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PHOTO: KARSTEN DE RIESE



EFAA President Bodo Richardt

Foreword by EFAA President Bodo Richardt

Dear Colleagues,

As the year approaches its end, I invite you to reflect upon the steps that EFAA has taken over the past 12 months and to look forward to our endeavours and further progress for 2016.

The steps taken last year were a reflection of the EFAA strategy that we devised in 2014. We have all acknowledged the great achievements of the past, but also felt that EFAA had the potential to better serve the interest of Europe's SMPs and SMEs. As with all positive change, the realisation of this new strategy needed a careful approach, step by step. We took these steps while staying dedicated to our primary responsibilities: keeping you informed, advocating on your behalf and connecting you with political stakeholders and your peers all over Europe.

Throughout 2015 we kept you informed about the European and global developments in a variety of newly created formats. We published an article on integrated thinking and are due to publish a study on the implementation of the accounting directive early next year. On your behalf we engaged with the European Commission on their Capital Markets Union initiative and discussed the possibilities for better political representation of Europe's SMPs. We also engaged with the IESBA, IAASB and IAESB CAGs on your behalf and responded to the exposure draft of the IASB's conceptual framework

for financial reporting. Additionally we also organised an international conference in Lisbon. Together with our colleagues from OTOC we brought together Europe's academia, standard setters and our profession to deliberate on the evolution of accounting and financial reporting in Europe and the role of accounting for a sustainable Europe. When I said we, I mean all the dedicated persons involved in the Federation – the Chairs and members of our expert groups, our Director of Professional Development – Marie Lang, our Project Manager – Felix Martens, and all the other dedicated people who have worked in the interest of our Federation and supported us.

The first half of 2015 was dedicated to the improvement of our exchange of information and communication with you, our valued members. The decision to try to improve this was the result of the 2014 membership survey, in which you identified better communication as your primary priority. And rightfully so: exchange of ideas and mutual understanding are essential for the formulation of a strong, common positioning. This is why EFAA devised and implemented a structured communication plan, which introduced an improved Newsletter and two new formats, "Members Update" and "Latest from Brussels". This is also why we extended the EFAA International Conference and EFAA Annual General Meeting to a full two-day event and

*"Coming together is a beginning.
Staying together is progress.
Working together is success."*

Henry Ford

initiated the EFAA Leadership Dialogue in which the President of EFAA will meet every year with the leadership of each member organisation. We will, of course continue to learn and improve, but we believe that the steps described above mark an important shift and will help to build a lasting structure for the successful communication with our members.

For the second half of 2015, we planned to take not one, but two steps: raising EFAA's international profile and improving our capacity to attract new members.

In terms of raising our international profile, EFAA has attracted considerable attention by participating in panel discussions and by giving presentations at the UNCATD ISAR 32 Conference in Geneva, at the Edinburgh Group and the IFAC Meeting in Singapore, as well as at the DATEV conference on data security and its implications for Europe's SMEs in Brussels. EFAA furthermore managed to deepen its ties with the European Commission through discussions, with the units of the Directorate General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA), the Directorate General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) and the Commissioner for Digital Economy and Society, Guenther Oettinger. This push for more international recognition

will help us in our on-going efforts to ensure that the interests of Europe's SMPs and SMEs are well represented.

The rise of EFAA's international profile also contributed to the achievement of our second goal, the attraction of more members. At the moment, we have two new applications: the approved application as observer member of the German Chamber of Tax Advisors (BStBK) and the application to become an ordinary member by the Institute of Authorised Chartered Auditors of Albania (IEKA). In addition, EFAA is currently in discussions with several other potential members. Not all of these discussions will result in membership agreements, but the heightened interest surely speaks for EFAA's increased visibility and our increasing capability to reach out and attract potential new members.

So what are the next steps in EFAA's journey? We will continue to engage with the European Commission and to seek potential new members. Another task in the coming months will be a light but very efficient and carefully budgeted reform. We will be looking for additional technical and administrative staff to further improve our capacity to analyse new legislation and write useful studies and position papers. I will also propose an update to the EFAA Statutes, primarily to remove ambiguity and propose new byelaws for our expert groups and for the

board. Taken together, these changes will help to increase the potential of our expert groups and enable us to present a stronger case vis-à-vis standard setters and operate more pre-emptively, rather than reactively.

I am proud of the positive changes that have happened to EFAA over the past year. I am certain that you are aware that the development of EFAA relies on your continued support and dedication to our common goal: to give Europe's SMPs, your members, the voice in Brussels that they deserve. It goes without saying that I and my team welcome on an ongoing basis your comments, questions and ideas regarding these plans and EFAA in general. In the wise words of Henry Ford 'working together is success.'

Let me close by wishing you and your families a joyful holiday and a Happy New Year.

Yours sincerely,



Bodo Richardt
EFAA President

“It is Essential to Join Forces Across Borders” – An Interview with BStBK Vice President Volker Kaiser

PHOTO: BStBK



Volker Kaiser, Vice President BStBK

As of 1 January 2016 the Federal Chamber of Tax Advisors Germany (Bundessteuerberaterkammer or in short BStBK) will join EFAA as an Observer Member. We discussed the new partnership with BStBK Vice President, Volker Kaiser.

EFAA: Mr. Kaiser, you are the Vice President of BStBK, which will become an Observer Member of EFAA as of 1 January 2016. In the name of EFAA and our members, who all warmly welcomed your application: Welcome to the European Federation of Accountants and Auditors for SMEs!

Volker Kaiser: As a representative of the BStBK, I am very pleased that our organisation is joining the EFAA. Together with our partners at EFAA we can effectively represent the interests

of SMPs at both the European and international level. Thank you very much for giving us the opportunity to introduce ourselves to your members in this newsletter.

EFAA: Would you take this opportunity to tell our members a little bit about your organisation?

Volker Kaiser: The BStBK represents the interests of nearly 94.000 tax advisers in Germany vis-à-vis the Bundestag, the Bundesrat, the federal ministries, the top echelons of the civil service, the courts and the institutions of the EU and OECD.

The main duties of the Federal Chamber of Tax Advisors are to represent the entire profession and to participate in the drafting of legislation that effect the profession and in consultations on tax legislation.

EFAA: You are not only the Vice President of BStBK, but also an SMP yourself. As you know, EFAA focuses its work on SMPs and their role as trusted business advisors for SMEs. How does BStBK and how do you personally see the role of SMPs?

Volker Kaiser: In Germany, members of the tax advisory profession are the most important external

advisors for SMEs. They enjoy a high level of confidence and trust. SMPs understand the structure and requirements of SMEs because they are SMEs themselves.

German tax advisors do not only support SMEs in their tax compliance obligations and prepare their financial statements, but they also provide advice where questions of business administration and economics are concerned.

The BStBK supports SMPs to maintain and improve the relationships with their SME clients. For example, BStBK has just successfully completed a two-year cooperation project with “Offensive Mittelstand” which is a dedicated programme of the German Federal Ministry of Labour and Social Affairs to support and develop SMEs in Germany.

As part of the programme German tax advisors can pursue training in order to enable them to provide advice to SMEs on business administration and economics.

EFAA: Larger firms entertain extensive policy departments. Some argue that SMPs should simply jump on the bandwagon and let larger firms do the political work. How would you respond to this notion?

Volker Kaiser: The structure and objectives of SMPs differ greatly from those of the “big four”. We believe that the difference is so big that the big four would not fully understand the needs of SMPs. By representing SMPs, the BStBK meets an important requirement of effectively and independently representing the interests of tax

The latest member of the EFAA family:
the Federal Chamber of Tax Advisors Germany



EFAA Participates in Expert Panel at the UNCTAD ISAR 32

advisors in Germany, in particular the interests of SMPs which form the biggest group of our members.

EFAA: What do you think about the idea of pooling the resources of SMPs in order to give them a stronger independent voice? At EFAA, we call this the “intelligent network” approach. We pool our expertise and resources with the SMP resources of our members.

Volker Kaiser: BStBK fully supports the idea of intelligent networking. We observe that SMEs increasingly operate internationally. Consequently, the demand for international tax advice has grown significantly. Intelligent networking nationally and even more important internationally will help SMPs to continue to serve their SME clients. Therefore, it is essential to join forces across borders and utilise the international expertise of SMPs.

EFAA: Do you want to share your New Year's resolution for BStBK and EFAA?

Volker Kaiser: I hope 2016 will be a very successful year for both the EFAA and the BStBK. I look forward to a fruitful and mutually beneficial collaboration. I would like to wish you and all our colleagues all the best for 2016.

EFAA: Mr. Kaiser, thank you for your well wishes and for the interview, we are looking forward to our joint future and wish you and your colleagues at BStBK happy holidays.

Volker Kaiser: Many thanks to you!

On 5 November, Bodo Richardt represented EFAA on an expert panel at the 32nd Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR). Hosted by the United Nations Conference on Trade and Development (UNCTAD) at the Palais des Nations in Geneva, ISAR is the United Nations intergovernmental vocal point for accounting and financial reporting issues. Its mission is to promote mechanisms for good accounting and financial practice, as well as non-financial reporting. As such, it draws participants from governments, standard setters, the European institutions, professional organisations, academia and the media from Europe and all over the world.

The EFAA President gave a presentation on “Key foundations of high-quality reporting: International audit and assurance requirements and good practices on their implementation”. In his presentation, Mr Richardt underlined that high quality financial reporting standards and adequate auditing standards are the fundamentals for high-quality corporate reporting and therefore important for the effective and efficient functioning of capital markets. He expressed his support for the worldwide efforts to improve the quality of auditing by strengthening auditor independence, fostering competition and increasing the transparency of the audit process. He referenced research that shows that a voluntary audit for SMEs can have positive effects on their credit rating and is by no means just an administrative burden. In addition, he noted that legislators should therefore carefully consider maintaining or introducing low thresholds for statutory



EFAA President Bodo Richardt, IFAC's Paul Thompson and Richard Thorpe of the Financial Stability Board.

audits, or in some situations not require any. With the same caution, alternatives for SMEs like “small audits” or reviews should be considered. Mr Richardt also reminded the panel to increase the quality of the financial reporting standards and reduce their complexity, especially for SMEs. He concluded with the suggestion that most of these challenges should be addressed by a partnership between legislators, regulators and auditors.

In another panel discussion, Mr Richardt exchanged views with international experts such as Richard Thorpe, the Financial Stability Board's advisor for accounting and auditing, Henri Fortin from the World Bank Centre for Financial Reporting Reform and Paul Thompson, the Director of Global Accountancy Profession Support from the International Federation of Accountants.

For EFAA, the 32nd ISAR in Geneva constituted a fruitful opportunity to put forward the interests of our member in front of a global audience of standard setters and experts and to establish new contacts with professional organisations, the media and standard setters.

Presentation on Europe's SMPs at Edinburgh Group Meeting

On 10 November 2015 the Edinburgh Group met in Singapore in the context of the IFAC Council Meeting. The Edinburgh Group is a global coalition of 16 international accountancy bodies, dedicated to SMPs and SME accounting. Eamonn Siggins of CPA Ireland chaired the meeting in absence of the injured regular Chair Roberto Imporio and with the support from Secretary General Andrew Steele from ACCA. One central element of the meeting in Singapore was a presentation on the situation of

Europe's SMEs and SMPs by EFAA President Bodo Richardt. Mr Richardt, who represents EFAA at the Edinburgh Group, opened by assessing in detail the economic situation of Europe's SMEs, which constitute the most important market for SMPs. He went on to illustrate the market fragmentation between the Big Four and SMPs and how the Big Four were increasingly pushing into the SME market. The presentation closed by analysing the on-going regulatory challenges

that SMPs in Europe were facing and that called for a concerted answer by Europe's professional associations. The presentation sparked an interesting discussion with the representatives of professional organisations from all over the world and was very well received by all participants. This positive response did certainly add to EFAA's profile during the talks with IFAC officials and the representatives of other professional organisation in the context of the IFAC Council meeting.

EFAA Participates on DATEV Panel on Data Security in Brussels

When one of Europe's biggest IT providers for the liberal professions asks you to speak on a high-level panel in Brussels on data protection just a few weeks before the anticipated agreement on a new European General Data Protection Regulation (GDPR) – how would you respond?

EFAA President Bodo Richardt agreed to the invitation by DATEV, one of the largest European firms in the IT market and a specialist for accountants, auditors and tax advisors, active in seven European countries.

On 16 November 2015, DATEV organised a panel discussion on "EU Data Protection – Engine for New Business Models?" in the picturesque Representation of Bavaria to the European Union.

DATEV CEO, Dieter Kempf and the Bavarian Minister of European Affairs, Beate Merk made the opening speeches at the event. Mr Richardt represented EFAA in a panel discussion with the MEPs Jan Philipp Albrecht (Greens), who served as the leading draftsman on the GDPR and as the European Parliament's negotiator in the trilogue negotiations with the European Commission and the Council of the EU, and Axel Voss, the draftsman on the GDPR for the European People's Party (EPP). Detlef Fechtner, the Brussels correspondent

of *Börsen-Zeitung* (financial newspaper, Germany), chaired the interactive panel discussion.

The EFAA President highlighted in his intervention that all regulatory initiatives should pursue the aim of levelling the playing field for SMPs and SMEs when it comes to digitalisation. He noted that it was important to ensure that none of the rules force accountants and auditors to breach the professional secrecy. In cases where information must be provided, the responsible authority can only be the professional body or the union. This ensures professional secrecy and appropriate and effective measures.

The discussions on the panel and in the aftermath of the event reconfirmed that digitalisation is indeed one of the mega-trends for the profession and that standard setters were eager to work with the auditing and accounting professions to shape this process positively. The trilogue agreement on 15 December 2015 on the GDPR represents an important step in that direction.



PHOTO: DATEV

Speaking out for Europe's SMPs and SMEs on Digitalisation – EFAA President Bodo Richardt.



EU Update

EU'S SINGLE MARKET STRATEGY FOCUSES ON PROFESSIONAL SERVICES

On 28 October 2015 the European Commission (EC) published its updated Single Market Strategy, to deepen and improve the functioning of the European Single Market. The Single Market Strategy rests on three pillars.

Firstly, it aims to ban uncertainties over the application of rules on consumer protection, taxation, licensing, health and safety standards, social security and employment protection. The EC will therefore start harmonization initiatives in these areas under the new Single Market Strategy.

Secondly, the EC wants to help SMEs and start-up companies to grow by reducing the complexity of VAT regulations and company laws and by helping them to finance themselves.

Thirdly, the EC plans to gradually liberalize regulated professions and has chosen the accounting profession as one of their primary targets. The idea behind this pillar is to intensify the transnational competition of regulated professions in Europe, so as to lower prices for consumers and to increase the quality of the services provided. EFAA will closely monitor all the actions that the EC will take in this regard.

AGREEMENT ON THE GENERAL DATA PROTECTION REGULATION

The European Commission (EC), the European Parliament (EP) and the Council of the EU reached an agreement on the General Data Protection Regulation (GDPR) in their trilateral negotiations on 15 December 2015.

The former EU data protection directive dated back to 1995. It was heavily criticized for creating a patchwork of unequal levels of data protection in the EU and was seen as obsolete in terms of digital advancement. This is why the European Commission put forward its draft for an EU data protection reform in 2012. EFAA President, Bodo Richardt participated in a panel on the GDPR hosted by the leading IT provider DATEV on 16 November 2015 in Brussels - alongside MEP Jan Philipp Albrecht, the leading GDPR negotiator on the European Parliament's behalf.

According to the new agreement on the GDPR, any company that offers its services in Europe would have to comply with European data protection rules. This means that companies would only have to observe one standard - as opposed to 28 different national standards as was previously the case, which means less red tape for businesses operating in the European market. In some respects, however, the final agreement contains stricter rules than those the European Commission originally proposed back in 2012. The sanctions for infringements of these new rules have been enlarged and the fines have been significantly increased. Proponents of the stricter rules argue that this could constitute an advantage for Europe's economy, as a high level of data protection might be attractive for businesses and consumers coming from markets with lower standards.

FURTHER INFORMATION AND CONTACT:

If you want to find out more about EFAA, our work or on how to become a member, please feel free to contact us at info@efaa.com. If you have any comments, questions or suggestions regarding this newsletter, or you want to contribute to a future issue of the EFAA newsletter, simply send an email to our Project Coordinator Felix Martens at felix.martens@efaa.com.

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Upcoming Events 2016

January 13

EFAA Board Meeting, Amsterdam

January 26

SAFA-IFAC Regional SMP Forum, Colombo

February 25

EFAA Board Meeting, Paris

February 26

EFAA Council Meeting, Paris

March 7

IESBA CAG, Paris

March 8 – 9

IAASB CAG, Paris

April 5 – 6

20th Annual Conference of the Chamber of Auditors of the Republic of Azerbaijan, Baku

April 8

8th Annual Conference of the Mediterranean Federation of Accountants, Porto

May 3

EFAA Board Meeting, Munich

May 23 – 24

German Tax Advisor Congress, Berlin

June 8

EFAA Board Meeting, Madrid

June 9

EFAA-CGE Conference, Madrid

June 10

EFAA 2016 AGM, Madrid