to explore our amazing planet.

I hope you enjoy your journey through this issue of *UHY Global*. If you would like to find out more about these topics, or about UHY member firms around the world, then you may like to browse our expanded digital edition, at [uhy.com/publications](http://uhy.com/publications).

**Bernard Fay**  
Chairman  
UHY International

## MORE AERO, LESS SPACE

If we judged an industry sector by its headlines, the aerospace world would be defined by billionaire entrepreneurs such as Richard Branson (Virgin Galactic/Virgin Orbit) and Elon Musk (SpaceX). The reality is a little different.

These visionaries may be creating a space tourism industry and step change in payload delivery – such as bigger and cheaper communications and space exploration infrastructures (robots, satellites, telescopes) – but there is a revolution underway in aerospace manufacturing already, here on Earth.

**AEROSPACE 4.0**

Global aerospace is at the forefront of a new manufacturing paradigm, the so-called fourth industrial revolution, a transformation via digital technology in automation, data exchange and process.

While digital manufacturing maturity is low in most vertical industry sectors, including aerospace, the rate of adoption is accelerating. Aerospace 4.0, as it is known, will bring major benefits in design, manufacturing, maintenance and logistics, right through the supply chain. Without it, the industry puts itself at risk.

**DIGITAL EMBRACE**

Aerospace investment in smart factory operations is increasing as companies integrate new technology. Manufacturing and maintenance (aviation's huge aftermarket) will benefit. Many major players have been at the cutting edge of technology and innovation for a long time, and aerospace 4.0 technologies will simply be integrated into their

strategy and operations. The impact is more significant down the line.

For example, advanced simulation software means product design, development and testing time can be reduced, handing an advantage to businesses that invest in it. Big data analytics – crunching numbers in real time to monitor component performance – will enable predictive maintenance schedules with zero breakdowns. If all parts are precisely tracked, production lines can be continuously optimised. Robotic automation, machine learning, 3D printing and augmented reality technology will also transform the way aircraft are manufactured and maintained.

**SCALE, COMPLEXITY  
AND COMPETITION**

As a global industry responsible for transporting people and cargo around the world in growing numbers, aerospace is a critical piece of the globalisation jigsaw. Forecasts suggest 40,000 new aircraft will be manufactured and delivered over the next 20 years. With a Boeing 747, for example, having six million parts to be assembled, delivered and maintained, the scale and complexity are huge.

Aviation solutions must not only be safer and faster, but also more cost effective, reliable, connected and environmentally responsible than ever before.

Aerospace is a competitive sector and more players have joined the game as low-cost travel and emerging markets, especially in the East, have created demand and opportunity. There is huge pressure on component providers within the supply chain to increase volumes and deliver faster, creating vulnerability. Delays or shortage in one

part of the chain can impact elsewhere, including delivery to the airlines.

**THE FINAL FRONTIER**

For these and other reasons (such as customer need, which demands better, faster and cheaper design and production), it is not a case of if aerospace suppliers adopt digital, but when. We cannot know if the Mars-bound SpaceX Falcon Heavy rocket, with its space-suited mannequin and electric sports car, will one day find a home. But we can be certain that aerospace companies building Earth-bound vessels are set to become pioneers of an exciting, digital future.

**INNOVATION ON THE MOVE**

B&H Worldwide is an award-winning global leader in aerospace logistics, providing freight and management to airlines, maintenance, repair and overhaul providers (MROs) and component suppliers. Established in the UK in 1988, B&H has grown through investment, acquisition, and innovation. Its commitment to technology led to the creation of B&H InTech, a dedicated logistics technology company to meet the needs of the group, its customers and the industry.

UHY member firms provide B&H Worldwide with group audit and tax services in several jurisdictions. The consolidation is managed by UHY Hacker Young, London, UK.



# DIRECTION OF TRAVEL

WHILE THE WORLD'S GEOPOLITICAL, ECONOMIC AND CLIMATIC PROSPECTS EVOLVE IN A STATE OF CONSTANT FLUX, HUMANKIND'S APPETITE FOR TRAVEL NEVER FADES. SO WHERE NEXT FOR GLOBAL TOURISM?

Conventional wisdom tells us a change of scene is good for us, but as our itchy feet leave ever-deeper impressions on the places we visit, what difference does tourism really make? *UHY Global* asks how certain destinations manage tourism and assesses its variable impact on the global picture.

Nothing, it seems, will dampen our global wanderlust. While we modify our travel habits because of external factors like war, terror attacks, currency fluctuations, natural disasters and generalised crime waves, our urge to chase the world's sun, snow, sport, culture and nature never diminishes – it simply adapts. And alongside our belief that travel is good for us is a certainty that tourism is good for a country's economy too.

The United Nations World Tourism Organisation (UNWTO) says, "Today the business volume of tourism equals or even surpasses that of oil exports, food products or automobiles. Tourism has become one of the major players in international commerce and represents [...] one of the main income sources for many developing countries."

Just as the global economy is strengthening, so tourism is also evolving and becoming more complex. Influences include the urgency for sustainable tourism, especially in developing countries, and the growing effects of the so-called sharing economy. Travel experiences built and managed by individuals (rather than by hotels and tour operators) and the shift from traditional to more experiential travel are all making their mark.

## LATIN FLOURISH

The Americas welcomed 207 million international tourist arrivals in 2017, with most destinations enjoying positive results. South America led that growth – arrivals were up by 7%. The upswing in tourist arrivals was evidence of economic recovery in areas such as Brazil, whereas in Colombia the end of hostilities between

government and rebels in 2016 heralded a new era of the country as travel destination – exemplified by increases in commodity prices, infrastructure investment and industry-accelerated economic growth.

In 2017, *The Telegraph* newspaper in the UK ran a feature titled: 10 surprising destinations where tourism is booming in 2017. Number seven was Uruguay, which the feature described as South America's fastest growing tourist destination. So what is Uruguay's special magic all about, and how is it benefiting the country's economy?

Sofia Posada, a specialist in tourism and corporate finance at UHY Gubba & Asociados in Montevideo, says the pace and outlook has changed but its contribution continues to be vital. "Tourism represents 7.1% of Uruguay's GDP, generates one in every 15 jobs in the economy and is the main currency-generating activity in Uruguay," she says.

"Tourism generates about 110,000 jobs in Uruguay, with food, transport and accommodation representing 85% of those jobs. It is one of our economy's most dynamic sectors – behind what the public sector invests to preserve and improve the tourism infrastructure, the private sector plays a fundamental role in making investments to increase the quality of tourism and related services – projects such as expanding our hotel capacity, real estate and other construction activity."

These fluctuations have gone hand in hand with a strong commitment to tourism on the part of the Uruguayan government, preserving and protecting its enviable range of resorts.

## INTO AFRICA

Aside from niche demand for safaris and bounty hunting that nearly always bears an 'exclusive' tag, sub-Saharan Africa was not until fairly recently seen as a mass tourist hotspot. This is changing as the continent continues to build its reputation as one of the world's fastest growing markets and a great source of potential for visitor income.

## NUMBERS ADD UP TO A BRIGHT FUTURE

According to the World Travel & Tourism Council, by 2027, travel and tourism is expected to support more than 380 million jobs globally, which equates to one in nine of all jobs in the world. The sector is expected to contribute around 23% of total global net job creation over the next decade. Total travel and tourism GDP is expected to account for 11.4% of global GDP and global visitor exports are expected to account for 7.1% of total global exports.

These numbers reflect the burgeoning global success of tourism. In 2017 international tourist arrivals grew by 7% to reach a total of 1,322 million. Top of the table was Europe, driven mainly by arrivals in southern and Mediterranean Europe which were up by 13%.

Asia, the Pacific and the Americas also recorded increases, and Africa and the Middle East have seen growth after a spell of fewer arrivals.

The raised figures for 2017 are in keeping with the past eight years of steady expansion since the 2009 financial crisis. More recent factors have created temporary dents in the overall trend – events like hurricanes in the US and Caribbean, or the terror attacks in Tunisia. A more fundamental explanation for tourism's success in 2017 – projected to keep growing – is a stronger global economy, which is seeing new consumers from developing and established markets embarking on adventures across the world, funded by disposable incomes and driving revenue for airlines, hotels and other providers.





Travellers looking for new worlds to conquer are eyeing up destinations beyond South Africa and North African countries such as Tunisia, Morocco and Egypt (now seeing recovery after political upheavals and terror threats). Today tourists venture to countries like Ghana, the Gambia and Senegal in the west, Kenya, Tanzania and Uganda in the east. There is a new mood to Africa and new experiences to match.

One such destination is Mozambique. Despite the civil war which ended in 1992 and cyclic natural disasters, the country is blessed with beautiful beaches, natural beauty and abundant wildlife. It is a desirable destination for the luxury traveller and the backpacker.

Carlos Siteo, director general at UHY Sociedade de Ensino e Consultoria Limida (UHY SEC, Lda), in capital city Maputo, is a founder of a higher education college – the Superior Institute of Management and Entrepreneurship, Gwaza Muthini, (ISGE-GM) – which was recently praised by the Governor of Maputo province for its business management training in tourism.

Carlos sees a shift from international travellers seeking a more ‘high end’ experience – hotels, formal accommodation and exclusive venues – to holidays that are more immersive,

culturally connected and informal.

“Twenty or 30 years ago the tourism trade was mainly for international travellers. Today we see a new segment of local tourists, mainly young Mozambicans in search of a cheap break from the city.

“Economy and informality are key – instead of patronising the formal hotels and restaurants they seek out our ‘barracas’, casual eateries that have proliferated in Mozambique in recent years. Barracas are catching on with mainstream tourists, causing a shift in the market. They are cheap and reflect the real Mozambique experience.”

Such shifts present a challenge for businesses, but one Carlos believes they are prepared to adapt to. “The government can’t challenge this new development because it brings jobs into the economy.”

Overall, tourism is a vital but mixed blessing. “It provides jobs, taxes and commerce and infrastructure, but over-visiting can damage protected areas, as can a pressure to develop. Certain operators want to build or maintain an ‘exclusive’ designation for their resorts which can cause friction with locals who don’t want to be excluded.”

### SPAIN – TITAN OF TOURISM

With its glorious climate, vibrant culture and heritage, relaxed, easy vibe and remarkable natural beauty, Spain is unbeatable in terms of sheer pulling power.

Miriam López Jadraque, national marketing director of UHY’s member firm in Spain, UHY Fay & Co, notes that the total contribution of travel and tourism to Spain’s GDP was USD 167.9bn (EUR 158.9bn), 14.2% of GDP in 2016, forecast to rise by 1.8% pa to USD 207.6bn (EUR 196.5bn), 15.0% of GDP in 2027. “For the second time in a row, Spain’s tourism sector ranked as most competitive in the world, according to the World Economic Forum. Plus, research by CaixaBank (2017) shows that tourism accounts for 16% of Spain’s GDP,” she says.

“The total contribution of travel and tourism to employment (including the effects of investment, supply chain and induced income impacts) was 2.6m jobs in 2016 (14.5% of total employment). By 2027, it is forecast to support 2.9m jobs, an increase of 0.9%.”

Here too, the sector is becoming more informal and bespoke to travellers’ needs. Miriam says, “According to the National Statistics Institute (INE),

in July 2017 nearly 7.6 million tourists travelled without a package, representing a year-on-year rise of 18.6%.”

New technology poses a challenge for the labour market and regulatory framework, with companies like booking.com, AirBnB and TripAdvisor all major contributors. Miriam says, “Emerging technologies have opened the door to companies operating in the digital arena, which have changed part of the industry value chain. The Internet of Things, mobile robotics and artificial intelligence have the potential to further revolutionise the sector. Digitisation has ushered in greater visibility and accessibility for the sharing economy, which will expand the range of goods and services available.”

### TIMELESS VIETNAM

Vietnam is blessed with staggering natural beauty, exciting megacities and an open, friendly culture. Evidence of its recent history – the conflict with the USA – and its earlier colonial ties with France are abundant, providing endless talking points and fascinating day trips and tours. The promotion of tourism is enshrined in government policy.



We are on a mission to encourage tourists to come back to Vietnam.



Hardly surprising, says Thanh Nguyen, tax partner at UHY Auditing & Consulting Co Ltd, when tourist spending currently accounts for 7.5% of the country’s GDP (approximately USD 23bn). “The government has created numerous initiatives to support tourism. They even changed the tourist tag from *Hidden Charm* to *Timeless Charm* to make us more of a destination for international travellers.”

Growth has been phenomenal. International tourist arrivals to Vietnam reached 12.9 million in 2017 – compared to 250,000 in 1990. For the first time Vietnam is listed with one of

the world’s highest tourism growth rates, ranked sixth out of the top 10 destinations and first in Asia (UNWTO).

“Vietnam is adapting its strategy,” says Thanh, “from bringing tourists in to addressing their needs and expectations. We are on a mission to encourage tourists to come back to Vietnam, rather than single visits. So we have also started to impose a sustainable development concept for the sector.

“We are creating new tourism experiences – sea resorts, islands, eco-tours, spiritual tours, cultural tours, sports and more business products such as MICE (meetings, incentives, conferencing and exhibitions).”

### AZERBAIJAN – BAKU TO THE FUTURE

Azerbaijan’s tourist industry has also seen heavy government investment. Nestled in the crossroads of some of the key arteries of travel, such as the transcontinental Silk Road and also the south-north corridor, the country is a treat for travellers in search of something different. It borders Iran, Russia, Georgia, Armenia, Turkey, and has a coastland with the Caspian Sea. Azerbaijan is blessed with nine climates – giving it currency as a summer and winter destination.

“Azerbaijan had an intensive period of tourism and economic development in the early 2000s which laid the foundation for integration into the international tourism market,” says Afig Israilov, audit and assurance partner at UHY AZAUDIT LLC in Azerbaijan’s capital Baku.

That yielded exciting new opportunities for Azeri tourism, cultural and sporting. The Walled City of Baku became a UNESCO World Heritage site in 2000; Eurovision was hosted in Baku in 2012; Azerbaijan hosted the European Games in 2015 and the Islamic Solidarity Games in 2017; and 2016 saw Azerbaijan become the latest addition to the Formula One calendar, with capital city Baku hosting the fastest street circuit in Formula One racing.

These events have had an extraordinary effect on tourism, creating new opportunities to increase the flow of visitors from all over the world, as well as a powerful impetus to the development of domestic tourism.

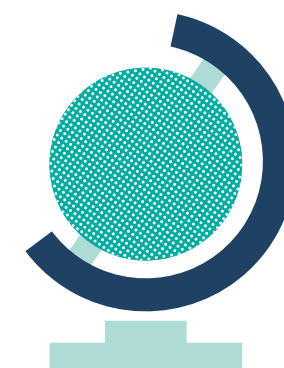
### A FUTURE FOR TRAVEL

As the balance of power in the world economy continues to shift, the tourist sector will keep feeling the effects. China has seen some impressive outbound growth and is forecast to overtake the US as the largest outbound travel market; countries such as Myanmar and Iran, strongly under the political spotlight, are creating reputations as tourist destinations.

The UNWTO’s report *Tourism and the Sustainable Development Goals (SDG) – Journey to 2030*, makes the case for keeping sustainability at the heart of tourism planning. Business, it says, needs to adapt to this reality and change its ways. “The role of the private sector and access to financing are paramount to building a more sustainable tourism sector. Long-term competitiveness depends on the willingness to manage industry vulnerabilities and invest in new markets and services such as ecotourism (estimated to be worth USD 100 billion annually), sustainable agriculture, water and energy efficiency.”

Harnessing the sector’s positive contribution to sustainable development and mitigating its worst effects calls for strong partnerships and decisive action by all stakeholders, says the UNWTO.

Many influences will come into play in future – technology, evolving economies, consolidation among service providers (such as hotel chains), climate change, the effects of globalisation. Ultimately though it is the travellers themselves who will shape the future: the power of the consumer will ensure that whatever it looks like, tourism will continue to be part of humanity’s quest for freedom and discovery.





# BITCOIN – PITFALLS OR POTENTIAL?

THE BITCOIN BUBBLE MAY BURST, BUT THAT DOES NOT MEAN THE VIRTUAL CURRENCY – AND THE TECHNOLOGY THAT SUPPORTS IT – WILL DISAPPEAR

Nobel prize-winning economist Joseph Stiglitz wants it outlawed. Billionaire investor Warren Buffett says it will “come to a bad end”. During the early months of 2018, the hitherto wildly fluctuating value of bitcoin appeared set on an inexorable downward trend – with the most famous cryptocurrency losing support as quickly as it sheds value.

But advocates remain. Japanese businesswoman Mai Fujimoto, who goes by the nickname ‘Miss Bitcoin’, told newswire AFP in January: “I convert all my disposable income into cryptocurrency. I have been doing this for nearly a year now. I convert all my savings into cryptocurrency instead of putting them in a bank.”

It is a conundrum. Experts around the world warn of the imminent burst of the bitcoin bubble, and many governments are openly hostile to its very existence. But enough ‘Miss Bitcoins’ have bought and traded the currency to take its value on a wild and unpredictable ride.

Short-term speculation certainly plays a large part – although Mai Fujimoto started using bitcoin to cut out bank fees when sending money abroad. For all the anxieties around its reputation as the payment method of choice for criminals and terrorists, there are legitimate reasons for ordinary people to use a decentralised currency, free from the control of banks and governments.

## JAPAN LEADS THE WAY

Some countries have recognised that fact. In April 2017, the Japanese government passed a law recognising bitcoin and other virtual currencies as legal tender. Morito Saito, senior vice president of UHY FAS Ltd in Tokyo, believes that several factors have helped to give bitcoin legitimacy in Japan.

“Firstly, Japan’s Financial Services Agency (FSA) started regulating bitcoin, and that led to its credit rising,” says Morito Saito. “The FSA issued a licence to cryptocurrency exchanges, also requiring them to have minimum capital reserves and anti-money laundering checks in place.”

With official sanction and oversight, bitcoin’s credibility rose. Morito Saito says that another decisive factor was the decision of several leading financial institutions – including major Japanese banking groups SBCC Venture Capital, Mizuho and Mitsubishi UFJ Capital – to invest in Bitflyer, the country’s leading bitcoin exchange.

“Major retailers, such as Bic Camera and Marui, started partnerships with Bitflyer, which also raised the credibility of bitcoin,” he adds.

In fact, this raised bitcoin’s credibility to the point where, today, a number of major Japanese retailers accept bitcoin payments, and at least one company has offered to pay part of its employees’ salaries in virtual currency.

In the Ukraine, by contrast, the focus is as much on bitcoin mining (the process of creating bitcoins by using special computer equipment to solve complex mathematical problems) as investing.

Alexander Koinov, managing partner at UHY Prostor Ltd in Kiev, says: “The mining of cryptocurrency is very profitable in Ukraine, because the price of electricity for businesses is very low, and there are many suitable and cheap premises and technically well-educated staff.”

## ADVISE OR IGNORE?

Mining tends to be overlooked by authorities and regulators, but few countries regard the trading of cryptocurrencies as favourably as Japan. China was the world leader in bitcoin trading until 2017, when the government clamped down on trading platforms. In 2014, Bangladesh passed a law threatening to jail anyone caught using the virtual currency.

Other governments have not seen fit to legislate for or against bitcoin, but much of the current mood is negative. Both US trade secretary Steven Mnuchin and British prime minister Theresa May have recently raised familiar concerns about criminals exploiting the anonymity of cryptocurrency for illicit ends.

All of which leaves financial services companies with a dilemma. What view to

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We still do not know whether bitcoin is a bubble. However, as the volatility is high, and because it is generally believed that a small number of holders possess most bitcoins, we believe that the price is very unstable.

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take on bitcoin (or the virtual currencies that replace it)? How to advise inquisitive clients? Governments and experts may have turned on bitcoin, but many investors are following its fluctuating fortunes closely. Bitcoin may (or may not) end badly, but the conditions that led to the creation of virtual currencies in the first place will not go away easily.

The Australian government has remained neutral over the issue, leaving citizens free to trade bitcoins as they choose. But Selwyn Cohen, managing partner at UHY member firm Cohen Fasciani in Melbourne, echoes the sentiments of many. “A large number of our investor clients are trading in bitcoin, but as a profession we still know relatively little about it,” he says. “I have seen some clients make significant gains. I must say, however, that I am not aware of any of these clients banking realised gains.”

Even in Japan, where bitcoin trading is especially popular among young people, accountants remain cautious when issuing advice, at least for the moment. “We would like to find out [first] if cryptocurrencies like bitcoin will be used with confidence in the wider world as well,” says Morito Saito. “If we can trust it, we would like to advise on it in future, if requested to by our clients.”



**REAL-WORLD NEEDS**

With instability being the defining feature of bitcoin at the moment, should financial services companies take cryptocurrencies seriously at all? Paul Mencke, partner at UHY member firm Govers Accountants/Consultants in Eindhoven, the Netherlands, thinks that while the currencies may be virtual, their popularity has been fuelled by real-world concerns.

“In my opinion, the bitcoin bubble has a number of causes,” he says. “The antipathy towards banks and financial institutions was initiated by the credit crisis. In a world with large environmental problems, there is scepticism about traditional industries, and ‘new kids on the block’ are welcomed. Also, there is a very strong belief in the power of innovation, technology and, these days, the disruptive combination of digitisation and the internet.”

Warren Zafrin, a managing director of UHY Advisors, Inc. in New York, United States, believes that cryptocurrencies evolved to fill a real need. “There is no denying that bitcoin has real applications,” he says. “For example, if you are transferring a tangible asset, like a car or a mortgage, tokenising that asset – making it digital – cuts out paperwork and reduces costs. The same applies to transferring cash abroad.”

Warren says the key to understanding bitcoin is to see it as an asset rather than a currency. “Like most new assets, there are fluctuations,” he adds. “We are seeing the first of many fluctuations for this asset. But the price will eventually stabilise, in a way no different to the eventual stabilisation of any volatile commodity. The only real advice for people wanting to invest right now is to find an exchange that you trust, and to use a digital wallet to secure the currency.”

Bitcoin may weather the current storm and find real worth as a digital asset. It may become a useful financial tool, a free and effective way to transfer assets or move money abroad. Or it may fade into insignificance, another online novelty that ultimately delivered less than it promised.

**AN ACCOUNTING TECHNOLOGY**

But even if bitcoin crashes, the technology upon which it is built – blockchain – is unlikely to follow it down. Put simply, blockchains are dispersed digital ledgers with no central control. Transactions are

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Information that has been approved once by blockchain can never be changed or deleted – that could be a hugely significant development for accountants.

”

recorded in a network of identical ledgers, making them permanent and immutable, and creating the transparency and confidence that allow cryptocurrencies to work. But cryptocurrencies are only one of the potential applications of blockchain – many of the others directly affect the role and work of financial services companies.

The Institute of Chartered Accountants in England and Wales (ICAEW) describes blockchain as “fundamentally an accounting technology”. Blockchain creates trust without central oversight, removes the need to reconcile disparate ledgers, and creates absolute transparency around transactions. As the ICAEW states: “Assuming that all the technological barriers could be overcome, blockchain has huge potential.”

In Japan, Morito Saito also takes a positive view. “It seems that blockchain technology can be utilised in many ways,” he says. “We think that it will be of great help to the transparency of corporate accounting and financial transactions.”

In the Ukraine, Alexander Koinov believes that blockchain will change the face of accountancy in the next 10-15 years. “By then, this revolutionary technology could have solved the very important task of providing an absolute 100% guarantee of credible information. Information that has been approved once by blockchain can never be changed or deleted – that could be a hugely significant development for accountants.”

It could, if reservations are overcome. There are worries over security and the potential for the wide propagation of fraudulent transactions, as well as legitimate ones. For that reason, Morito Saito believes that the sector needs to guide the evolution of blockchain applications, helping

to create services and solutions that utilise blockchain while ensuring proper supervision and regulation. Those services need to be standardised and optimised to work across sectors and borders.

Warren Zafrin also sees risks in blockchain, alongside real opportunity: “Blockchain can free up the time and resource to allow firms to invest in the advisory side of their businesses. Companies need to know about blockchain; they will also need blockchain-based solutions and services. Firms could spend more time solving the financial challenges of clients, as opposed to just reporting on them.”

Indeed, they may need to do this, because automated efficiency comes at a price. Blockchain has the potential to significantly reduce the need for some of the more mechanical accountancy tasks, and jobs in bookkeeping and reconciliation work may be put at risk.

We are not there yet. Blockchain may fail to surmount its technical obstacles. As Warren says, it is not yet clear how individual chains link together, and how to make the technology scalable for widespread application.

But the potential for blockchain to increase efficiency, reduce costs and open up new avenues of operation for forward-thinking accountancy firms is real – in theory, at least. For now, bitcoin will continue to make the most headlines. Unusually, the rather unflashy and arcane back-office technology that supports it may be the innovation that ends up changing the world.

For more information about UHY’s capabilities, email the UHY executive office, [info@uhy.com](mailto:info@uhy.com), or visit [www.uhy.com](http://www.uhy.com)

**TAX EXPERTISE**

Increased regulation around base erosion and profit shifting (BEPS) has led to an increase in the demand for specialist tax planning and reporting expertise. While UHY’s tax specialist interest group (SIG) promotes knowledge sharing around international taxation issues, UHY member firms are expanding service lines in this area.

TPS, an affiliate of UHY Fay & Co in Spain, is an independent firm of experts specialising in transfer pricing, and a member the international transfer pricing network TPA Global. Although located in Spain, as part of the UHY network, TPS’s experts are able to support UHY clients in other jurisdictions – for example, working alongside UHY Hacker Young in the UK on a transfer pricing assignment involving the German operation of a UK client.

“TPS offers an extremely valuable service to clients in need of specialist transfer pricing advice,” says Bernard Fay, chairman of UHY and co-managing partner at UHY Fay & Co. “Their experience in assisting clients in various tax administrations provides the UHY network with an invaluable source of expertise.”

**CYBER SAFE**

UHY Advisors, Inc.’s cybersecurity and technology consultancy in Houston, Texas in the United States, offers globally relevant tools and expertise to address the changes and challenges of technology in business. Focusing in particular on cybersecurity, it serves as a centre of excellence for advisory services in enterprise security and risk management, and IT strategy and governance.

“With the increasing need for cybersecurity services, we have enhanced our resources to address the needs of our current and prospective clients,” says Richard David, chief operating officer at UHY Advisors, Inc.

“At UHY, we view cybersecurity as strategic rather than tactical. The challenges it brings to businesses are constantly changing, so providing proactive advice and insight is essential in ensuring that our clients’ digital property remains secure. Our experts offer holistic services and solutions encompassing technology, people and process.”

Our *Cogs and Wheels* section highlights what drives a successful international network. In this issue, we look at how sharing expertise supports new and changing client needs.

# SHARING FOR SUCCESS

The exponential progress of technology and new financial regulations are major drivers in the evolution of business needs – which, in turn, demand new types of support.

Providing high-quality services to clients while meeting evolving and often complex security and compliance

requirements demands specialised skillsets and deep professional knowledge. Sharing expertise is key to ensuring that clients’ needs are best met wherever their operations are located – and this is most effectively achieved in a network where collaboration is embedded in its culture.

**GLOBAL LEVERAGE**

With over 320 business centres in over 95 countries, the UHY network is its own greatest resource. Underpinned by an ethos of working together, its collaborative culture is actively fostered and managed through many of its core tools and activities. A global intranet, accessible to all member firms, facilitates the exchange and sharing of expert input; while annual regional and global meetings enable knowledge sharing and the growth of strong professional relationships. Network-wide training opportunities develop expertise and nurture an international mindset; and UHY’s Knowledge Share Working Group is dedicated specifically to supporting collaboration between member firms.

As larger UHY member firms develop specialist service capabilities, the ability to leverage their expertise globally is a powerful asset. Knowledge sharing

not only means that new service lines are available and accessible to clients through all UHY member firms, but that new capabilities continue to develop across the network.

The global drive to reduce corporate tax avoidance and profit shifting has resulted in an increased demand for specialist transfer pricing services. And perhaps one of the most pressing needs in an environment where many businesses worldwide run on digital platforms is for cybersecurity advice. These are key areas where UHY member firms are responding to the need for new service capabilities.

For more information about UHY’s capabilities, email the UHY executive office, [info@uhy.com](mailto:info@uhy.com), or visit [www.uhy.com](http://www.uhy.com)



# A CLEAN START

IS ELECTRIC THE NEW DAWN FOR AUTO?

With rising sales and manufacturer investment in electric, hybrid and even autonomous vehicles, is the automotive industry heralding a new dawn?

Remarkably, the first electric vehicle was designed and built in the 1830s, by Robert Anderson, a Scottish inventor. It was a crude carriage powered by primary (non-re-useable) cells.

By the turn of the century, following advances in technology, including the invention of the lead-acid storage battery, the electric car was enjoying something of a heyday. In 1900, one in three vehicles in New York City, Boston and Chicago, was electric. But that was not all. The world's first hybrid-electric automobile also made its debut at this time – the Semper Vivus, designed by none other than Ferdinand Porsche. A new era of transport had begun.

However, the future turned out not to be electric. Limitations of distance and horsepower were significant obstacles to overcome, and by the 1920s – with mass production in the US, improved internal combustion engines and plentiful, cheap gasoline – the electric dream was over.

Fast forward a century and you could be forgiven for a strong sense of déjà vu. We asked UHY experts working in significant automotive regions in Canada, the US, the UK and Norway, to give us their views on where electric may be heading this time around.

## A PERFECT STORM

According to Tom Alongi, partner, UHY LLP, Michigan, US, and chair of UHY's global automotive special interest group, the industry is heading for a perfect storm. "After years of talking up the potential of EV (electric vehicles) but seeing very little in the way of sales, automotive is now experiencing a convergence of many pressures," says Tom. "New technology, regulation, climate change, consumer



behaviour, politics, competition and emerging global markets – together, these really could drive significant change.

"In just the last 12 months, we have seen most of the major manufacturers commit heavily to EV and hybrid. General Motors, Daimler, VW, BMW and Ford have all ramped up their mid-term plans with billions of dollars in investment on the table. Volvo has announced that every new launch from next year will be EV or hybrid only. They have put electrification at the core of their business. No one wants to risk being left behind."

But is this ambition sustainable? As Tom points out, the EV market share is currently very small. In the US, for example, the impact of EV is so far negligible.

"Americans generally do not feel the need to change," he says. "Cost has not reached parity yet with combustion engine vehicles. Cheap gas, drivers' range anxiety with EVs and not enough fast-charging stations, are factors that still impede EVs from truly taking off." However, Tom concedes that with technology changing at such a rapid pace, "some of these obstacles could be overcome at any time."



General Motors, Daimler, VW, BMW and Ford have all ramped up their mid-term plans. No one wants to risk being left behind.



## SO WHY IS US MANUFACTURING TAKING IT SERIOUSLY NOW?

"Because of export markets, and especially Europe," says Kirsti Armann, general manager, Revisorgruppen AS, UHY's member firm in Oslo, Norway. "Already we have seen governments in France and the UK propose a ban on petrol and diesel vehicles from 2040, with Scotland suggesting it will bring its own ban forward to 2032. Governments need to do this to reduce CO<sub>2</sub> emissions and





meet the Paris climate accord targets. In Norway, we are aiming at all new car sales from 2025 being zero-emission. Already, in 2017 we achieved one third of all new car sales as EVs or hybrids. The Netherlands and Germany, too, both plan to stop petrol and diesel sales by 2030."

The world's largest market, China, has also indicated that it is considering a timeline for phasing out petrol and diesel. India, a smaller market but with a growing global share, has announced an internal combustion engine ban and EV-only sales by 2030. According to the International Energy Agency, many others have set targets for domestic EV sales, including Austria, Denmark, Ireland, Japan, Portugal, Korea and Spain.

#### A LONG WAY TO GO

"Kirsti is right to point out the role played by environmental targets," says Paul Daly, partner, UHY Hacker Young, Manchester, UK. "Government expectations are high and in many countries – like Norway – they have been keen to encourage the uptake of low-emission vehicles. In the UK, we have a range of incentives too – rebates on EV purchase or lease, and grants for home charging units – but I believe the demise

of the petrol engine is still a long way off. Sales of petrol and diesel cars will stop by 2040 but it will be at least a further decade before they disappear in large numbers."

“Like Norway, Canada has vast hydroelectric power capacity, so constraints on the grid are not an issue.”



Paul is a member of the firm's successful and influential automotive team which last year accounted for one third of all UK dealership M&A transactions in the sector. Few know the distribution channels better than Paul. "Consumers will continue to demand independent transport for the foreseeable future and the method of propulsion is not that relevant," he says. "But there are

still some hurdles. There is debate around fuel cell technologies, on hydrogen or battery. I know there are some concerns around the potential capacity of our National Grid to cope, if battery prevails."

According to Paul, the fast charge infrastructure is also unresolved. "Pension funds are snapping up roadside properties, such as petrol stations, so they think the future remains in that direction. Fast charging stations could gradually replace the petrol pump – but it will all happen very slowly – unless the government creates some significant incentives to change over early. There is a sense here that politicians' desires may not match the rate of technology or infrastructure development."

#### TIME FOR CHANGE

Like Norway, Canada has vast hydroelectric power capacity, so constraints on the grid are not an issue. Neither, it seems, is there any lack of foresight on the part of government. Canada's two most populous provinces, Ontario and Québec, are leading the North American charge to electrification of their transport systems.

"Ontario has tried to replace its historical significance as a key Canadian automotive manufacturing base, with efforts to

promote itself as a destination for EV manufacturers," says Ken Shemie, partner, UHY Victor LLP in Montreal, Québec. "The province has seen decline in its auto capacity as traditional plants and jobs have relocated to less costly centres in the US and Mexico."

A raft of EV initiatives aimed at manufacturers and consumers, and introduced by the Ontario government several years ago, have only recently started to bear fruit. In 2017, EV/hybrid sales overtook those in Québec for the first time.

"It is about creating the right environment and having a plan," says Ken. "In Québec, the government has been specific in its objectives and project planning. For example, it has implemented a new law – the only one in Canada to mandate a minimum level of EV/hybrid sales. In 2018, it is 3.5% of new sales, increasing to 15.5% in 2025."

#### MAKING IT HAPPEN

To back up its position, the government has created a core electrification strategy as part of the province's overall economic plan. Ken explains: "They are looking at three policy directions – creating an effective legal and regulatory framework; building a world-class industrial capability for design and manufacture; and encouraging drivers to switch away from petrol and diesel only vehicles. They have decent incentive programmes already in place to support these aims."

These include generous rebates on purchase or lease of low or zero emission vehicles, and financial assistance for installing home charging stations. "Businesses are incentivised too," says Ken. "Employers get 50% match funding up to a CAD 5,000 (USD 3,900) cap for each charging station at work, provided as a free service to employees." There are also programmes to fund R&D and innovation in the sector – in particular, to encourage foreign EV companies to invest.

"We have incentives in Norway too," says Kirsti Armann. "There is no VAT or import tax on EVs – the import tax in

particular is normally very high on petrol and diesel imports – and we have just been granted permission from the EU for a further three-year VAT exemption."

Revisorgruppen AS are the accountants for many car dealerships and car importers in Norway, and meet the need to provide tax and legal advisory services to help navigate these clients through the details and opportunities. On the consumers' part, Kirsti is clear. "Like Ken said, it is about creating the right environment, and there are many other benefits to EV ownership. There is free municipal street parking in most Norwegian cities, toll-free access to city centres, no vehicle charge on some ferries, and many free charging stations – electricity is cheap in Norway."

#### RESISTANCE IN THE HEARTLANDS

"There is no doubt that the US lags behind other world markets in electrification," admits Tom Alongi. "And the cost to keep improving the internal combustion engine to meet new emissions standards will keep rising, putting more pressure on domestic manufacturing. This is partly why the current US administration is rolling back curbs on auto industry pollution, while Europe and the rest of the world are cleaning up their cities." In 2017, transport became the number one CO<sub>2</sub> pollutant source in the US.

Tom and his automotive team in Michigan work with many auto manufacturers, and tier one and tier two supply chain providers, across a diverse range of manufacturing and assembly. He can see first-hand how a new era of electric powertrain technology will impact his clients.

"Electrics and plug-in hybrids are going to be the big disruptors, maybe more than connected car technology, or even autonomous vehicles," says Tom. "The supply chain has grown up over many years, developed in many countries, become efficient and cost-effective – but all built around the internal combustion engine. Manufacturers are changing their business models, which means suppliers will have to adapt, and fast."



“Electrics and plug-in hybrids are going to be the big disruptors, maybe more than connected car technology or autonomous vehicles.”



New technologies, new components, new processes, new relationships, and new players will increasingly form a new order. It is part of Tom's perfect storm. "Traditional suppliers must develop their vision and strategy for the next ten years – it is paramount. If they fail to identify a role in the new order, and act on it now, they will no longer have a business."

#### BACK TO THE FUTURE

The ascendancy of electric and hybrid alternatives to petrol and diesel is accelerating but, as our panel of experts all agree, there is still a long way to go. When trajectories are measurable in tens of years, there is every possibility of further disruption – what about driverless, autonomous vehicles, for example? They are novelties today, but tomorrow may fundamentally change the nature of urban mobility. Yet, if anything is certain, it is this: that our love affair with the car – however clean or clever it turns out to be – is here to stay.



For more information on UHY in the automotive sector, please contact Tom Alongi, chair of UHY's automotive sector group.

Email him at [talongi@uhy-us.com](mailto:talongi@uhy-us.com) or visit the UHY website [www.uhy.com](http://www.uhy.com)



# DATA LAWS GO LIVE

The European Union (EU) General Data Protection Regulation (GDPR), described as the most important change in data privacy in 20 years, came into effect on 25 May 2018. The legislation applies to any organisation anywhere in the world that holds or uses the personal data of EU citizens, or that uses organisations and services based in the EU.

Following a two-year implementation period, organisations across the globe are expected to have established systems and procedures addressing data storage and access, team compliance and training, data subject requests, data notifications, and adaptability and scalability. GDPR is broadly centred on the principle of accountability, and it is essential that companies are able to demonstrate compliance. While technology and process are key in this, ensuring that employees understand GDPR as it relates to organisational practices is also a priority.

Failure to comply with GDPR could result in heavy fines. Therefore, identifying, understanding and addressing data risks as they relate to the new regulation is likely to be an ongoing challenge for many businesses.

For everything you need to know about the new EU data regulation, visit the European Parliament GDPR portal: [www.eugdrp.org](http://www.eugdrp.org)



## JAPAN SET FOR RECORD EU DEAL

Following more than four years of negotiation, European Union (EU) trade commissioner Cecilia Malmström expects the EU's latest free trade agreement to be ratified by the end of 2018.

The EU-Japan Economic Partnership is likely to be enforced by March 2019, eliminating up to 98% of tariffs on 37% of global trade, with the aim of boosting trade in goods and services. "We can expect to see increased trade activity and new investment and employment opportunities, strengthening the competitiveness of companies on both sides," says Koji Furuta, president of UHY FAS Ltd, Tokyo, Japan. "As well as removing high tariffs, the agreement facilitates access of Japanese companies to EU markets and vice versa, through tackling regulatory issues."

"The agreement with Japan is the biggest bilateral deal ever negotiated by the European Union," said Jyrki Katainen, EU Commissioner for Jobs, Growth, Investment and Competitiveness.

Designed to further enhance the bilateral relationship between the EU and Japan, a Strategic Partnership Agreement will run alongside the Economic Partnership, underpinning cooperation on policy and regional and global challenges.

The progress on the new partnership follows the provisional enforcement of the EU-Canada Comprehensive Economic Trade Agreement (CETA) in September 2017, which abolishes over 98% of customs duties between Canada and the EU.



Pictured: Hiroshige Seko, (right), Japanese Minister for Economy, Trade and Industry, and delegation members. Brussels, March 2018.  
© European Union, 2018. Source: EC – Audiovisual Service. Photo: Mauro Bottaro

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The agreement with Japan is the biggest bilateral deal ever negotiated by the European Union.

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## FINANCE CHIEFS URGE CRYPTO CRACKDOWN

A communiqué issued following the G20 meeting of finance ministers and central bank governors on 20 March 2018 in Buenos Aires, Argentina, indicates a move towards the wider regulation of cryptocurrencies, including bitcoin.

The statement acknowledges that the technological innovation underpinning cryptocurrencies "has the potential to improve the efficiency and inclusiveness of the financial system and the economy more broadly". However, the G20 – which represents two thirds of the world's population, 85% of global gross domestic product (GDP) and 75% of global trade – voiced concerns that crypto-assets "raise issues with respect to consumer and investor protection, market integrity, tax evasion, money laundering and terrorist financing."

Speaking at a press conference following the meeting, Federico Sturzenegger, governor of the Central Bank of

Argentina, said that in order to move the issue forward at their next meeting in July, the G20 would need to be able to present concrete and specific recommendations not on what to regulate, but on what data is needed.

In the meantime, the G20 plans to implement the Financial Action Task Force (FATF) standards to cryptocurrencies.

"These are anti-money laundering and anti-terrorist financing standards," says Anne Fairpo, a UK barrister specialising in advising technology businesses, who has a particular interest in tax and cross-border transactions.

"In practice, this seems the most likely form of regulation that will apply. Given the disintermediated nature of cryptocurrencies, it would be difficult to regulate the issue of more bitcoin, for example. We are more likely to see regulations that will require cryptocurrency exchanges to undertake more checks in respect of purchasers in order to try and reduce the risk that these are used to finance illegal activities."

For more on Bitcoin, read our feature on page 08.

## 5G TAKES A STEP CLOSER

By the end of September 2018, the world of mobile data and communications will be able to plan a massive leap forward. This is when globally agreed technical standards are expected for the next generation – the fifth – of mobile technology, 5G. It will provide a major boost to the so-called Fourth Industrial Revolution, characterised by digital disruption and rapidly advancing new technologies.

Developed to meet the requirements set down by the International Telecommunication Union (ITU), which is responsible for managing radio spectrum and the global standardisation of telecommunications, the new 5G standards are a collaborative output from the 3rd Generation Partnership Project (3GPP), representing seven key telecoms standards organisations, and the Institute of Electrical and Electronics Engineers Inc. (IEEE).

The 5G landmark means that mobile technologists can plan future wireless network infrastructures and device capability to a common set of interoperable standards. By 2020, when the first commercial services are anticipated to come on stream, data usage is anticipated to be over 1,000 times greater than it is today. 5G itself promises a game-changing shift in mobile connectivity in terms of speed and capacity. It is seen as a key enabler for much-vaunted new technologies –

not only those likely to impact directly on the professional and financial services industry, such as artificial intelligence and blockchain, but also connected cars, ultra-high definition TV, the Internet of Things and a genuine alternative to fixed broadband. There are accordingly huge social and economic opportunities for both developed and developing nations.

To find out more about 5G, visit <http://news.itu.int/category/et/5g> or [www.ieee.org](http://www.ieee.org)



# WORK AND LIFE IN BALANCE

UHY's newest member of the Board started life imagining that he might like to be a computer scientist, but an early position in banking confirmed to him that accountancy was his professional destiny. Yong Sun is now managing partner of one of China's biggest and most respected accountancy firms: the Chinese Institute of Certified Public Accountants (CICPA) ranked ZhongHua CPAs among the top 25 Chinese accounting firms in figures released in 2017.



Yong Sun (left) with his family

Great achievements have marked out a distinguished career – not least his appointment in 2017 to the Board of Directors of UHY International.

"This was of course a huge honour," says Yong Sun, "and I look forward to contributing my knowledge to support the network's strategic ambition."

"I have every confidence that our country will remain a strong and attractive investment destination and I am delighted to play my part in its continued economic growth. This is the perfect time for member firms to invest in levels of development that will ensure valuable rewards and new prosperity."

China remains the world's largest market with an influx in the numbers of dynamic entrepreneurial start-up businesses and a thriving middle class, ready and able to steer their country towards further success. It is Yong Sun's belief that the only significant threat to this positive status quo are the technological

challenges that the introduction of artificial intelligence (AI) might raise.

"AI could seriously impact on our traditional way of working," he says. "It is critical that young accountants coming into our profession now study the potential advantages of this technology at the deepest level, so that their learning can open up its many exciting opportunities rather than its possible pitfalls."

"Used skillfully AI will undoubtedly improve living and working environments and introduce better and more innovative medical care and safer ways to travel," says Yong Sun. "The impact on our global society and the way we do business is difficult for any of us to predict yet."

In any successful career there are always difficult times and in 2008 Yong Sun faced the very real possibility that his business might not survive turbulent commercial times. "I was quickly appointed as managing partner. Through sheer determination to turn the situation around, I worked closely with partners and other colleagues and I am proud to say that our firm is more secure and successful than ever before. Teamwork in crises is essential, but so is self-reliance – an ability to trust your professional instincts, be a strong and fair leader and always believe that there are achievable solutions."

Outside work, Yong Sun's life is busy and varied. A family man, he is married to Yahna Yang and they have a son,

Benjamin, who graduated from the University of California, Berkeley, and now lives in the US, working as an engineer for Apple. A practising Buddhist, Yong Sun's faith is very important to him. He credits regular physical and mental exercise with helping him to maintain a healthy body and a good attitude and so raise the understanding of the world to a higher level.

Yong Sun still lives in Shanghai where he was born, but he loves travelling, especially to the UK. "I have a great interest in the cultural and historical stories behind the places I visit, as well as trying to familiarise myself with local languages," he says. "There are so many wonderful places to go to."

At home, Yong Sun relaxes by playing bridge and watching films – "It is important to take time out for yourself," he says. "This is a busy and often demanding world but by practising my Buddhism whenever I can, and prioritising what is really important to me, I find real contentment."

"I am full of optimism for the world and I believe that the wisdom of mankind will encourage the progress of science and technology which will go on, in time, to solve the difficulties that face us all in our global community. There is so much to be positive about."

To find out more about ZhongHua CPAs LLP visit [www.zhonghuacpa.com](http://www.zhonghuacpa.com)

## ACCOUNTANCY – IS THERE AN APP FOR THAT?

THE FINTECH REVOLUTION SHOWS NO SIGNS OF SLOWING. SHOULD ACCOUNTANTS BE WORRIED?

In February the state cabinet of India's Mumbai Metropolitan Region approved a policy that aims to make the Indian city one of the world's great financial technology (Fintech) hubs. The policy hopes to support the creation of 300 Fintech start-ups, through a venture capital fund, subsidised co-working space and other inducements.

The ambition is easy to understand. Fintech is bringing major investment and significant numbers of highly skilled jobs to established hubs like London, Toronto, Stockholm and Tokyo. The value of global investment in Fintech start-ups is projected to grow to USD 8 billion in 2018, up from USD 3 billion in 2013. Mumbai aims to be a top five Fintech hub within five years.

Sunil Hansraj, joint managing partner at UHY member firm Chandabhoy & Jassoobhoy in Mumbai, says: "At a recent demo day in Mumbai the 11 start-ups that took to the stage showcased original technologies in financial services, with propositions ranging from blockchain-based identity solutions to AI-driven investment management solutions. These companies are becoming increasingly popular in India and fast providing an option for the use of financial services. Given the thrust given to start-ups in India and the encouragement of 'Digital India', I do believe these are here to stay."

### A DIGITAL REVOLUTION

The excitement about Fintech is justified. Financial technology, developed by a new breed of tech-savvy entrepreneurs, is changing the face of financial services in all sorts of ways, from mobile payments to online bookkeeping. It takes in wealth management apps, private online banks, direct lending platforms, blockchain networks and online credit scoring systems. A digital wallet can now connect all a person's financial services into a single go-to place online, while another app creates personalised financial plans in minutes.





There are few areas of financial services that are not at risk from Fintech disruption.

Traditional firms are aware of the threat. A 2016 report found that a large majority (83%) of leaders in financial services firms believed part of their business was at risk of being lost to Fintech companies. Last year, Bank of England Governor Mark Carney warned that new financial technology could damage the business model of traditional banks.

Accountancy, too, is being fundamentally changed by new digital technologies. Software applications like Xero and FreeAgent are giving small and medium-sized businesses access to secure and comprehensive accountancy and bookkeeping software that runs in the cloud. Add-ons like Receipt Bank allow businesses to submit expense claims and receipts from their smartphones. There are many more.

#### COULD JOBS BE LOST?

It is no surprise, then, that a younger generation of accountants believes many traditional low-level accountancy skills will disappear resulting in a skills shift for new accountants. Global research by ACCA (the Association of Chartered Certified Accountants) found that three out of five accountants under the age of 36 believe technology will replace many entry-level jobs in the profession.

The report states: “With increasing attention on the application of ‘robotic’ software across the profession, this is a generation who broadly expect to see more automation taking place.”

“Accountants of the near future will use technology to automate basic processes and add value to their role as analysts, consultants and advisors.”



Martin Cairns, managing partner at UHY McGovern Hurley LLP in Toronto, Canada, believes the automation process is already well under way. He says: “Manual bookkeeping is almost a thing of the past. Cheque writing is becoming less and less common. As technology continues to advance and businesses adopt the new integrated

technology, accountancy firms that have relied on bookkeeping and accounting reconciliation work will struggle.”

In Russia, too, Fintech is replacing certain traditional accountancy tasks, says Nikolay Litvinov, director of audit and consulting at UHY Yans-Audit LLC in Moscow.

“The development of financial technologies will certainly change the approach to the accounting profession,” he says. “Already, on the authority of leading Russian banks, automated accounting systems for small businesses are being created, effectively replacing the entire work of the accountant.”

Alexander Koinov, managing partner at member firm UHY Prostor Ltd in Kiev, Ukraine, agrees. “Our company provides accounting and auditing services. Some sources suggest that 94% of this work will be automated by 2024. In my opinion, that looks likely for the Ukraine too.”

#### THREAT AND OPPORTUNITY

Fintech is certainly a disruptor. It will allow even small companies to do for themselves what they previously relied on accountants to do. The automation of traditional accountancy tasks has gathered unstoppable momentum.

But the younger accountants surveyed by the ACCA do not regard the encroachment of new digital technology with undue pessimism. While they believe Fintech is a threat to entry-level jobs, the report states that they also “recognise that technology will enable finance professionals to focus on much higher value-added activity.”

In this interpretation, technology is a liberator, freeing up valuable time. And UHY member firms are already using Fintech applications to streamline processes, creating the space for higher-level tasks.

“Our company uses technologies like cloud data storage and distributed access for the viewing and editing of the accounting data of our clients,” says Nikolay Litvinov. “We also actively use the digital signature. All financial and tax reporting is submitted by us to the tax authorities via electronic communication channels.”



#### ADAPT TO SURVIVE

Accountants have to learn to use the new technology in their everyday work. They may also have to broaden the skills and services they offer to clients. In Kiev, Alexander Koinov is unequivocal: accountants and auditors who fail to prepare for the Fintech revolution may not survive. “We will not be able to stay as we are today,” he says. “Now is the right time to talk about what we must do to adapt.”

“The development of new technologies opens a window of opportunity for new business.”



The first requirement is to acquire the IT skills the profession will increasingly need to make the most of new technologies, and to be able to advise clients on the best Fintech solutions for their own businesses. Firms with an obvious Fintech expertise are likely to retain the trust of clients. Nevertheless, acquiring that in-depth knowledge will take time and investment.

“The development of new technologies opens a window of opportunity for new

business,” says Nikolay Litvinov. “However, in this case, the technologies require a significant amount of investment and deep competencies in the IT field. We are working on options for cooperation with our partners in this area.”

Martin Cairns says that firms who make that investment of time and money may reap significant rewards: “They will be better positioned to advise existing and prospective clients on ways to streamline their internal bookkeeping and accounting functions, which will allow more time to concentrate on what clients really want – business and tax advice.”

Firms that embrace Fintech will free up time for the advisory function, and they may also be able to offer better, data-driven advice. For example, IT-literate accountants can take advantage of the real-time information offered by cloud-based financial applications to offer more in-depth guidance around access to finance, growth and cashflow forecasting. They can delve deeper into the data, producing real insight. And by doing so, they can make themselves invaluable, putting their expertise at the centre of client businesses.

#### UNIQUE INSIGHT

But is that enough? Is it possible that even the advisory function might be automated, with human accountants replaced by the next generation of data-driven artificial intelligence (AI)? Could applications that

learn as they work replace the need for accountants and financial advisors altogether? Most think it unlikely.

“I think there is and always will be a huge opportunity for specialist advisors,” says Selwyn Cohen, managing partner at UHY member firm Cohen Fasciani in Melbourne, Australia. “Every client has a different issue and we develop unique solutions. Above all, we know how to communicate those solutions to them. I fail to see how that relationship, with its unique insight and tailored advice, can be replaced with AI.”

Sunil Hansraj also believes that, while technology may help human advisors give better guidance, for the foreseeable future the depth of experience and expertise that accountants bring to crucial business decisions is irreplaceable.

Decisions need a lot of investment – of time, effort, resources and, importantly, emotion – for which an app or machine will not be able to add the same value.

So, we can breathe a sigh of relief. Accountancy is safe, even if the skills accountants need are changing. The accountants of the near future will use technology to both automate basic processes and add value and insight to their role as analysts, consultants and advisors. The most adaptable will be IT-literate, tech-savvy, and – perhaps more than ever – central to the operations of the clients they serve.



# UHY'S IRON MEN

Kerry Tizard and Andrew Scott, both directors at UHY Haines Norton (Auckland) Ltd, share a love of sport – an interest that led to them participating as part of a team in the 2017 Rotorua Half Ironman race. Held in New Zealand's North Island, the event is considered to be one of the toughest of its kind.



Finishing among the top 15 teams demanded great endurance and demonstrated UHY's culture of working together in action. But Kerry and Andrew's embodiment of UHY values also extends to sharing their expertise to support the next generation of athletes in their community – Kerry through his work with the Don Oliver Youth Sport Foundation (DOYSF), and Andrew as treasurer of the Waitakere City Athletics Club (WCAC), both based in Auckland.

Founded in 1996, the DOYSF provides scholarships and training grants to support promising athletes, aged 14-21, who live and train in the Waitakere City area of Auckland. Kerry served as trustee and treasurer to the organisation for 17 years and continues to promote its work as an ambassador. Many of the athletes sponsored by the DOYSF have gone on to represent New Zealand at the highest level, both nationally and internationally.

"When the DOYSF needed financial advice, my partners at UHY Haines Norton (Auckland) Ltd were happy for me to be involved," says Kerry. "There are many talented young athletes who are deeply committed and determined to succeed in their field, but funding is always a major issue. The support that the DOYSF provides helps them to realise their full potential – it is a great organisation to be involved in."

Meanwhile, Andrew's expertise is put to good use with the WCAC. Working with children from three years old upwards, the club nurtures athletic talent from an early age. "The WCAC provides the tools and resources for young athletes to aspire to compete on a larger stage," says Andrew, whose own connection with the club goes back to training and competing as a junior athlete. "It is also, quite simply, a place where kids can be part of a community, make new friends, and create lifelong memories through athletics. Taking on the role of treasurer is an opportunity for me to give something back to the club that served me so well in my youth."

"UHY Haines Norton (Auckland) Ltd has always had a culture of supporting these types of community organisation," says Kerry. "Our people are part of a passionate and close-knit local business community, and it seems natural for us to offer our expertise where we can."



## SPORTING CHANCES

As part of their corporate social responsibility, the team at UHY Fay & Co, Marbella, Spain, enthusiastically supports local projects in need of extra help.

One of the key programmes they have supported for two years is the sponsorship of local boys' team, Futbol Club Vázquez Cultural – giving their junior players the two sets of football kit that each boy needs for training and match play.

"We love our involvement with this team of talented young footballers and we have seen them develop in the last two years," says Miriam López Jadraque, national director of marketing, UHY Fay & Co. "Our intention is to keep sponsoring sports events like this, and also the Ride of the Roses cycling tour which raises money for cancer.

"We are also committed to helping non-profit companies such as the incredible Proyecto Horizonte, which helps people with drug problems, and Aspandem, an organisation that takes care of disabled people. Culturally we continue to support extraordinary events such as Art Marbella and Design Marbella. It is a privilege to contribute towards a thriving local community in so many different ways."



## US FIRM KEEPS GIVING

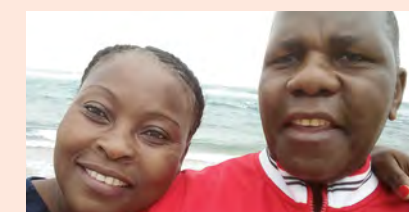
UHY LLP and UHY Advisors in the US have a long history of supporting local charities. Two recent events are set to contribute to the work of organisations based in Michigan and New York State.

For the eleventh year running, the team at UHY Advisors, Michigan co-hosted the Texas Hold 'Em poker night in February to raise money for the Lupus Foundation and other worthy causes. A celebrated annual event in the social calendars of UHY clients and other Michigan businesses, UHY provides outstanding hospitality and the chance to raise thousands of dollars for UHY Cares – an independent non-profit organisation that provides help to hundreds of charities and families every year.

Steve McCarty (pictured), managing director at UHY Advisors, Michigan, launched this now regular memorial event after losing his brother Dan to lupus – he has previously served on the foundation's board, and he remains very involved today. "This year we raised almost 33,000 dollars on this one night which is 3,000 more than in 2017," says Steve. "It is a privilege to be part of the incredible Texas Hold 'Em occasion and to keep bringing in money for the Lupus Foundation and other great charities, in memory of my brother Dan who I miss dearly."

Meanwhile, the team at UHY LLP in New York also continues to show real commitment to its community, enhancing the lives and resources of the people who live and work around them. In December 2017, the firm announced a USD 25,000 sponsorship of the Double H Ranch – a

## CHANGING LIVES IN MOZAMBIQUE



UHY's member firm in Maputo, Mozambique, has a short history but a powerful social commitment to the country. Director general and managing partner of UHY Sociedade de Ensino e Consultoria, Limida (or UHY SEC, Lda), Dr. Carlos Siteo, explains.

"Mozambique is one of the fastest growing African countries due to its natural resources creating opportunities for foreign investments, but it still has some challenges to overcome," says Carlos. "Education is one of these, and I was determined to help."

Before 2010, Carlos was a financial management advisor working in Nairobi, Kenya. Over several years, he trained, coached and mentored many students in accounting disciplines. The value of seeing young people growing and forging a future for themselves inspired Carlos to go one step further – why not create a higher education college to do even more for inspiring life-changing advancement?

The idea grew stronger and Carlos left his paid employment to return home to Mozambique, where he developed his vision together with his wife Anne (pictured left with Carlos), and two friends and former colleagues. SEC, Lda (now UHY SEC, Lda) was formed as both an ongoing financial advisor to the project and a legal entity through which the college could be officially registered, according to Mozambique law. In this way, and with passion and commitment, the Superior Institute of Management and Entrepreneurship – Gwaza Muthini, (ISGE-GM) was born.

Today, ISGE-GM offers a wide range of degree-level courses to students from all backgrounds. While accountancy and financial management is a core theme, ISGE-GM was also recently praised by the Governor of Maputo province for its business management training in tourism, which is a vital part of the country's growth strategy. In 2017, SEC Lda joined the UHY international network and adopted the UHY brand, enabling more local support for foreign businesses looking to invest in the country. A double success story for Dr Siteo and testament to his values of quality, honesty, dedication to students and commitment to the community.

philanthropic programme based in Lake Luzerne, New York, that supports thousands of children from all around the world who are dealing with life-threatening illnesses.

UHY's sponsorship launched during the broadcast of an hour-long TV documentary about the work of the charity, interspersed with 'telethon breaks', giving viewers opportunities to make donations. This 'docuthon' will air several more times this year and will include a 30-second vignette from UHY LLP, highlighting the team's involvement with the Double H

Ranch as well as giving a brief outline of the member firm's capabilities.

"We are so proud to be part of this wonderful project," says Mike Mahoney, a managing director of UHY Advisors, New York. "Since opening in 1993, the Double H Ranch has helped more than 60,000 children to enjoy a fantastic range of outdoor and indoor activities in a beautiful place and in the company of other young people."

"It is always a pleasure to support such worthwhile local initiatives," he says.





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