AS HAS been widely publicised, ETFs continue to be a focus of various regulatory bodies including the Central Bank of Ireland (CBI). The CBI released its discussion paper in 2017 and continues to have an open dialogue on matters raised in the paper with industry participants and other regulators. The key discussion points in the CBI paper appear to be focused on particular areas such as transparency of portfolio holdings of active ETFs and non-ETF share classes.

“No matter which ETF growth projection you read, global ETF assets under management are expected to at least continue their annual growth rate of approximately 20% for the foreseeable future.”

While this level of focus on ETFs may appear on the face of it to be challenging, we are continuing to see significant growth in the space. No matter which ETF growth projection you read, global ETF assets under management are expected to at least continue their annual growth rate of approximately 20% for the foreseeable future. Europe remains in line with the global ETF growth rates and given that Ireland is the largest European domicile for ETFs and indeed second largest in the world, this is certainly good news for the industry locally. ETFs will need to look at their business models to ensure they are fit for purpose. ETFs tend to be lower fee products, generally considered to be one of their key benefits for investors. As a result, existing operational models that might work for other investment products, may not be as successful or sustainable for ETFs. PwC conducts an annual survey of global ETF stakeholders – including managers and service providers. In our latest ETF survey, we asked participants about the impact that these fee pressures were having on their businesses. Answers ranged from creating and leveraging research to tools to assist their teams and clients to an increase in outsourcing. Service providers also find themselves facing the same challenges given the downward fee pressure. Pressures, as with every challenge, also create opportunities. When we asked our survey participants about how the use of technology would impact ETFs, a third (33%) saw this as an opportunity to reduce costs. As we outlined in our Live Digital or Die paper (https://www.pwc.com/en/asset-management/technology/impacting-etf-s.pdf), technology can potentially change many aspects of the business model – from operations to distribution product creation. Navigating the ever-changing emerging technologies is not without its challenges and the ability to leverage from knowledge and experience in this area will be crucial to success.

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The growth and innovation of ETFs presents both challenges and opportunities for ETF sponsors, service providers and regulators. Evolving issues with respect to products, markets, distribution, technology and investor preferences will help to shape the future.

AIOFE O’CONNOR is Asset & Wealth Management Partner at PwC.

Indirect Tax Technology - bridging the gap

With an increased investment in technology by tax authorities, added complexity to global tax reporting obligations and a significant increase in transaction volumes, VAT managers are feeling overwhelmed writes PwC’s JOHNNY WICKHAM.

TAX authorities are becoming more skilled in data extraction and analysis and there is a growing challenge to both understand and meet these increasingly onerous obligations. More demanding requirements have prompted a significant increase in the IT resource and software investment requirements of an organisation’s tax function.

What is your data saying?

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Where managed efficiently, significant cost saving and risk identification opportunities can be derived from the indirect tax data being collected at transaction level which can also provide insights into several other areas of the organisation. Using technology based solutions to address a technology initiated challenge by tax authorities can contribute to a more robust compliance process and can help reduce the fear and pain increasingly associated with an indirect tax compliance function. In considering data analytics and visualisation for tax we distinguish between the various stages of progression from the basic building blocks of easy access to robust data to a focus on harnessing insights and value from areas like visualisation, more automated tax reporting, predictive analytics and tax modelling. From an indirect tax perspective, bridging the gap between tax and IT can be challenging. However, in line with a well-defined tax technology strategy and a clear set of objectives, and at the same time considering any ERP optimisation opportunities (i.e. making the most of the features and capability of your existing technology), data analytics and visualisation can provide an efficient and meaningful representation of data in a visually appealing manner, highlighting the key indicators of relevance.

PwC’s Indirect Tax Technology offerings seek to create sustainable indirect tax strategies, provide strong indirect tax processes as well as robust control frameworks, including the technology tools required to support, adapt to and manage this changing indirect tax compliance landscape. These bespoke tools directly address indirect tax process objectives using a variety of technology platforms (e.g. Tableau, Qlik Sense, Power BI and Visual Basic), all of which support our indirect tax consulting offering. One such application is the PwC Indirect Tax Data Analytics application (VATVIEW) which provides detailed insights into an organisation’s VAT position. Based on the checks typically carried out by a tax authority as part of an audit, it highlights potential risks or process improvement opportunities that in turn can lead to significant risk-reduction and cost-saving opportunities.

“In terms of PwC Ireland’s approach to tax data and analytics, we are investing in both our people and our technology to help our clients address their challenges. The tax practice is made up of over 600 professionals and at this stage approximately 75% of our people have been trained in analytic techniques. We firmly believe that the tax function and professional of the future will be more data aware and data skilled and from a recruitment and training perspective we are committed to responding to this.”

Johnny Wickham is senior manager, Indirect Tax & Indirect Tax Technology at PwC.
The EU’s Action Plan on Sustainable Finance is set to bring ESG and sustainability into the financial services mainstream write PwC’s KIM MCCLENAGHAN and LESLEY BELL. They say that early movers in engaging with sustainability and ESG issues will be best placed to deal with evolving policies and regulations in the space.

**Environmental, Social & Corporate Governance (ESG) & Sustainability to become mainstream**

IN MAY 2018 the European Commission presented a package of measures aimed at starting the delivery of its March 2018 Action Plan on Sustainable Finance. Whilst critical to the assimilation of sustainability into the EU’s financial policy framework, these initiatives are intrinsically linked to the successful delivery of wider EU, and indeed global climate and sustainable developments objectives (e.g., Paris Climate Agreement & UN SDGs). The European Investment Bank (EIB) note that additional funding of €270bn per annum is required if the EU is to support sustainable growth and transition towards a low-carbon modern resource efficient and competitive economy. This funding must be directed towards projects which will; decarbonise the energy and transport sectors; promote sustainable sustainable economic activities; and support the establishment of a unified EU classification system of sustainable investments.

The EU’s proposed measures focus on the assimilation of sustainability into the EU’s financial policy framework, through which businesses are judged by their consumers and investors; and ESG is quickly evolving from a luxury to a business imperative. In parallel, the regulatory environment is also shifting. The EU’s Non-Financial Reporting Directive now requires companies to publish information in relation to a range of non-financial metrics. In many instances companies may be obligated to report on areas currently not subject to monitoring. As noted in our AWM Revolution report, (October 2017), it is anticipated that ESG investing will grow rapidly.

**GDPR Day 2 and Beyond: What you need to know**

With the 25th May 2018 implementation date for GDPR passed there is a risk that GDPR fatigue could set in at many companies following an intense and extended period of preparation to comply with the new data protection rules write PwC’s PAT MORA and RODESH GOVENDER. However, the implementation needs to be treated as the first step in a long road to ensure companies not only comply with the new rules but leverage them to improve client trust and instil privacy into company culture. This will ensure that as time moves on and as GDPR evolves and other privacy regulations come into effect, the effort required to incorporate these additional requirements will become minimal.

**Privacy Culture** To effectively affect change, companies need to engage with the resources allocated to your GDPR Programmes, it is important to embed the principles of GDPR into the culture of the organisation. This will ensure that as time moves on and as GDPR evolves and other privacy regulations come into effect, the effort required to incorporate these additional requirements will become minimal.

**Wait and See:** It is important to stay close to developments of GDPR legal actions and decisions made within the financial industry, within Ireland and Europe in general. By understanding the trends, outcomes and precedents set by others, your organisation has the opportunity to closely any potential compliance gaps before receiving a similar outcome.

GDPR: More than just another regulation. GDPR places greater emphasis on the need to identify and comply with the requirements of the new EU privacy directive.

With the GDPR in place, how do businesses ensure that they are compliant with the requirements of the new EU privacy directive?

**GDPR** is a new EU regulation that brings a comprehensive set of rules governing the protection of personal data. The regulation applies to all EU member states and is designed to give individuals greater control over their personal data and to simplify the regulatory environment for international businesses.

**GDPR** requires businesses to ensure that they are compliant with the new data protection principles and to establish robust privacy policies and procedures. The regulation also places a greater emphasis on accountability and transparency, with businesses required to demonstrate how they comply with the new rules.

Who is responsible for ensuring GDPR compliance?

The responsibility for ensuring GDPR compliance falls on the shoulders of businesses. Although there are regulations and guidelines in place, the onus is on the business to ensure that it is compliant with the new rules. Businesses can take a number of steps to ensure compliance, including:

1. Conducting a GDPR assessment:
   - This should be a comprehensive review of the business’s data processing activities and should assess how the business complies with the new regulation.
   - The assessment should identify any gaps or weaknesses in the business’s data processing practices and should outline steps to address these.

2. Developing a data protection strategy:
   - This should outline the business’s approach to compliance with GDPR and should include measures to ensure ongoing compliance.
   - The data protection strategy should cover all areas of the business, including the collection, processing, and storage of personal data.

3. Training employees:
   - It is important to ensure that all employees are aware of their responsibilities under GDPR and are able to demonstrate their understanding of the new rules.
   - Training should cover all aspects of the new regulation, including data protection principles, data subject rights, and data security.

4. Implementing controls and procedures:
   - Businesses should implement controls and procedures to ensure that personal data is processed in accordance with GDPR.
   - This should include measures to ensure data security, such as encryption and access controls.

5. Establishing a data protection officer:
   - In some cases, businesses may need to appoint a data protection officer (DPO) to help ensure ongoing compliance with GDPR.
   - The DPO should be responsible for ensuring that the business complies with the new rules and should be able to advise on data protection issues.

6. Conducting regular audits and reviews:
   - Regular audits and reviews should be conducted to ensure that the business is complying with GDPR.
   - These should be conducted at regular intervals, such as annually, and should include a review of the data protection strategy and the implementation of controls and procedures.

By following these steps, businesses can ensure that they are compliant with GDPR and can demonstrate their commitment to protecting personal data. This will help to build trust with customers and regulatory authorities and can help to avoid fines and penalties for non-compliance.

The onus is on the business to ensure that it is compliant with the new rules and should take a proactive approach to ensuring compliance. Businesses can take a number of steps to ensure ongoing compliance, including conducting a GDPR assessment, developing a data protection strategy, training employees, implementing controls and procedures, and establishing a data protection officer.

**GDPR** is a complex regulation that requires a comprehensive approach to compliance. By following the steps outlined above, businesses can ensure that they are compliant with the new rules and can demonstrate their commitment to protecting personal data.