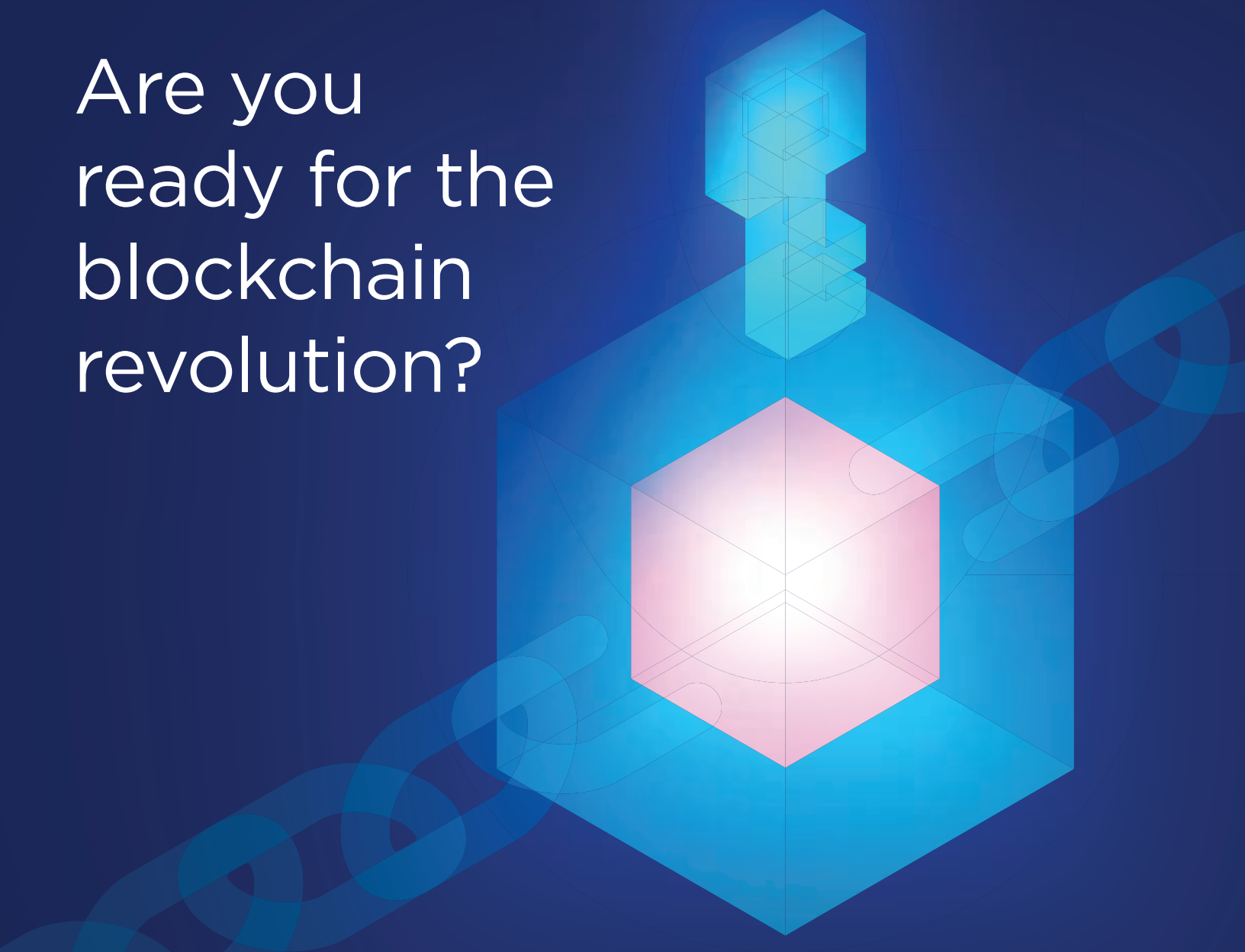
CPABC

INFOCUS

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MAY/JUNE 2018

Are you ready for the blockchain revolution?



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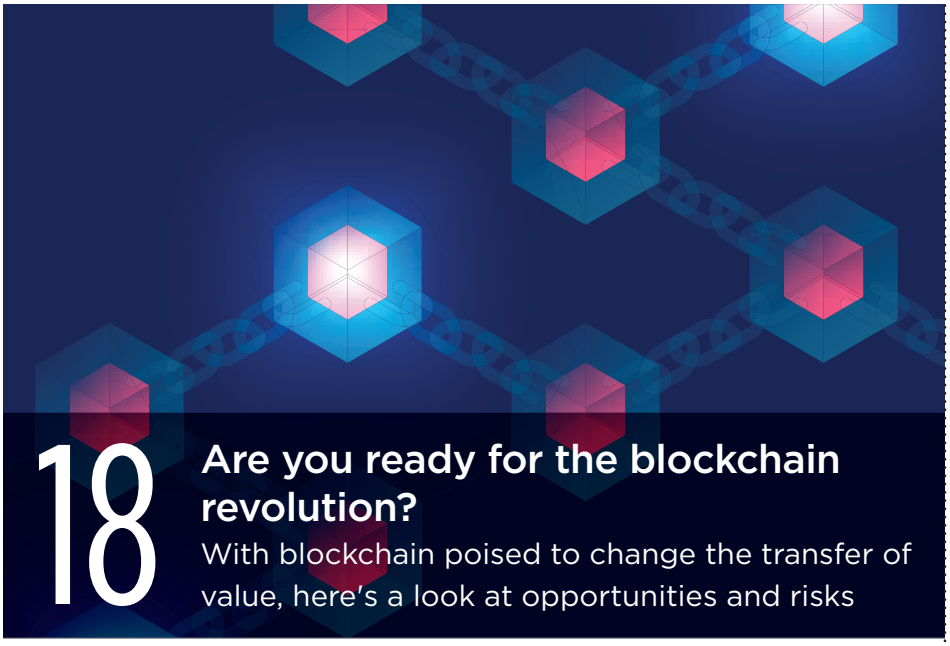
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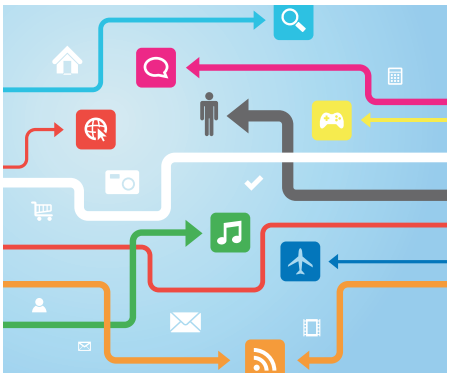
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Errata: In our March/April 2018 issue, we used the wording "Alisa Smith, CPA Candidate." As noted in the regulatory FAQs at **bccpa.ca**, the correct tagging is "Alisa Smith, a candidate in the CPA Professional Education Program." In the "Cybersecurity" infographic on page 31, we said the Equifax breach "compromised the data of 152M UK customers." The correct figure is 15.2M.

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CPABC INFOCUS

May/June 2018, Vol. 6, No. 3

CPABC in Focus is the flagship magazine of BC's chartered professional accountants.

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About

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Notes from the Chair

By Heather Banham, FCPA, FCGA

As this issue of *CPABC in Focus* arrives on your doorstep, my tenure as chair of the CPABC Board of Directors will be drawing to a close. It's hard to believe how quickly the time has flown by. This past year has been chock full of meaningful activity, collaboration, and camaraderie.

One highlight this winter was the Greater Vancouver Board of Trade event "A Conversation with Former U.S. First Lady Michelle Obama," of which CPABC was a supporting sponsor (see recap on page 6). Another was *Business in Vancouver*'s Influential Women in Business Awards gala, where Shelley Brown, FCPA, FCA, was recognized for her outstanding career, volunteerism, and leadership in the CPA profession (page 7). CPABC was a gold sponsor of the event.

Coming up next is CPABC's Convocation ceremony, which will take place on May 12 at the Vancouver Convention Centre. I'm very much looking forward to congratulating our 833 new CPAs as they cross the stage in front of friends and family. I'm also looking forward to attending the Spring Pacific Summit in Vancouver (May 30-June 1). With "mastering disruptive change" as its theme, the summit promises to provide much food for thought.

You'll find that disruptive change figures heavily in this issue of the magazine as well. Our cover story focuses on blockchain technology and its potential to revolutionize the financial sector (pages 18-23), our feature story looks at the impact of data proliferation on cybersecurity (pages 24-28), and our tax article questions how Canada will fare in light of the overhaul of the US federal tax code in 2017 (pages 38-40). Lastly, in our personal development article, Spring Pacific Summit speaker Michelle Ray summarizes the tenets of the "leadership mindset" and describes how to lead yourself through disruptive change (pages 32-33).

Understanding and managing disruption—particularly disruption caused by changes in technology—is a key priority for the board heading into 2018-2019. If you think you have the skills required to help the profession navigate through technological change and other challenges and opportunities, I urge you to consider putting your name forward for the upcoming board election, as there will be five open positions to fill at CPABC's annual general meeting on June 27 (page 8).

The AGM will mark the end of my term as CPABC chair and the passing of the mantle to my colleague Barry Macdonald, FCPA, FCA. I would like to wish Barry and the board all the best as they continue to serve members, candidates, and students, and work to ensure a bright future for the profession.

Finally, I would like to end my last column by thanking the membership for this opportunity. Serving first on a legacy board through unification and then as chair of CPABC has been immensely gratifying. It has been a privilege to serve during this historic time, and we can all be proud of the work we've done in establishing the CPA profession. ■



Heather Banham, FCPA, FCGA
CPABC Chair

Sponsorships & Events

CPABC has had a full calendar this spring. In addition to hosting two annual events to honour and celebrate the membership—the Member Recognition Dinner on February 21 and the FCPA Dinner on April 4 (see pages 46-47)—the organization sponsored the following events: "A Conversation with Former U.S. First Lady Michelle Obama," hosted by the Greater Vancouver Board of Trade on February 15 (see below); the Business Council of British Columbia's Post-Budget Breakfast with the Honourable Bill Morneau on March 6 (page 37); *Business in Vancouver*'s 2018 Influential Women in Business Awards on March 8 (page 7); the Conference Board of Canada's Western Business Outlook 2018: Vancouver event on April 10; and the HR Conference + Tradeshow 2018 hosted by the Chartered Professionals in Human Resources of British Columbia and Yukon on May 1 and 2. You can read more about CPABC's sponsorships and public affairs initiatives on page 37.

CPABC's student recruitment and employer relations team was also busy hosting information sessions and attending career fairs at post-secondary institutions across the province. The team held a Speed Interview Night in Vancouver on March 14, which gave job seekers a chance to meet with employers from a variety of sectors, and a CPA Industry Panel Night in Victoria on March 29, which brought CPA members and candidates together to discuss the CPA program.

Upcoming CPABC-hosted events to watch for include the annual COIN Competition, which gives high school students a chance to test their accounting acumen (May 12); CPABC Convocation (May 12); the CareerConnect Employer Showcase (May 17); the CPABC Spring Pacific Summit (May 30-June 1); and CPABC's annual general meeting (June 27, see page 8). Upcoming sponsorships include the annual conference of the Government Finance Officers Association of British Columbia (May 30-June 1) and the 2018 BC CFO Awards (June 7).

For more information on CPABC's sponsorships and events, visit the News, Events & Publications section of **bccpa.ca**.

Michelle Obama Events Draw Record Crowds

On February 15, the Greater Vancouver Board of Trade (GVBOT) hosted two engagements of "A Conversation with Former U.S. First Lady Michelle Obama" at the Queen Elizabeth Theatre. Both events (one in the afternoon and one in the evening) sold out well in advance.

As senior vice-chair of the GVBOT, Lori Mathison, FCPA, FCGA, LLB, CPABC's president & CEO, welcomed Michelle Obama to the stage for the afternoon engagement. Said Mathison: "Many of the conversations we are presently having at a societal level speak to the best of the principles Michelle Obama embodies and the values she advances through her tremendous influence and efforts. She has spoken publicly on many topics of importance to contemporary society, including the empowerment of women and girls, the importance of education, and improving the health and wellness of children."

Mathison noted that these objectives were reflected in four signature initiatives championed by Obama during her tenure as first lady of the United States between 2009 and 2017: Reach Higher, which encourages young people to seek higher education; Let Girls Learn, which helps adolescent girls around the world go to school; Let's Move!, which addresses the challenge of childhood obesity; and Joining Forces, which supports veterans, service members, and their families.

During both the afternoon and evening engagements, Obama discussed these initiatives and shared her insights on topics ranging from work/life balance to social media.

While speaking about the power of social media during the afternoon engagement, Obama noted: "No one's first thoughts are worth tweeting."[1] She urged attendees to take time before posting to consider how their words would reflect on their character, advised them to ignore the negative commentary of strangers online, and cautioned against sharing too much information. She also encouraged people to put down their devices and connect with one other (see pages 24-28 for more on this topic).

CPABC was proud to be a supporting sponsor of these engagements, which drew the largest audiences in GVBOT history.



Photo by Matt Borck of Sara Borck Photography.

[1] Martha Perkins, "Michelle Obama on Social Media: Think Twice (or by Committee) before You Tweet," *Vancouver Courier*, February 15, 2018.

CPABC Sponsors Influential Women in Business Awards

On March 8—International Women's Day—*Business in Vancouver* hosted its annual Influential Women in Business (IWIB) Awards at the Fairmont Waterfront Hotel in Vancouver. CPABC was a gold sponsor of the event, which recognizes outstanding businesswomen working in the private and public sectors.

The event kicked off with opening remarks from CBC Radio host Gloria Macarenko, followed by a gala lunch, after which the winners of the 2018 Influential Women in Business Awards, listed alphabetically below, were recognized:

- Shelley Brown, FCPA, FCA – partner at Deloitte Canada
- Anne Giardini – chancellor of Simon Fraser University
- Sandra Miles – president and CEO of Miles Employment Group
- Sue Paish – president and CEO of LifeLabs (Lifetime Achievement Award)
- Charlene Ripley – executive vice-president and general counsel for Goldcorp
- Kirsten Sutton – vice-president and managing director of SAP Labs Canada

CPABC President & CEO Lori Mathison, FCPA, FCGA, LLB, was on hand to introduce Shelley Brown.

"Shelley is one of Canada's most powerful leaders … who has achieved role model status for young professionals countrywide," noted Mathison, before providing an overview of Brown's professional accomplishments. These include serving as a trusted advisor to many multinational Canadian companies, playing an instrumental role in the unification of Canada's accounting profession, and acting as the first chair of CPA Canada. Mathison also referenced Brown's long-standing volunteerism in the community, saying: "Shelley holds over 25 years of experience serving communities and sits on many associations and boards, including the Jim Pattison Children's Hospital Foundation and Covenant House Vancouver."

After the awards ceremony, the event was rounded out with closing remarks from Macarenko, prize draws, and a group photo of the 2018 honourees.





Above: Gloria Macarenko kicks off the event. Below: CPABC President & CEO Lori Mathison, FCPA, FCGA, LLB, with IWIB award winner Shelley Brown, FCPA, FCA. Photos courtesy of *Business in Vancouver.*

International Federation of Accountants Appoints Former CPA Canada Leader as CEO

CPABC would like to congratulate former CPA Canada president and CEO Kevin Dancey, FCPA, FCA, on his appointment as CEO of the International Federation of Accountants (IFAC). Dancey joins the organization on May 14, and will work closely with current IFAC CEO Fayez Choudhury to ensure a seamless leadership transition before Choudhury steps down at the end of 2018.

Dancey's long history of leadership in the accounting profession includes leading CPA Canada and the Canadian Institute of Chartered Accountants, serving as senior partner and CEO of PwC Canada, and leading the national tax practice for PwC predecessor firm Coopers & Lybrand. He currently serves as national co-ordinator of the CPA Martin Mentorship Program for Indigenous High School Students.

Dancey has a long history of leadership in the public sector as well. He previously served as assistant deputy finance minister of the Department of Finance Canada's tax policy branch and currently chairs Finance Canada's departmental audit committee.



Kevin Dancey, FCPA, FCA. Photo courtesy of IFAC.

Important: 2018-2019 Member Dues Renewal is Now Past Due

Deadline was April 1, 2018

CPABC would like to acknowledge and thank the majority of members who paid their dues on time. Timely payment minimizes the administrative cost of following up on collections.

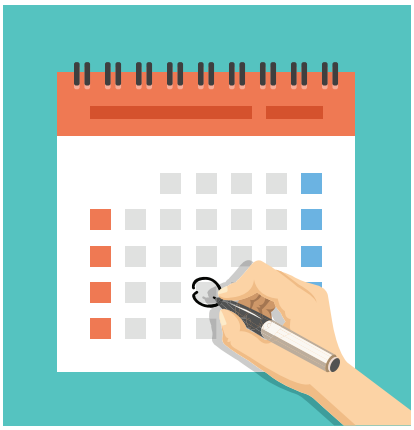
If you have not yet renewed your member dues, please do so before May 31 to avoid the administration fee, which places the additional cost of collections on those members who pay late.

An email notification was sent to each member in late February 2018, indicating that the renewal date for the 2018-2019 member dues was April 1, 2018. If you did not receive this email, contact **memberrecords@bccpa.ca** to ensure that we have your current email address in our database or visit CPABC's Online Services at **services.bccpa.ca** to update your contact information (including email) online. This will help ensure that you receive important messages from CPABC in the future.

To view your member dues renewal notice online, visit CPABC's Online Services at **services.bccpa.ca**. This will enable you to print the renewal notice for your records and give you the option of paying your dues online, which is the recommended payment option.

Again, please make sure your CPABC member profile is up to date—particularly your email address and mailing address—so that you don't miss out on important messages from CPABC.

Save the Dates: AGMs for CPA Yukon and CPABC



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Yukon:
June 19, 2018
CPA Yukon will hold its 2017-2018 annual general meeting at 4:30 p.m. on Tuesday, June 19. The AGM will take place at Coast High Country Inn: 4051 - 4th Avenue, Whitehorse, YT. A social event will follow the meeting at 6:00 p.m.

BC: June 27, 2018
CPABC will hold its 2017-2018 annual general meeting at 4:00 p.m. on Wednesday, June 27. The AGM will take place at the CPABC office: Suite 800 – 555 West Hastings Street, Vancouver, BC.

More details for both events will be available online at **bccpa.ca** in early June.

Do We Have Your Current Email Address and Contact Info?

Members, if you've recently moved, changed employers, or created a new email address, be sure to update your contact information using CPABC's Online Services at **services.bccpa.ca**. This is a friendly reminder that CPABC bylaws require you to immediately notify the registrar of any change in your mailing and email addresses.

Candidates and students, you must update your contact information using the My CPA Portal of the CPA Western School of Business at **https://my.cpawsb.ca**.

Aside from staying onside, ensuring that your email address is up to date means you won't miss out on important notices.

Stay up to speed by staying up to date!



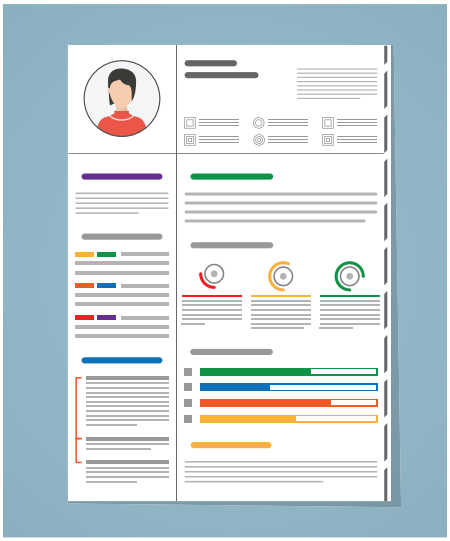
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Changes to CPABC Board Election Process

A skills and diversity matrix was developed by the CPABC Board of Directors to provide a more specific framework with which to identify gaps in representation and, therefore, the most sought-after skills, attributes, and diversity for incoming board members. A formal interview process, with the assistance of an independent external consultant, will take place for all candidates putting their names forward for election to further enrich and broaden the board's skill set.

The interview's purpose is to identify to the membership those candidates who most closely align with the skills, competencies, and diversity being sought by the board. Each candidate will have an initial discussion with the independent external consultant as submissions are received, and no later than May 24 or 25, to review the process and give the consultant the opportunity to learn more about the candidate's background. Candidates will then be interviewed by both the Board Renewal Committee and independent external consultant on May 28 and 29.

It is the board's goal to ensure, as much as is possible, that its makeup accurately reflects the diversity of the membership, including such considerations as gender, culture, and experience. In addition, the board will aim to have representation from a cross-section of industry sectors, including small, medium, and large enterprises, government, education, and public practice.



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2018 Call for Nominations – CPABC Board of Directors

In accordance with the *Chartered Professional Accountants Act* and the *CPABC Bylaws*, this is our formal notice that nominations for 2018-2021 board candidates are now being accepted. There are five positions open.

To maintain the minimum geographic representation requirements set out in Bylaw Regulation 200/2(2), at least one of these five vacant positions must be filled by a candidate from the Interior region. The remaining four vacancies may be filled by candidates from any region in British Columbia, as the other geographical representation requirements set out in Bylaw Regulation 200/2(2) will be satisfied by incumbent board members who continue to serve.

While all BC CPAs who are members in good standing are eligible to stand for election to the CPABC Board of Directors, the CPABC Board Renewal Committee has identified the following seven competency areas in which it would be beneficial to strengthen the expertise of the CPABC board:

- Significant leadership experience, including strategy development and implementation
- Risk management
- Government relations
- Professional regulation
- Education
- Change management
- Information technology, including cybersecurity

In conjunction with an independent external consultant, CPABC's Board Renewal Committee will interview all candidates who put their names forward for election to identify to the membership those candidates it believes are best aligned with the skills, competencies, and diversity being sought by the board.

Voting for board positions and other regulatory matters will take place from June 5 to June 20, and the results will be announced at CPABC's AGM on June 27, 2018, which will take place at the CPABC office in Vancouver. Formal notice of the CPABC AGM will be provided at a later date.

The Board Nomination Form will be available at **bccpa.ca** under Members>Forms>Leadership after May 8. Nomination forms must be received at the CPABC office by 4:00 p.m. on Wednesday, May 23, 2018. Each candidate will have an initial discussion with the independent external consultant as submissions are received, and no later than May 24 or 25, to review the process and give the consultant the opportunity to learn more about the candidate's background. Candidates will then be interviewed by both the Board Renewal Committee and independent external consultant on May 28 and 29. Please hold these dates open in your calendar if you are planning to submit a nomination package.

Bylaw Regulation Changes
Highlights of Amendments to Bylaw Regulations for 2017-2018

CPABC Bylaw Regulations

SEPTEMBER 2017

Part 7 Licensure for Public Practice

Exemptions from Licensure Bylaw Regulation 700/1 sections (1) and (1.1) were amended to add, in specific circumstances, a licensure exemption for CPABC members who are also practising lawyers covered under the *Legal Profession Act*.

Part 13 General

Transition Bylaw Regulation 1301/2(2) was amended to extend the transitional provisions for legacy professional liability insurance holders.

FEBRUARY 2018

Part 2 CPABC Board, General Meetings and Officers

Election Ballots Bylaw Regulation 204/2(2) – Minor changes were made to eliminate the need to group board candidate names by their declared electoral region or in alphabetical order.

Voting Procedures Bylaw Regulation 204/3(2) was amended to align the cut-off times for the receipt of electronic and paper ballots to five business days before the annual general meeting.

Proxies Bylaw Regulation 207/4 sections (1) and (2) were amended to align the cut-off times for receipt or revocation of proxies and electronic voting to five business days before the annual general meeting.

Electronic Voting Bylaw Regulation 207/5 sections (1) and (2) were amended to align the cut-off times for receipt or revocation of proxies and electronic voting to five business days before the annual general meeting.

Part 5 Membership

Limitations on Registrar's Authority Bylaw Regulation 500/1(1)(c)(ii) was deleted to repeal the limitation that prevented the Registrar from admitting to membership a student who re-enrolled in CPA PEP after having their enrolment cancelled. Re-enrolment is allowed under education policies, and students who have failed out of the program may re-enrol if they start at the beginning of the program.

Part 6 Continuing Professional Development

Definitions Bylaw Regulation 600/1 – Minor amendments were made to two definitions. In the definition of "**ethics hours**," the descriptor of ethics was changed from "business" to "professional." In the definition of "**verifiable qualifying hours**," the requirement for "third-party" verification was deleted.

CPD Program: Basic Requirements Bylaw Regulation 600/2(4) was amended for clarity, with specific reference added to the annual CPD requirement. This provision applies to members admitted under **Bylaw 501(5) to (9) or section 35(2) of the Act**.

CPD Program: Basic Requirements Bylaw Regulation 600/2 sections (5) and (6) were deleted, as they were transitional provisions referring to legacy CA and CMA members and had expired. **Bylaw Regulation 600/2(7)** was subsequently renumbered as **600/2(5)**.

CPD Program: Post-Admission Requirement for Foreign Qualified Members Bylaw Regulation 600/3 was amended to broaden the scope of the CPD requirements to reflect requirements and sanctioning for post-admission CPD requirements under new or newly renegotiated Mutual Recognition Agreements and Reciprocal Membership Agreements. The amendments outline the requirement for either post-admission CPD coursework or a reciprocity exam. In addition, the coursework requirements have been broadened to add more flexibility.

Retention of Documentation Bylaw Regulation 600/6 was created to establish a retention requirement for verifiable CPD supporting documentation. This documentation must be retained for at least five years in order to objectively verify the CPD claimed.

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Regulatory Reminder: Is Your Firm's Website CPA-Compliant?

Public practice firms must ensure that their website content complies with the following CPA requirements:

- "Chartered Professional Accountant(s)" must be shown in the firm name and/or descriptive style, with no reference ("tagging") to legacy organizations. Firms are not tagged—only individual members are tagged.
- Where the CPA designation is shown for individual owners or staff members, it must be tagged with their legacy designation, such as "CPA, CA," "CPA, CGA," or "CPA, CMA."
- US and other foreign accounting designations may only be displayed by CPABC members in good standing. Additionally, the foreign designation must be shown together with, and after, the Canadian CPA designation and accompanied by the jurisdiction. For example, "CPA, CA, CPA (Illinois)" or "CPA, CGA, CPA (Philippines)."
- Any references to services provided must align with the licence categories of the firm's owners or authorized staff. For example, a website cannot mention "audit services" if no CPA at the firm is licensed to provide audit services.
- The firm has obtained authorization from CPABC for use of the CPA logo. Go to **bccpa.ca** and look under Regulatory>Public Practice>Firm Names/Use of CPA to request authorization.

Furthermore, we remind firms that their website content must comply with Rule 217.1 of the *CPABC Code of Professional Conduct*, which addresses advertising:

"A registrant may advertise or seek publicity for the registrant's services, achievements or products and may seek to obtain new engagements and clients by various means, but shall not do so, directly or indirectly, in any manner

a) which the registrant knows, or should know, is false or misleading or which includes a statement the contents of which the registrant cannot substantiate;
b) which makes unfavourable reflections on the competence or integrity of the profession or any registrant; or
c) which otherwise brings disrepute on the profession."

Resources for Public Practitioners

Resource guides for specified auditing procedures engagements

CPABC's advisory services team has created two resource guides for those performing specified auditing procedures engagements involving the Law Society of BC and the Real Estate Council of BC: "Resources for Law Society of British Columbia Trust Accountant's Report" and "Resources for Real Estate Council of British Columbia Trust Accountant's Report."

Each guide includes a sample engagement and representation letter, a sample Section 9100 accountant's report, and useful checklists to perform the engagement.

Note: While these resources provide guidance and convenient templates, they do not replace the need for practitioners to apply their professional judgment and perform their due diligence.

Practitioners can find these resources in CPABC's Public Practice News & Views Knowledge Base at **bccpa.ca/news-views-kb**>Category: Compilation and Other Related Services>Subcategory: Specified Auditing Procedures Engagements.



Practitioner's brochure

We understand that practitioners are always looking for ways to promote their CPA firms to potential clients. That's why we've developed a brochure template practitioners can customize to display their firm name, contact information, and services. Note: All printing costs will be at the firm's expense.

To use this marketing tool, practitioners must first submit an application form, which can be downloaded from the Public Practice News & Views Knowledge Base at **bccpa.ca/news-views-kb**> Category: Practice Management>Subcategory: Advertising & Marketing.



For information about these new resources, contact CPABC's advisory services team at **professionaladvisory@bccpa.ca**.

A Reminder for NPOs: Have You Transitioned to the New Act?

Do you work for or serve on the board of a not-for-profit organization (NPO) that is governed by BC's *Societies Act*? If so, you're likely aware that every NPO incorporated under the old *Society Act* must "transition" to the new *Societies Act* within two years of the latter's effective date. The *Societies Act* came into effect on November 28, 2016, which means NPOs have until November 28, 2018, to complete the transition process. Is your society ready?

Here are some of the significant changes introduced in the *Societies Act*:

- It establishes minimum qualifications for all society directors, while still allowing societies to set out additional qualifications in their bylaws.
- It reduces the threshold to pass special resolutions, with flexibility to set a higher threshold with unanimous approval of the members.
- It prohibits societies from having unalterable provisions in their constitutions. Many societies will have to amend their constitutions and bylaws to comply with this requirement.
- It gives members the right to add "member proposals" to meetings.
- It introduces the concept of the "senior manager."
- It requires that remuneration to a society's top 10 highest-paid employees and contractors (over a prescribed amount) be disclosed publicly by way of a note in the society's financial statements.
- It introduces a new category called "member-funded societies." As the name implies, the activities of member-funded societies are funded primarily by the members themselves. The *Societies Act* relaxes some standards for these societies given the private nature of their funding.

You can compare the old and new acts by visiting the NPO section of the BC government website at **www2.gov.bc.ca**, where you'll find PDF summaries of the changes. (You can also revisit the article "BC Not-for-Profit Alert: New *Societies Act* Coming!" in the September/October 2015 issue of *CPABC in Focus* for an overview of the more significant changes.[1])

The BC government website also provides links to the legislation, a step-by-step transition guide, and "Societies Online," the new online filing system for societies. Note that you will need to create an account with Societies Online in order to submit the Transition Application. There is no charge for filing the application.

Whether you're the director of finance for an NPO or its volunteer treasurer, we encourage you to work with your management team/fellow board members and your accounting service providers to ensure that your society completes the transition process before the deadline of November 28, 2018.



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[1] Michael Blatchford and Bryan Millman, "BC Not-for-Profit Alert: New Societies Act Coming!" *CPABC in Focus*, September/October 2015, p. 36.

Newly Negotiated Agreements Extend International Opportunities for CPAs

CPABC members looking for employment outside of Canada now have additional opportunities, as CPA Canada has negotiated new Mutual Recognition Agreements, Reciprocal Membership Agreements, and Memoranda of Understanding with several foreign accounting bodies. The new agreements, which came into effect on January 1, 2018, provide an abbreviated pathway for Canadian CPAs who want to join the following:

- The American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy
- Chartered Accountants Australia & New Zealand
- Chartered Accountants Ireland
- The Institute of Chartered Accountants of Pakistan
- The Institute of Chartered Accountants of Scotland
- Instituto Mexicano de Contadores Públicos, A.C. and Comité Mexicano para la Práctica Internacional de la Contaduría
- The South African Institute of Chartered Accountants

Eligibility and process requirements vary. To review the requirements, visit **cpacanada.ca**, go to Become a CPA>International credential recognition>International membership recognition agreements, and select the appropriate foreign accounting body. Depending on the terms of the agreement and your training and experience, you may need to complete additional requirements before being admitted to membership.

If you have questions about becoming a member of a foreign accounting body, contact the organization directly. The final decision on membership admission rests with the foreign accounting body.

Several legacy agreements still in effect

Some agreements negotiated by the legacy CA, CGA, and CMA bodies remain in effect until CPA Canada negotiates new agreements. These legacy agreements apply only to members of the legacy bodies with which they were negotiated. If you're interested in seeking membership with a foreign accounting body under a legacy agreement, you should consider doing so without delay, as the agreement may terminate without notice. To check the current status of a legacy agreement, visit **bccpa.ca** and go to Become a CPA>Internationally Designated Accountants.

Global Accounting Alliance

Did you know that CPA Canada is one of 10 professional accounting organizations that make up the Global Accounting Alliance (GAA)? Under the terms of the GAA, members of any one of the following organizations can take advantage of the member benefits offered by the other nine:

1. The American Institute of Certified Public Accountants
2. Chartered Accountants Australia & New Zealand
3. Chartered Accountants Ireland
4. CPA Canada
5. The Hong Kong Institute of Certified Public Accountants
6. Institut der Wirtschaftsprufer in Deutschland
7. The Institute of Chartered Accountants in England and Wales
8. The Institute of Chartered Accountants of Scotland
9. The Japanese Institute of Certified Public Accountants
10. The South African Institute of Chartered Accountants

Benefits for Canadian CPAs working abroad

If you're a Canadian CPA working in a country that has a reciprocal GAA accounting body, consider signing up for the GAA Passport Program. The program entitles you to many benefits, including:

- Electronic copies of the host accounting organization's magazine (where available) or electronic newsletters;
- *GAA Accounting*, a bi-monthly journal;
- Member rates for continuing professional development and networking events;
- Affinity discounts; and
- Access to meeting rooms, libraries, information services, and technical help at member rates (where available).

For more information about the passport program, visit **cpacanada.ca** and go to Members' Area>GAA Passport Program for CPAs, or visit **globalaccountingalliance.com**.

Benefits for foreign-designated accountants working in Canada

While working in Canada, members of reciprocal GAA organizations can receive many of the same benefits as CPABC members. This includes being able to participate in local chapter events, take CPABC-organized professional development courses, and attend networking events.

One such event will be taking place in Burnaby on the evening of June 27 to celebrate Canadian Multiculturalism Day. The event will be hosted by CPABC in collaboration with the Association of Filipino Canadian Accountants (AFCA), the BC Chapter of the Institute of Chartered Accountants of India, and local members of Chartered Accountants Ireland. To register for this social networking event, visit **bccpa.ca** and go to News, Events & Publications>Events>Other Upcoming Events.

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Registration for the Fall Pacific Summit will open in late June. For details, visit: **bccpa.ca/fallpacificsummit**.

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CPABC Member Recognition Program



CPABC is proud to recognize its leaders, volunteers, community workers, and educators. Do you know an outstanding CPA? Nominate them for a Member Recognition Award.

Each year, awards are granted in the following categories:

DISTINGUISHED SERVICE AWARD

Recognizes members who have been actively involved in volunteer activities for many years for their dedication, commitment, and outstanding contribution to the CPA profession and/or for their unstinting support to one or more not-for-profit or charitable organizations.

EARLY ACHIEVEMENT AWARD

Recognizes members who distinguish themselves early in their CPA careers through professional achievement and volunteer service, with an emphasis on professional accomplishments.

FELLOWSHIP DESIGNATION

Recognizes CPAs who have rendered exceptional service to the profession, and whose leadership and achievements in their careers and/or contributions to the community have earned them distinction and brought honour to the profession.

HONORARY CPA DESIGNATION

Recognizes the executive accomplishments of non-members who have made a significant contribution to the accounting profession and positions them as leaders in both the business community and the community at large.

LIFETIME ACHIEVEMENT AWARD

Recognizes the exceptional dedication and commitment and the extraordinary contribution of those members who have received their Fellowship and continue to make significant achievements in a broad range of areas.

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CPABC paper-based communications

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Cover Story

By Regan McGrath, CPA, CA, and Kyle Mackenzie, CPA

Blockchain:
Are you ready for the revolution?

If you're wondering when the buzz about blockchain will die down, you're probably in for a long wait. Although global investment in financial technology declined substantially between 2015 and 2016 (dropping from US$46.7 billion to US$24.7 billion),[1] the numbers are still staggering. And although the convoluted nature of Bitcoin has drawn the humorous ire of late night comedy shows like Last Week Tonight with John Oliver and Late Night with Seth Meyers, that doesn't mean blockchain, the emerging technology behind Bitcoin, is going away.

In fact, despite uncertainty about its practicability and concerns about how it will be regulated, blockchain is still poised to change the transfer of value and, in so doing, the very way business is conducted and reported. In the September 2016 issue of *CPA Magazine*, Dwayne Bragonier, CPA, CA, CITP, CA•IT, said we can expect to see blockchains—"the most revolutionary and disruptive technology to hit [the accounting] profession since the advent of computerized bookkeeping"—used in the general market within three to five years.[2]

In our cover story, CPABC members Regan McGrath and Kyle Mackenzie discuss the potential opportunities and risks of this transformative technology. This article draws on the first two instalments of the pair's four-part series for Industry Update, CPABC's industry news site at **bccpa.ca/industry-update**. Be sure to check the site in coming months for the third instalment in the series.

Commerce is no stranger to the disruptive power of technology. Remember when ATMs seemed like the ultimate convenience? Then came online banking, e-transfers, and cloud computing. Now Bitcoin, the world's first digital currency, circulates with a total worth of nearly US$113 billion,[3] and blockchain,[4] the technology behind it, is on the verge of revolutionizing financial technology.

Blockchain technology 101

In a nutshell, blockchain is a shared, unalterable digital ledger for recording the history of transactions.[5]

What makes blockchain stand out from current technology is the fact that it's decentralized—rather than existing in one location, each record is shared by computers ("nodes") all over the world. And rather than being housed in a centralized location, a blockchain ledger exists simultaneously on a peer-to-peer network of multiple nodes, each of which has its own independent copy. Whenever a new piece of information is entered into the ledger, it is distributed to every node in the network for verification, and whenever information is requested from the network, all nodes are queried to provide a "consensus" answer.

In theory, since information on blockchains is controlled by and distributed to all nodes on the network rather than to a select group of users, it is much less susceptible to fraud and systemic corruption than centralized systems. Additionally, blockchain users don't need external mediation or a conventional trust-based relationship to execute a transaction because they can rely on the blockchain.

[1] KPMG International, *The Pulse of Fintech Q4 2016: Global Analysis of Investment in Fintech*, February 21, 2017.

[2] Dwayne Bragonier, "An Intro to Blockchain Technology," *CPA Magazine*, September 2016.

[3] **https://coinmarketcap.com** (accessed April 6, 2018).

[4] Ameer Rosic, "What is Blockchain Technology? A Step-by-Step Guide for Beginners," **https://blockgeeks.com/guides/what-is-blockchain-technology**.

[5] IBM, "Blockchain 101 Infographic: Understand What Blockchain Is, How It Works, and the Key Benefits to Enterprises." (**www-01.ibm.com/common/ssi/cgi-bin/ssialias?htmlfid=45015045USEN&**)

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Origins: The Internet and smart technology

To understand why we may be on the precipice of the next technological revolution, we need to understand the existing technologies that are paving the way.

It all started with the Internet, which allowed for the free, near-instant transfer of information. Then came smartphones, which ushered in a new era dubbed the "Internet of Things" (IoT).[6] While the first era was defined by the free flow of information, the second (and current) era is defined by the idea that any electronic device (aka "Thing") can or will eventually be able to connect to the Internet and/or to other Things.[7] We've already seen this occur with smartphones and other electronic devices, and eventually we'll see every device we own—and most objects we can imagine—become "smart" (see pages 24-28 for more on this topic).

Analysts have predicted that anywhere from 20 billion to 30 billion connected devices will be in use worldwide by 2020,[8] and the McKinsey Global Institute estimates that the IoT will have a potential economic impact of between US$3.9 trillion and US$11.1 trillion annually by 2025.[9]

At the same time, however, a new Internet era is emerging—one that could dictate the future of commerce: "the Internet of Value" (IoV).[10] The vision for the IoV is that value (money, payments, and property registries) will eventually move in the same costless way and at the same near-instant speed as information does today, without the need for intermediaries like chartered banks and clearinghouses.

[6] The term "Internet of Things" has been attributed to Kevin Ashton, a co-founder of MIT's Auto ID Lab. See: Arik Gabbai, "Kevin Ashton Describes "the Internet of Things," *Smithsonian Magazine*, January 2015.

[7] Jacob Morgan, "A Simple Explanation of 'the Internet of Things,'" *Forbes*, May 13, 2014.

[8] Amy Nordrum, "Popular Internet of Things Forecast of 50 Billion Devices by 2020 is Outdated," *IEEE Spectrum*, August 18, 2016.

[9] James Manyika, Michael Chui, Peter Bisson, Jonathan Woetzel, Richard Dobbs, Jacques Bughin, and Dan Aharon, *Unlocking the Potential of the Internet of Things*, McKinsey Global Institute, June 2015. (**mckinsey.com/business-functions/digital-mckinsey/our-insights/the-internet-of-things-the-value-of-digitizing-the-physical-world**)

[10] The term "Internet of Value" is widely attributed to Ripple, a US tech company.

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Decentralized apps: Making the move to blockchain

Needless to say, the Internet of Value represents a huge shift. Imagine a scenario, for example, in which you want to send cash (value) to a business partner in China. Currently, you have to participate in "correspondent banking" (i.e., wire or money transfers), an antiquated system that involves fees and a two-to-five-day processing period. What if, instead, you could transfer the value to your business partner using a social messaging platform? What if, with one text message, the cash could be sent and received instantly, without cost?

In fact, there are blockchain-based decentralized applications ("dapps") that already perform this exact service. Circle is just one example. Crowned as *Banking Technology* magazine's "Top Digital Innovation" for 2016, Circle is a blockchain-based social media platform to which users can link their debit card or Bitcoin wallet. They can then use the dapp to send different currencies around the world for free via iMessage.[11]

Now consider what will happen when the Internet of Value fully converges with the Internet of Things, and connected devices become economic players that can hold, spend, and transfer value. This convergence could signal the financial inclusion of the estimated two billion individuals worldwide who are currently "unbanked" (people without access to transaction accounts), triggering massive financial and social change.[12] Imagine the power of the sharing economy if people were given the authority to transfer money and assets (or the use of assets) over the Internet.

The future of blockchain technology

The World Economic Forum (WEF) predicts that new financial services infrastructure will transform and challenge traditional orthodoxies in today's business models.[13] In a 2016 survey, the WEF reported that the majority of experts and executives in the information and communications technology sector expect at least 10% of global GDP to be stored on blockchain platforms by 2025.[14]

While the WEF expects the tipping point for blockchain adoption to occur around 2027,[15] we predict that adoption will occur much sooner, as tech incubators and think tank projects continue to pour resources into blockchain. Between 2013 and 2016, more than $1.4 billion was invested in blockchain technology and 2,500 new patents were filed.[16] Harnessing this power will open the door for countless opportunities in future commerce.

[11] Laura Shin, "You Can Now Send a Payment to Anyone in the World Via iMessage," *Forbes*, September 13, 2016.

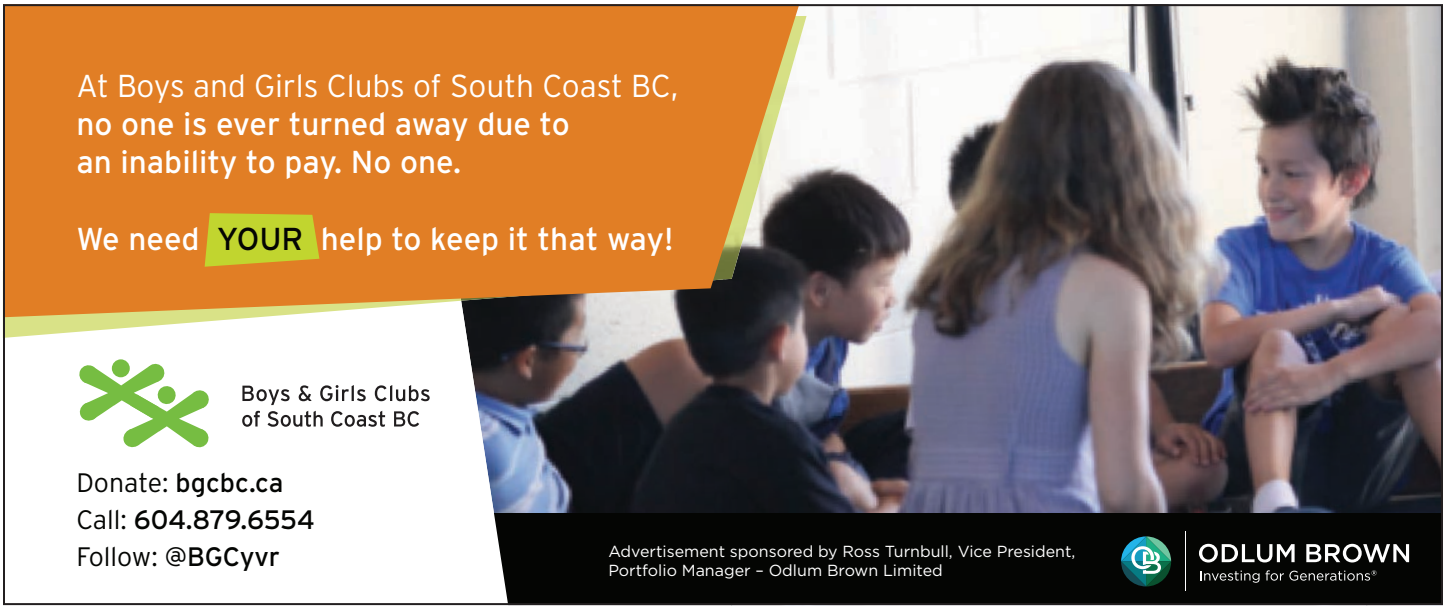
[12] The World Bank, "2 Billion: Number of Adults Worldwide Without Access to Formal Financial Services," March 10, 2016. (**worldbank.org**)

[13] R. Jesse McWaters (lead author), World Economic Forum, *The Future of Financial Infrastructure: An Ambitious Look at How Blockchain Can Reshape Financial Services*, August 2016. Prepared in collaboration with Deloitte. (**http://www3.weforum.org/docs/WEF_The_future_of_financial_infrastructure.pdf**)

[14] World Economic Forum, *Deep Shift: Technology Tipping Points and Societal Impact*, survey report, September 2015. (**www3.weforum.org/docs/WEF_GAC15_Technological_Tipping_Points_report_2015.pdf**)

[15] Ibid.

[16] Lester Coleman, "World Economic Forum: Blockchain Technology Will Change Financial Infrastructure," CCN, November 13, 2016. (**www.ccn.com/wef-blockchain-transformation**)



Canada is leading the way

With the creation of the Blockchain Association in 2013, the launch of the Ethereum blockchain[17] (which uses "ether" as its cryptocurrency) by Canadian inventor Vitalik Buterin in 2015, and the formation of the Blockchain Research Institute (BRI) in 2017, Canada is a leader in blockchain innovation. And it is poised to stay that way, according to blockchain pioneer Don Tapscott, co-founder of the BRI and co-author of *Blockchain Revolution*: "The technology super-corridor between Waterloo and Toronto is quickly becoming the global hub for blockchain technologies, and the Information and Communications Technology Council estimates that Canada's blockchain market will reach over $2.5 billion and create roughly 107,700 jobs by 2024."[18]

Etherparty, a Vancouver-based blockchain startup founded in 2015, is part of this surge. The company is focused on simplifying "smart" contracts to make the technology accessible to everyone, regardless of their knowledge of code. Etherparty is backed by another Vancouver company, Vanbex, which has serviced some of the biggest names in blockchain technology. Also part of this new wave is Stack, a Toronto-based company that partnered with Mastercard in 2017 to create a cryptocurrency payments app that allows consumers to pay for goods at the point of sale.

Fostering growth with initial coin offerings

Companies using blockchain technology have developed a crowd-funding method called an initial coin offering (ICO), which is similar to an initial public offering (IPO) minus the related costs and legal framework.

In an ICO, the funds are cryptocurrencies similar to Bitcoin or ether. Offering companies typically publish a whitepaper outlining the project's plan and details, but instead of offering shares in the company, many ICOs offer investors tokens specifically created for different applications on the company's platform. For example, some companies allow tokens to be used to buy goods or services on their specific blockchain platform or app. Unlike investing in an IPO, investing in an ICO won't result in ownership of the company; however, as with securities, investors buy with the assumption that tokens will increase in value, which generally occurs when the related technology achieves higher adoption levels.

The challenge of regulating ICOs

Understandably, this new way to raise capital has piqued the interest of securities regulators. The U.S. Securities and Exchange Commission (SEC) and the Canadian Securities Administrators (CSA) have both put out notices indicating that they may have to start treating ICOs as securities offerings, which means ICOs would face the same regulatory environment as IPOs. Financial technology (fintech) companies have argued that a token purchased through an ICO is not akin to an ownership stake in a company, but global regulators have said the active trading that happens after an ICO blurs the line between tokens and company shares.

Because many countries don't yet know how to regulate ICOs, offering companies are left trying to navigate murky regulatory compliance. To avoid regulatory scrutiny, these companies often exclude residents of certain countries, leaving many interested parties on the sidelines. For example, Kik, the popular Canada-based messaging platform, completed a $100-million ICO in September 2017 to fund its blockchain venture, but it ultimately didn't allow Canadians to invest due to fears about regulation.[19] Since then, however, the Ontario Securities Commission (OSC) has announced that it is looking to foster growth in the fintech and blockchain space, and even greenlit Canada's first-ever regulated ICO in October 2017.[20]

To move out of this grey area, fintech companies need regulation from Canadian authorities like FINTRAC and the OSC, as well as from the SEC in the US, to ensure that citizens within their borders are transacting fairly and that "Know Your Client" and anti-money laundering protocols are being followed.

Until there is clear regulation that works for both fintech companies and securities regulators, companies like Kik will probably continue to prevent Canadian and/or US residents from participating in their ICOs.

Balancing regulation and innovation

The disruptive power of blockchain poses a number of obvious challenges. The regulatory environment is uncertain, standards are only starting to be developed, and legal frameworks don't yet exist. And let's not forget hackers and other privacy and security concerns. The challenge now is figuring out how to regulate fintech companies and their methods of raising capital without stifling innovation.

Want a primer on blockchain?

Download CPA Canada's *Technological Disruption of Capital Markets and Reporting? An Introduction to Blockchain*, available at **cpacanada.ca** under Business and Accounting Resources>Other general business topics>Information management and technology.

[17] Ameer Rosic, "What is Ethereum? A Step-by-Step Beginners Guide," **https://blockgeeks.com/guides/ethereum**.

[18] Jayson MacLean, "Don Tapscott: Canada Is Leading the World in Blockchain Technologies," *Cantech Letter*, October 11, 2017.

[19] Jon Russell, "Kik Raises Nearly $100M in Highest Profile ICO to Date," *TechCrunch*, September 26, 2017.

[20] James Langton, "OSC Approves Initial Coin Offering," *Investment Executive*, October 23, 2017.

Striking the proper balance between protecting consumers and fostering innovation is particularly challenging given the high level of risk attached to the financial industry and the newness of the technology itself (Bitcoin only dates back to 2009 and Ethereum to 2015). In short, there is limited available guidance regarding the regulation of fintech startups.

But with a technology that promotes a trustless protocol, rendering intermediaries and authorities redundant, why should innovative companies even bother to comply with and support regulators? Well, whether all blockchain activity is truly "incorruptible," as Don Tapscott claims, remains to be seen.[21] And at the end of the day, regulation comes down to a matter of protection—protection of the public, the company, and the system.

Like most regulators trying to attract and retain fintech investment, the CSA has adopted a regulatory "sandbox" approach. Launched in February 2017, the CSA's regulatory sandbox initiative[22] enables highly innovative companies to apply for permission to interact with the general public and test their products and services in the Canadian market while remaining generally exempt from securities law and regulations. This initiative will help authorities gain a better understanding of the impact of technological innovation on capital markets, and help regulators evaluate the industry to modernize the securities regulatory framework for fintech firms.

Moving forward, those who are involved in the Canadian blockchain space are hoping for well-researched guidance from regulatory bodies such as the CSA, the CRA, the OSC, and the BC Securities Commission.

Ensuring that Canada stays at the forefront

Canadian regulators need only look to China to see the stifling impact of over-regulation. After China temporarily banned cryptocurrency exchanges and ICOs in the latter half of 2017, many companies that either provided cryptocurrency exchange services or wanted to issue their first ICOs moved their headquarters to Singapore. The reason? In October 2017, Singapore's central bank, the Monetary Authority of Singapore, said it would not regulate cryptocurrencies.[23]

As the pace of innovation in the financial sector accelerates, savvy startups are shopping regulatory environments as part of their competitive due diligence. With low-touch regulatory regions like Singapore attracting innovative companies, investment in technology will flow to the region with the most attractive sandbox. And with a $500-billion to $700-billion industry at stake, the government with the best sandbox will win.[24]

If it becomes more of a burden than a benefit to do business here, Canadian fintech innovators may well end up moving to environments with less restrictive regulatory frameworks. If we want Canada to lead the revolution, rather than getting caught in its wake, it's imperative that we not let that happen. ■

Regan McGrath is the founding partner and CEO of Metrics Chartered Professional Accounting in Victoria.

Kyle Mackenzie is a partner, CTO, and blockchain specialist at Metrics Chartered Professional Accounting in Victoria.

[21] http://dontapscott.com/2015/06/blockchain-revolution-the-brilliant-technology-changing-money-business-and-the-world

[22] Ontario Securities Commission, "The Canadian Securities Administrators Launches a Regulatory Sandbox Initiative," news release, February 23, 2017. (osc.gov.on.ca/en/NewsEvents_nr_20170223_regulatory-sandbox.htm)

[23] Sujha Sundararajan, "Singapore Central Bank Chief: No Regulation for Cryptocurrencies," *CoinDesk*, October 26, 2017. (coindesk.com/singapore-central-bank-chief-no-regulation-for-cryptocurrencies)

[24] Cryptocurrency Market Capitalizations: https://coinmarketcap.com.

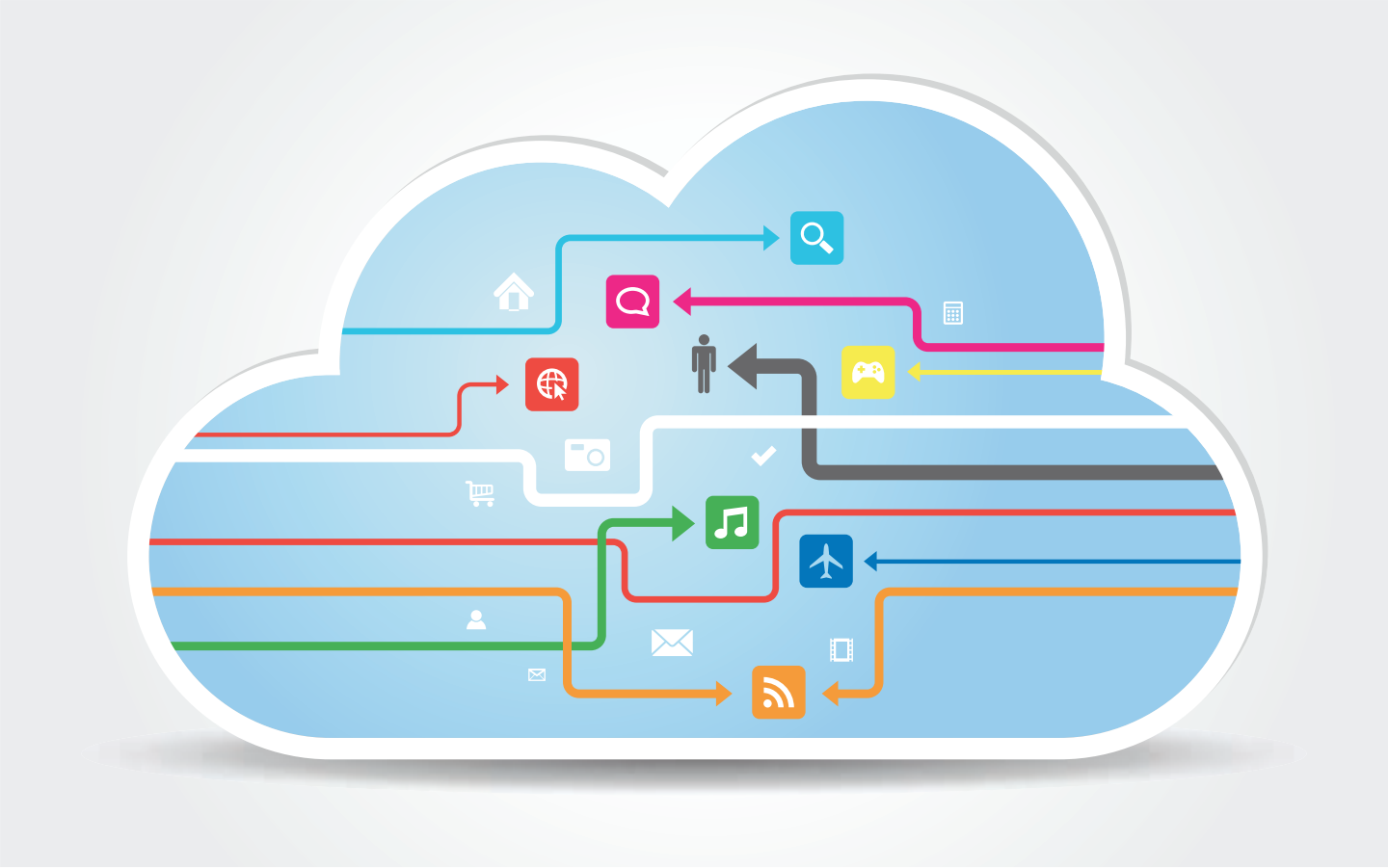


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Privacy and Security Concerns Growing as Digital Transformation Accelerates

Are we losing control of our data?

By Edward Pereira, CPA, CGA, CISM, CRISC



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The shift from physical to digital information has been happening for decades now, and the information we're creating today is richer, requiring more data-intensive computing than ever before. This richer data, such as ultra-high-resolution video and satellite imagery, is being created 24 hours a day—conceivably by anyone connected to the Internet.

The result, according to International Data Corporation (IDC), is an explosive growth rate in the digital universe,[1] with data of all types nearly doubling every two years. There were 130 exabytes of data in 2005, and IDC expects that number to jump to 40,000 exabytes—or 40-trillion gigabytes, more than 5,200 gigabytes for every adult and child—in 2020.[2] The numbers are simply staggering, as are the implications.

[1] John Gantz and David Reinsel, "The Digital Universe in 2020: Big Data, Bigger Digital Shadows, and Biggest Growth in the Far East," *IDC View*, December 2012. The "digital universe" is defined as the measure of all digital data created, replicated, and consumed in a single year, and a projection of the size of that universe to the end of the decade.

[2] Ibid.

Continuous consumption and creation

Cheaper storage is key to the massive growth in data we've seen in recent years. The increasing demand to store more and larger files in the Cloud is driving investment in new storage technology, which is making storage more affordable. It's a self-perpetuating cycle: As costs fall, more data storage is consumed, and as more data storage is consumed, costs fall.

Also adding to the growth in data is the increasing affordability, sophistication, and speed of mobile technology, which has made the Internet accessible around the globe and around the clock. For example, mobile technology has enabled much of the population in developing countries to skip the adoption of landline telephones and progress directly to cellphones and smartphones.

Smart transportation is also adding to the expansion of digital technology's geographic footprint. Airplanes, for example, have had satellite-based Internet access for roughly 10 years. And in the automotive industry, advanced driver-assistance systems (ADAS) first introduced on higher-end vehicles in 2000 are now increasingly common on standard models. In fact, experts say that all new vehicle models could have ADAS as early as 2020 and that we could see automated vehicles for personal use—including "robo-taxis"—as early as 2030.[3] More on that a bit later….

With the availability of everything from smartphones to smart cars, data creation and consumption is now truly a round-the-clock phenomenon. As a result, a much cited 2014 poll that found millennials were spending 18 hours per day consuming media (often with more than one digital device at a time) now seems outdated.[4] Those consumers who currently use sleep apps, for example, know that the era of the 24-hour data cycle is already upon us.

Also driving data growth is the fact that any time we consume data, we trigger the creation of a secondary layer of data about our data consumption. This secondary layer is aggregated into a database of non-personal data known as "metadata" representing cross-sections of the general population. Metadata, in turn, sets off the creation of follow-on data such as user databases, targeted marketing strategies, and email spam campaigns. Browser cookies, for example, store enough information to initiate a domino effect of data creation. More than ever, businesses are relying on this data chain to understand consumer activity and influence behaviour, and they're aggregating this information from multiple sources, including firms that specialize in "big data analytics."[5]

In fact, according to IDC, the amount of information created about us far surpasses the amount of information we generate ourselves.[6] It's something that should give us all pause for thought, especially in the

[3] Center for Automotive Research, *Technology Roadmaps: Intelligent Mobility Technology, Materials and Manufacturing Processes, and Light Duty Vehicle Propulsion* (whitepaper), June 2017.

[4] Crowdtap, *Social Influence: Marketing's New Frontier*, November 24, 2015. Crowdtap, an online marketing agency, partnered with Ipsos MediaCT in January 2014 to survey 839 millennial women and men about their overall media consumption and gauge the impact of social influence on purchasing decisions.

[5] As defined by TechTarget at **searchbusinessanalytics.techtarget.com**.

[6] Ibid.



"You might find [digital assistants like Google Home and Amazon Echo] useful sometimes, but think about what you're revealing about yourself and your family, and how that information might be used in the future."

—John M. Simpson, privacy and technology project director for Consumer Watchdog, a non-profit consumer advocacy group in the US



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wake of the Cambridge Analytica/Facebook scandal, which broke as this article was being written. Through big data analysis, firms like Cambridge Analytica are able to examine enormous sets of individually created data to find broad patterns and identify trends and customer preferences; they can then develop strategies to leverage this data for advertising purposes and, as we're seeing now, for political means as well.

While many consumers know that at least some of their browsing and social computing data is being used to drive advertising content their way, fewer recognize that their online data could be used to drive a curated selection of world news—and possibly outright misinformation—straight to their browsers and mobile apps.

The risks and opportunities of digital transformation

Data manipulation is just one of the dangers we face in the digital transformation era. Hacking is another. Returning to the example of the "connected" car, consider that ADAS is another source of metadata, capturing detailed information about our personal whereabouts and our driving habits. And not only is this metadata vulnerable to hackers—so too is the car itself, as demonstrated in a controlled experiment in 2015, when "wireless carjackers" gained physical control of a moving vehicle.[7]

[7] Andy Greenberg, "Hackers Remotely Kill a Jeep on the Highway—With Me In It," *Wired*, July 21, 2015.

You can understand then why security experts are concerned about robo-taxis and other driverless cars. The technology itself isn't foolproof—a self-driving Uber SUV struck and killed a pedestrian during beta testing in late March[8]—so just imagine what could happen if a hacker gained remote access of the steering wheel.

Still, proponents argue that driverless cars will lessen the opportunity for human error on our roads. And they have a point, especially given the increasing number of accidents related to technology-distracted driving. In the digital transformation era, there's no question that human error is a threat not just to physical security but to information security as well. As technology users interact more and more with their devices—particularly the more addictive applications—the ensuing distractedness increases the risk of mishandling or accidentally disclosing data. This is a fundamental concern for corporate cybersecurity experts, who have traditionally relied on the common sense and digital savviness of computer users as part of their information security model.

Distractedness is also having a tremendous impact on cognitive development and socialization, as we're seeing a new generation of children focused more on electronic devices than on face-to-face interaction with their peers. Increasingly, parents are speaking out about the need for "old-fashioned" (deviceless) education. Surprisingly, perhaps, digital transformation titans Steve Jobs and Bill Gates limited their children's use of technology for this very reason.[9] More recently, two of Apple's largest investors wrote an open letter to the company asking it to fight children's addiction to tech devices, thus elevating the concern to mainstream status.[10]

[8] Aarian Marshall, "Uber Video Shows the Kind of Crash Self-Driving Cars Are Made to Avoid," *Wired*, March 21, 2018.

[9] Jessica Stillman, "Why Steve Jobs and Bill Gates Both Severely Limited Their Kids' Tech Use," *Inc.*, October 29, 2017.

[10] Samuel Gibbs, "Apple Investors Call for Action over iPhone 'Addiction' among Children," *The Guardian*, January 8, 2018.

The last frontier for the technology user is home life, where we can expect to see previously unimagined conveniences and unprecedented privacy perils. Consumer Watchdog, a consumer advocacy group in the US, has already sounded the alarm, warning adopters of smart speakers like Amazon Echo and Google Home that these devices create an unprecedented level of detail about their owners' domestic lives, all with the aim of earning additional revenue through intrusive digital advertising—this, according to related patents that have been filed.[11]

If this all sounds a bit far-fetched, consider that an astounding precedent was set in 2015, when the voice recordings captured by an Amazon Echo smart speaker were entered into evidence in an Arkansas murder case.[12] Clearly, the privacy implications of the fully digital home are huge, and yet that hasn't stopped the technology from being heavily marketed and adopted.

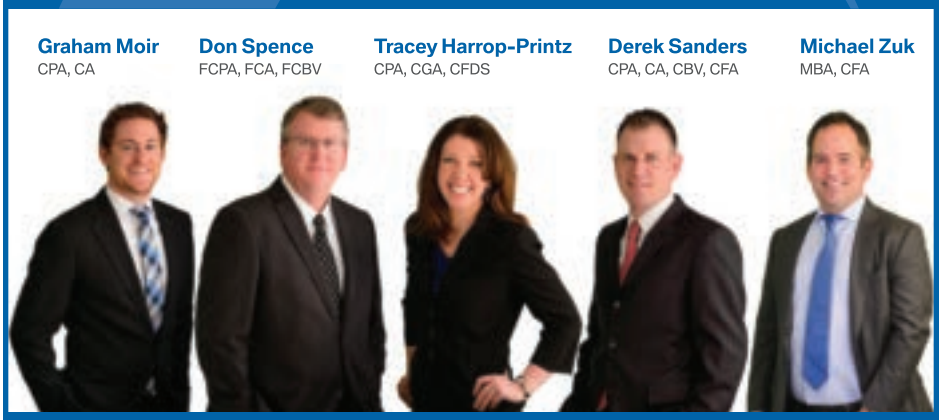
On the positive side, digital transformation and the associated security risks are creating new business opportunities for emerging and established companies alike. For example, Canadian technology firm BlackBerry, the original smartphone maker almost driven into obsolescence after the introduction of the iPhone, is now working to regain its status as an IT pioneer by becoming a leader in automotive security.

Cloud computing has generated another new opportunity: the role of the "cloud security broker." Cloud security has become so complex that it's nearly unmanageable, making specialized expertise almost a prerequisite to using the Cloud. This is all part of the digital transformation experience, where the full range of new perils and opportunities is still unfolding.

[11] John M. Simpson, "Home Assistant Adopter Beware: Google, Amazon Digital Assistant Patents Reveal Plans for Massive Snooping," December 13, 2017, **consumerwatchdog.org**.

[12] Nicole Chavez, "Arkansas judge drops murder charge in Amazon Echo case," *CNN*, December 2, 2017.

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What does the future hold?

As we continue to generate, consume, and store exponential amounts of data, how can we protect privacy and strengthen security? This is the focus for information security and privacy experts alike as we look to the future. It is especially important that we get a handle on these issues as we head full speed towards 2030, when we're expected to see the advent of the first machines smarter than human beings. How will we secure machines that can outsmart us?

The groundswell of concern resulting from the Cambridge Analytica/Facebook debacle is actually encouraging for the long-term sustainability of digital transformation. Similarly, the European Union's General Data Protection Regulation (GDPR) is a hugely important piece of legislation for consumers. The GDPR incorporates the much-touted concept of "privacy by design," which presumes that technology users value their privacy and want to use systems and applications that are designed to give them control over the use of their personal information. (For more on the GDPR and privacy by design, see pages 26-28 of the March/April 2018 issue of *CPABC in Focus*.)

The full impact of heightened consumer awareness and stricter legislation remains to be seen. In the meantime, we can all take steps to protect ourselves and our businesses by speaking out about questionable technologies and weak practices, by voting with our wallets where applicable, and, ultimately, by applying critical thought when sharing our personal data. ■

Edward Pereira is a principal consultant in information security and risk with Carmel Info-Risk Consulting Group in Vancouver. He is the co-founder of the BC AWARE campaign, a past president of ISACA (Vancouver Chapter), and a current member of the Provincial Security Advisory Council.



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Are you addicted to your phone?

Electronic devices have become the great distraction, and moments of brilliance are hard to come by when your brain is distracted. Remember, your brain is wired to be good at what it does. If you spend a lot of time being distracted, your brain gets good at being distracted. Neuroplasticity—the brain's ability to reorganize or rewire itself—cuts both ways. What price do you pay? Your creativity and self-reflection suffer, and great ideas become scarce.

Research shows that downtime, even boredom, is good for your brain. So when a momentary gap appears in your day, instead of mindlessly reaching for your phone, mindfully let your mind wander. Eureka moments usually come during periods of inactivity. Reclaim your time (and your good ideas) by creating blank space in your day. Your brain will likely respond with a great idea or two.

Excerpted from "Is your smartphone standing between you and your next 'aha' moment?" by Terry Small, B.Ed., MA. Full version available at ***industryupdate.ca****. Come hear Small speak about the neuroscience of humour at CPABC's 2018 Spring Pacific Summit!*



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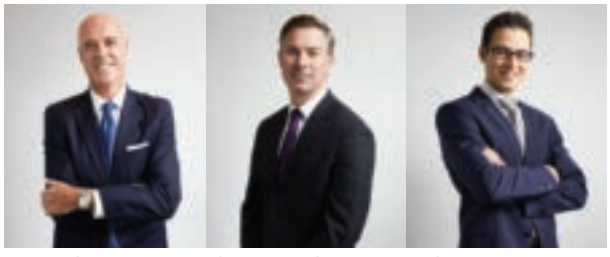
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Cranbrook	$93
Prince George	$92

Canada's top three

Median compensation by census metropolitan area (in $000s):

1	Calgary	$133
2	Toronto	$118
3	Edmonton	$116

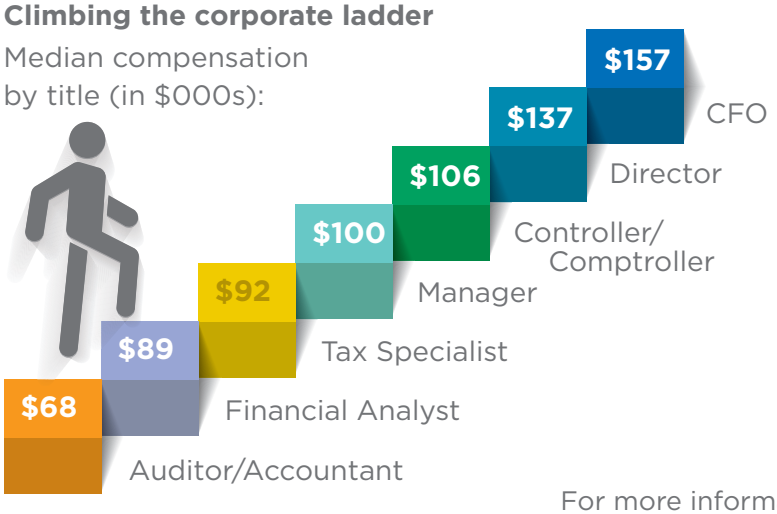
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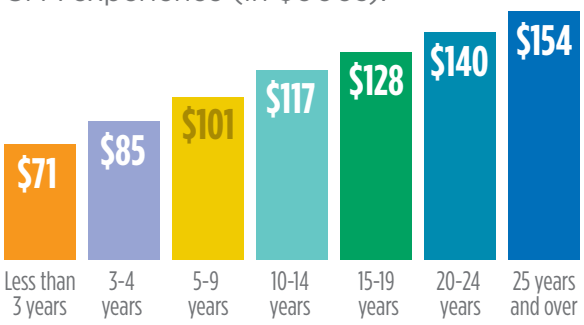
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Data source: CPA Canada, 2017 CPA Profession Compensation Study Report, *prepared by Nielsen, fall 2017. All figures above reflect 2016 data.*



Michelle Ray is a leadership and change expert based out of Vancouver and one of only 59 Canadians to hold the Certified Speaking Professional designation. She has been featured in various publications and on numerous TV and radio programs.

How to Lead Yourself through Disruptive Change

By Michelle Ray, CSP

The author will be presenting the opening keynote session at CPABC's Spring Pacific Summit (May 30-June 1, 2018). In her keynote address, "Who Moved My Future? Demystifying the Fear of Change," she will explore the core reasons behind resistance to change, describe how to move beyond the status quo, and explain how to create new strategies for long-term success.

Search Google for the word "leadership" and you'll get over 800 million results—an astonishingly high return, even for a word that can be interpreted in numerous ways. The sheer number of these results speaks to the fact that, collectively, we recognize the value of effective leadership in all aspects of life.

All too often, however, leadership is thought of and discussed as outwardly facing—for example, in terms of how an individual manages a team, helms an enterprise, or oversees bottom-line results. Often overlooked is leadership that is inwardly focused; yet self-directed leadership is equally important to success, particularly amid the rapid, disruptive change that is currently affecting businesses the world over. These businesses are facing a multitude of challenges, including keeping up with technology's rapid evolution, finding great talent to replace the retiring boomer generation, and keeping employees happy, healthy, and engaged.

Now is a good time to recognize what needs to shift and why accountability starts with you. To achieve success amid disruptive change, you must first take charge of yourself. You have an opportunity on a daily basis to be the best version of yourself—the version of you who mentors others, contributes to your workplace, and leads by example. In short: You can choose to become the leader of your own life.

What it takes to adopt a leadership mindset

The ability to lead yourself through disruptive change requires commitment, energy, and determination. To be successful, it's important to consider the following tenets:

Know yourself

Taking charge of your life starts with self-awareness. Organizational psychologist Tasha Eurich describes self-awareness as the secret weapon of the 21st century, but in her best-selling book *Insight*,[1] she contends that most people aren't as self-aware as they think. Drawing on her own survey research, Eurich says 95% of us believe we are self-aware, but only 10%-15% of us truly are.[2]

[1] Tasha Eurich, *Insight: Why We're Not as Self-Aware as We Think, and How Seeing Ourselves Clearly Helps Us Succeed at Work and in Life*. Crown Business, 2017.

[2] Jeff Kauflin, "Only 15% of People Are Self-Aware – Here's How To Change," *Forbes*, May 10, 2017.



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Awareness requires mindfulness. This means being fully cognizant of your circumstances and surroundings—possessing internal awareness and external awareness of yourself in relation to others. By leveraging this internal and external awareness, you will be able to position yourself to focus on areas where you can truly make a difference. Increasing mindfulness will help you be proactive in navigating disruptive change and the heightened expectations of your company or your clients in the new economy.

View change as an essential action

As per Newton's first law of motion, a body at rest will remain at rest and a body in motion will remain in motion unless either is acted on by an external force. In other words, change is an essential action. If, after discovering your "pain point" (a problem that hinders your productivity or effectiveness) you can embrace the adage that nothing changes if nothing changes, you will be ready to move forward.

The same principle applies to organizations. Think about the number of businesses that have gone under because leadership refused to embrace new realities. The demise of these businesses is a direct result of the decision to do nothing. Taking a risk, even if it just means making an incremental change, is a better option than remaining "at rest." Yes, mistakes might be made, but these represent an opportunity for course correction—in other words, growth.

Take the opportunity to "rise above"

To rise above the challenge of change, you must first understand the difference between "coping" (short-term strategy) and "managing" (long-term strategy). The latter is the more effective approach.

Then you'll need to dig deep to access your inner resources and harness strength. Resilience is the cornerstone of emotional and psychological survival in challenging times. By digging deep and drawing on your past experiences, you will be able to hone your self-management skills while also flexing your resilience muscles. Just as athletes develop muscle memory, your ability to navigate disruptive change will become more instinctual with practice.

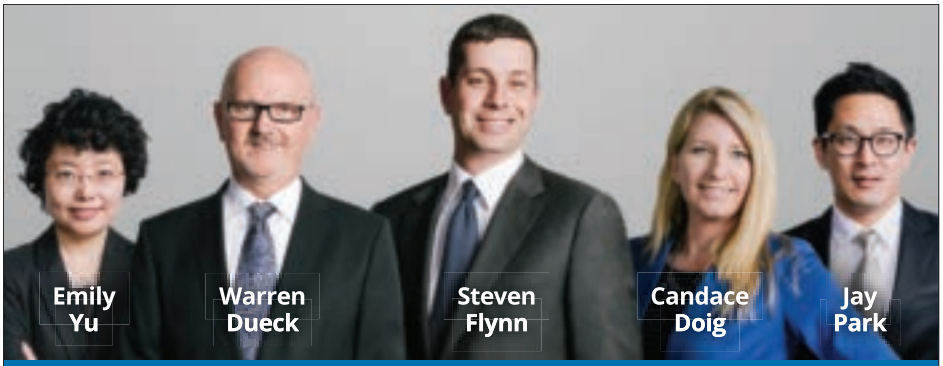
Embrace disruption

Expending energy to resist change that is outside of your control will only leave you exhausted, like Sisyphus endlessly rolling his rock up a hill. The most powerful choice you can make is to focus on the aspects of disruptive change that are within your control. Start by examining your thoughts, your decisions, and your actions. At any point, you can choose to decipher how change unfolds. How you give meaning to the challenges that come with change will ultimately influence the outcome.

When you hit your next bump in the road, ask: "Why am I being disrupted by change?" and "How can I embrace it?" That's the leadership mindset. ■



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Lori Mathison is the president & CEO of CPABC.

Temperature Check: BC's Economic Activity Expected to Cool Down Slightly

By Lori Mathison, FCPA, FCGA, LLB

The original version of this article by CPABC's president & CEO appeared as an editorial in the April 2018 issue of *Invest in BC*, the official publication of the BC Economic Development Association. Invest in BC is published annually by Business in Vancouver Magazines. For more information on economic activity in BC's development regions, be sure to check out CPABC's latest *Regional Check-Up* report, which will be available at bccheckup.com in late May.

The year 2017 was not without challenges for British Columbia. The uncertainties over NAFTA renegotiations began last year and continue today. American duties on Canadian softwood lumber dampened forestry activity in the province, and we experienced one of the worst wildfire seasons in our province's history.

Despite these setbacks, BC enjoyed another year of robust economic growth in 2017. Although GDP slowed from 3.5% to 3.2% between 2016 and 2017, our provincial economy saw record employment growth, gaining 87,300 jobs across the province in 2017.[1,2] As a result, the unemployment rate fell by 0.9 percentage points, dropping to 5.1%, its lowest level since 2009.[3] In addition, BC's population grew by another 1.3%, reaching 4.8 million residents last year.[4]

Continued population growth and demand for housing kept BC's real estate market busy. The British Columbia Real Estate Association reported that 103,763 residential unit sales were recorded by the Multiple Listing Service (MLS) across BC and the average MLS residential price in BC went up 2.7%, reaching $709,579 in 2017.[5] A hot housing market also prompted more residential development projects. The overall value of building permits in the province increased by 15.3%, reaching $11.4 billion. RBC Economics also estimated that housing starts reached 42,600 units.[6]

A closer look at regional data from CPABC's *Regional Check-Up* report indicates that jobs related to construction and real estate activity continue to propel BC's job growth, particularly for our urban regions, including Southwest BC, Vancouver Island/Coast, and Thompson-Okanagan. Collectively, these three regions accounted for 96% of BC's population growth and 92% of our province's new jobs in 2017. Almost 80% of the 80,700 total new jobs in these three regions were in the construction industry and the finance, insurance, real estate, rental and leasing industry.[7]

In addition, activity in the mining industry picked up as commodity prices recovered, creating new investment opportunities that benefited BC's rural communities. According to the Association for Mineral Exploration British Columbia, mineral exploration spending picked up for the first time since 2012 and grew by 20% in 2017.[8] Another positive sign is the fact that junior mining companies increased their spending on exploration activity by $41.6 million, up to $246.6 million. This indicates renewed optimism for the mining industry in the province.[9]

[1] RBC Economic Research, *Provincial Outlook: March 2018*, **rbc.com/economics**.

[2] Statistics Canada, *Labour Force Survey Estimates (LFS), by Provinces, Territories and Economic Regions Based on 2011 Census Boundaries*, annual (persons unless otherwise noted), CANSIM Table 282-0123 (database). Accessed February 2018.

[3] Ibid.

[4] Statistics Canada, *Estimates of Population, by Age Group and Sex for July 1, Canada, Provinces and Territories*, annual (persons unless otherwise noted), CANSIM Table 051-0001 (database). Accessed February 2018.

[5] British Columbia Real Estate Association, "BC Home Sales above 100,000 for Third Consecutive Year," 2017-12 Statistical Release, January 12, 2018.

[6] RBC Economics | Research, *Provincial Outlook: December 2017*, **rbc.com/economics**.

[7] Source: *CPABC Regional Check-Up 2018*. The report will be available at **bccheckup.com** in late May.

[8] Association for Mineral Exploration, *Annual Report 2017*, **amebc.ca**.

[9] Ibid.



Left to Right:
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With 600 fewer jobs, Northeast BC was the only region to experience job losses last year. The region's unemployment rate also fell by 3.8 percentage points, dropping to 5.9%, reflecting the outflow of unemployed workers in the previous two years and a slight decline in labour force participation. Northeast BC's economy is closely tied with the province's oil and gas activity. This sector saw a revival in the second half of 2017 due to the Pembina Pipeline expansion and AltaGas's Townsend expansion and North Pine liquids facility projects, which are expected to have a positive impact on the region's economy.[10]

Looking at 2018, one of the biggest concerns is BC's major projects inventory, which saw a decline in value for the second year in a row and declined by 5.1% between September 2016 and September 2017, dropping to $412.7 billion. This was largely due to a 7.7% decrease in the value of mining, oil and gas extraction projects, which together make up 45% of the total value of our major projects. The cancellation of the Aurora LNG and Pacific Northwest LNG projects, as well as the cancelled construction of two Northern Gateway Pipelines projects, contributed to a loss of $17.4 billion in potential investment and related economic activity in Northwest BC.[11]

Despite these concerns, BC is expected to be a growth leader among the other provinces in 2018, even with GDP growth expected to slow to 2.3%.[12] Similarly, job creation will likely continue but at a more moderate pace. Interest rate increases, a tightening of mortgage lending standards, and the provincial government's new housing strategy may moderate real estate activity in the province. The anticipated slowdown in real estate activity will likely spill over to retail sales and other related industries. For BC's rural regions, the recent revival in commodity prices should continue to encourage mining activity and help offset some uncertainties over NAFTA renegotiations and the final decision on softwood lumber tariffs. ■

[10] Labour Market and Information Division, Ministry of Advanced Education, Skills and Training, *British Columbia Major Projects Inventory: Third Quarter 2017*.

[11] Source: *CPABC Regional Check-Up 2018*.

[12] RBC Economic Research, *Provincial Outlook: March 2018*, **rbc.com/economics**.



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Auto insurance is not available in Manitoba, Saskatchewan or British Columbia due to government-run plans. The clauses and terms pertaining to the described coverages are detailed in the insurance policy.

Building Engagement through CPABC's Public Affairs Program

To build relationships with stakeholders and promote the CPA profession, CPABC runs a dynamic, multi-pronged public affairs program that fosters relationships with members, media, government, and the general public. One of the program's diverse initiatives is major event sponsorship. Here's an update on some events CPABC recently sponsored and participated in.

BC budget address with Premier John Horgan

CPABC was a presenting sponsor of B.C. Budget with Premier John Horgan on February 23, 2018. The event took place at the Fairmont Hotel Vancouver and was hosted by the Greater Vancouver Board of Trade.

During his official post-budget address, Horgan gave an update on the BC economy and an overview of the main initiatives of the 2018-2019 provincial budget. These include eliminating MSP premiums by 2020, building 114,000 affordable rental housing units, and creating more than 22,000 child-care spaces across BC.

Post-Budget Breakfast with the Honourable Bill Morneau

On March 6, 2018, CPABC sponsored the Post-Budget Breakfast with the Honourable Bill Morneau. The event was hosted by the Business Council of British Columbia at the Fairmont Pacific Rim in Vancouver.

During his presentation, Morneau addressed initiatives from the recently released 2018 federal budget, including a new tax regime for holding passive investments inside a private corporation and initiatives related to infrastructure, cybersecurity, and pay equity. The Minister also fielded questions from the audience on topics such as carbon pricing, tax rates for small businesses, and the status of NAFTA negotiations.

Western Business Outlook 2018: Vancouver

CPABC was a sponsor of Western Business Outlook 2018 on April 10, 2018. Hosted by the Conference Board of Canada at the Fairmont Waterfront Hotel in Vancouver, the event provided an analysis of the economic outlook for Vancouver, the Lower Mainland, and British Columbia. It featured three plenary sessions: "Economic Outlook," "The Future of Work in British Columbia," and "Drivers of Change: Navigating the Future." The latter session was presented by CPABC President & CEO Lori Mathison, FCPA, FCGA, LLB, and focused on how businesses can successfully navigate disruptive change.

Engage with us online

More information about the government relations component of CPABC's public affairs program is available at **bccpa.ca** under News, Events & Publications.







Top: Lori Mathison, FCPA, FCGA, LLB, president & CEO of CPABC and senior vice-chair of the Greater Vancouver Board of Trade (GVBOT), introduces the premier at the BC budget address. Middle (l to r): Robin Silvester, president & CEO of Vancouver Fraser Port Authority and immediate past chair of the GVBOT; David Miller, assistant VP of government affairs for CN; Anne Giardini, Simon Fraser University chancellor and GVBOT chair; Lori Mathison; Premier John Horgan; Wendy Lisogar-Cocchia, CEO of Century Plaza Hotel & Spa and a GVBOT governor; Janet Austin, BC's new lieutenant governor and a GVBOT governor; William Westeringh, QC, managing partner of the BC region for Fasken; and GVBOT President & CEO Iain Black at the BC budget address. Photos by Sara Borck Photography. Bottom (l to r): James Midgley, FCPA, FCA, EVP of regulation and registrar for CPABC; Susan Yurkovich, president & CEO of the Council of Forest Industries and a governor of the Business Council of British Columbia (BCBC); Walter Pela, FCPA, FCA, managing partner of the greater Vancouver area for KPMG and a BCBC governor; Minister of Finance Bill Morneau; Marcia Smith, senior VP of sustainability and external affairs for Teck Resources and BCBC chair; William Westeringh, QC, managing partner of the BC region for Fasken; and BCBC President & CEO Greg D'Avignon at the Post-Budget Breakfast. Photo courtesy of the Business Council of British Columbia.

With Canada's Competitive Tax Advantage Turned on Its Head, How Will We Respond?

By Jenny Li, MBT, CPA (California), and Kevin Too, CPA



Jenny Li is an international tax partner with the Vancouver office of PwC Canada. She specializes in cross-border taxation and has extensive experience advising Canadian businesses that are expanding globally and foreign businesses that are entering the Canadian market.



Kevin Too is an international tax senior associate with the Vancouver office of PwC Canada. He is experienced in Canadian and US international tax matters and has helped clients expand their businesses globally with a focus on Canada-US tax planning.



Czanner/iStock/Thinkstock

On December 22, 2017, President Donald Trump signed into law the largest overhaul of the US federal tax code since 1986: the *Tax and Jobs Act of 2017* ("2017 Reform"). As the US is the world's largest economy by GDP,[1] the 2017 Reform is a tax tsunami that has the potential to dramatically alter many countries' relative tax competitiveness. In Canada's case, the impact of the 2017 Reform will be especially disruptive because the US is our neighbour and largest trading partner.

In the past, Canada enjoyed an advantage over the US in terms of attracting investment, partly because of our competitive tax system. As will be discussed below, the 2017 Reform turns Canada's relative tax advantage on its head and may fundamentally change the approach to Canada-US cross-border tax planning.

Key aspects to consider

40% reduction of US corporate tax rate

Pre-2017 Reform, a US corporation's federal income tax liability was calculated under a graduated rate system with a top marginal tax rate of 35%. For tax years beginning after December 31, 2017, however, a US corporation will be taxed at a flat rate of 21%. This will benefit US corporate taxpayers going forward as it means their combined federal and state income tax rate decreases from 38.9%[2] (the highest tax rate among OECD[3] countries) to 25.74%[4] (only slightly higher than the average tax rate among OECD countries).

[1] The Economist, *Pocket World in Figures – 2018*. China, however, is the world's largest economy by purchasing power—i.e., GDP PPP (purchasing power parity).

[2] This is based on the assumed average state tax rate of 6%. 38.9%=35%+6% (1-35%) – author calculation.

[3] The OECD (Organisation for Economic Co-operation and Development) maintains a tax database for comparison purposes at **www.oecd.org/tax/tax-policy/tax-database.htm**.

[4] This is based on the assumed average state tax rate of 6%. 25.74%=21%+6% (1-21%) – author calculation.

Given that Canada's combined federal and provincial tax rate for general corporations is 27%, the crux of Canada-US tax planning until now has been to push deductions to the US while having income in Canada, which resulted in rate arbitrage, as a dollar of deduction in the US was worth more than a dollar of deduction in Canada. However, as the US rate will now be slightly lower than the Canadian one, we may see a reverse in the flow of planning, which would eliminate a key aspect of Canada's relative tax advantage.

Worldwide system to territorial system

US corporate shareholders were previously taxed under a worldwide system in which they were subject to US tax on dividends received from foreign corporations (minus certain foreign tax credits). Consequently, US corporations had an incentive to leave foreign profits overseas: deferring US taxation. In fact, US companies reportedly held approximately US$2.6 trillion in overseas earnings as of 2016.[5] The 2017 Reform moves the US outbound tax regime from a worldwide system to a hybrid territorial system (subject to a transitional toll charge) by generally allowing US corporate shareholders to receive dividends from 10%-owned foreign subsidiaries free from US tax.

Shifting to a territorial system removes the deferral benefit and will change how companies execute their cash deployment and repatriation strategies. In January 2018, Apple announced that it would bring back most of the US$252 billion in cash it held abroad and reinvest it into the US.[6]

[5] Nick Wells, "Companies Are Holding a $2.6 Trillion Pile of Cash Overseas That's Still Growing," *The Big Crunch*, April 28, 2017. (**cnbc.com**) Figure based on research by Capital Economics (**capitaleconomics.com**).

[6] Daisuke Wakabayashi and Brian X. Chen, "Apple, Capitalizing on New Tax Law, Plans to Bring Billions in Cash Back to U.S.," *New York Times*, January 17, 2018.

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Canadian corporate shareholders enjoy a similar territorial system on certain dividends received from 10%-owned foreign subsidiaries. Specifically, dividends paid from these subsidiaries' exempt surplus balance are not, in theory, subject to Canadian tax. The definition of "exempt surplus" is complex, but essentially boils down to the tax-retained earnings of a 10%-owned foreign subsidiary that is: a) resident in a country that maintains a tax treaty or tax information exchange agreement with Canada and b) carries on an active business in the country.

Since 1976, this exemption system has played an important role in distinguishing Canada as a jurisdiction in which to centralize and hold foreign investments. Thus, the US's move to a territorial system will erode one of Canada's relative advantages as a holding company jurisdiction. And in certain cases, the US outbound tax regime may be less restrictive, as the foreign subsidiary need not be a resident of a country in which the US maintains a bilateral tax agreement.

Special preferential tax rate for export goods and services

Countries often implement preferential tax regimes to encourage the performance of certain activities (e.g., research and development, export goods and services). The patent box is one of these regimes, taxing income associated with the development, commercialization, and exploitation of intellectual property (IP) at a lower rate.

The US enacted the foreign-derived intangible income (FDII) rules as part of the 2017 Reform to encourage not only the selling and licensing of IP from US corporations to foreign third parties, but also the export of certain properties and services. The effective tax rate on FDII is 13.125%, and it increases to 16.406% for tax years beginning on or after January 1, 2026. These rules are broader in scope than a traditional patent box, and their goal is to incentivize companies to bring jobs and intangible property back to the US.

Currently, only the Quebec and Saskatchewan provincial governments have patent box regimes that provide for a reduction of provincial taxes for certain innovative activities. British Columbia previously offered a similar program, but it was eliminated on September 12, 2017.[7]

Before Trump's 2017 Reform, Canada was the preferred jurisdiction in which to hold intangible property within North America. Combined with the lower corporate income tax rate, this motivated some companies to move their tax residency from the US to Canada through inversion transactions (e.g., Burger King's merger with Tim Hortons in 2014). Given the introduction of the FDII rules and the territorial system, however, US companies may no longer have an incentive to change their tax residency; in fact, even non-US companies may be motivated to relocate to the US, and technology companies—especially those with US investors—may be motivated to move IP back to the US.

Full expensing of new and "used" property

For US tax purposes, taxpayers are generally required to capitalize fixed assets and depreciate them at specified rates over time. The bonus depreciation system allows a taxpayer to immediately expense 50% of the cost of qualified property purchased and placed in service during certain periods. The 2017 Reform furthers this ability by allowing taxpayers to immediately expense 100% of the cost of certain new and used qualified property acquired and placed in service after September 27, 2017, and before January 1, 2023. The bonus depreciation rate is gradually reduced from 80% to 20% over the period between 2023 and 2026 (calendar years).

The immediate tax expensing of fixed assets will significantly benefit those in capital-intensive industries, and it will undermine Canada's ability to attract future investment in these industries since our tax depreciation rules are not as generous.

Comprehensive Canadian tax reform is needed

Economists generally agree that the 2017 Reform will help the Canadian economy indirectly in the short run, but hinder our productivity growth in the long run. How can our governments, at the federal and provincial level, soften the impact?

When looking for a solution, history is often the best teacher. After the last sweeping reform of the US federal tax code in 1986 (the "1986 Reform"), the Canadian government faced the same concerns as today. In response, our government implemented a comprehensive tax reform orchestrated by Finance Minister Michael Wilson based on the findings in *The White Paper: Tax Reform 1987*.[8] The document states, "In an increasingly interdependent world, it is important not to allow Canada's tax system to put our traders, businesses, investors and highly skilled individuals at a competitive disadvantage with other countries." Later, it notes: "… our industries are being put at a competitive disadvantage in both domestic and foreign markets."

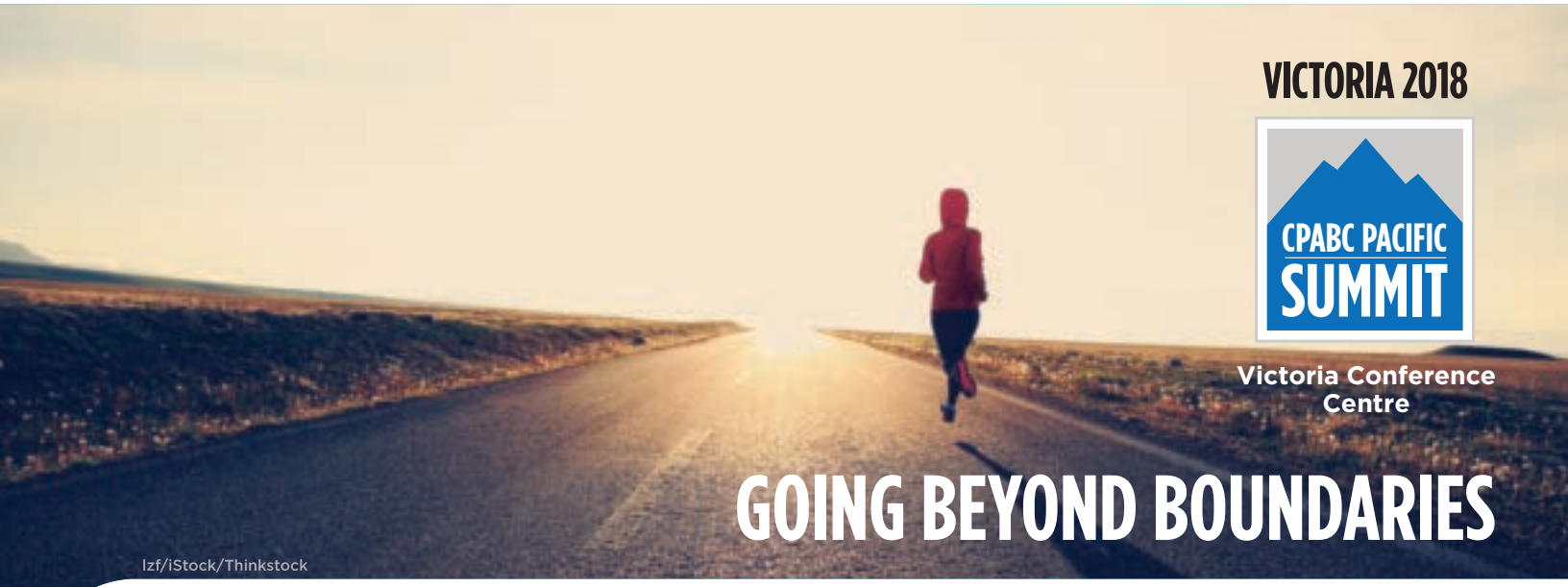
The 1986 Reform in the US cut the US federal tax rate from 46% to 35% at a time when the Canadian federal tax rate for general corporations was 36%. The Canadian government responded by gradually dropping this rate several times, bringing it down from 28% in 1989 to the current rate of 15% in 2012. This was a feasible solution in the past, but it's not clear whether there is still further room to drop the federal tax rate, which means that Canada may need to look to provincial tax rates and other creative mechanisms (e.g., introducing rules similar to the US FDII rules) to improve its tax competitiveness.

In summary, a comprehensive review and reform of our tax system is urgently needed to maintain Canada's relative tax competitiveness. We note the Canadian federal budget released on February 27, 2018, does not specifically address the 2017 Reform; rather, it includes a commitment to analyze the 2017 Reform's potential impacts on Canada. As a result, taxpayers will need to stay tuned to find out how our government will respond to these changes. ■

[7] Ministry of Finance, *Budget 2017 Update 2017/18-2019/20*, September 11, 2017.

[8] Department of Finance Canada, *The White Paper: Tax Reform 1987*, June 18, 1987.

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UPCOMING PD SEMINARS IN SPRING/SUMMER 2018

Seminars in our spring/summer program, which runs between May and the end of August, are now available for registration. Check our website at **pd.bccpa.ca** for an updated schedule and for detailed course descriptions. If you have any questions, call CPABC at 604-872-7222 and ask for the PD department, or email us at **pdreg@bccpa.ca**.

ACCOUNTING & ASSURANCE

ASPE: In the Real Estate Industry

This seminar will explore the Accounting Standards for Private Enterprises (ASPE) in Part II of the *CPA Canada Handbook – Accounting* that are applicable to the real estate industry while making links to REALpac in a practical manner. Participants will discuss the kinds of accounting issues encountered by builders, developers, and landlords who have direct or indirect ownership of real estate.

May 28, 9am-5pm, Vancouver

IFRS: Mineral Resource Exploration & Mining Industry Basics

This seminar will give you a solid understanding of the International Financial Reporting Standards (IFRS) in Part I of the *CPA Canada Handbook – Accounting* that are relevant to mineral resource exploration and mining. It will also review their specific application to industry issues.

June 6, 9am-5pm, Vancouver

FINANCE

Budgeting & Financial Management: Understanding Budgeting Variance Analysis & Forecasting

This full-day seminar will teach participants how to interpret and use financial information, adopt a disciplined approach to managing budgets, and communicate with financial specialists.

May 23, 9am-5pm, Vancouver
June 7, 9am-5pm, Abbotsford
June 26, 9am-5pm, Prince George
July 19, 9am-5pm, Vancouver

PEOPLE MANAGEMENT & PERSONAL DEVELOPMENT

Effective & Essential Management Skills

This fast-paced, interactive, and highly practical course will help you enhance your managerial and coaching skills.

July 10, 9am-5pm, Surrey
July 20, 9am-5pm, Vancouver

Code Decoded: Evolving Professional Ethical Expectations (formerly Ethical Principles and the Accounting Profession)

This course will help you strengthen your understanding of the *CPABC Code of Professional Conduct* (CPA Code). After a quick refresher, the course will take an in-depth look at a few broadly applicable aspects of the CPA Code that can pose significant challenges.

May 14, 8:30am-12:30pm, Vancouver
June 5, 8:30am-12:30pm, Surrey
June 5, 1-5pm, Kamloops
June 7, 8:30am-12:30pm, Richmond
June 18, 1-5pm, Courtenay
June 19, 8:30am-12:30pm, Nanaimo
June 22, 8:30am-12:30pm, Coquitlam
June 26, 8:30am-12:30pm, Abbotsford
June 26, 8:30am-12:30pm, Kelowna

STRATEGIC MANAGEMENT CERTIFICATE PROGRAM

Strategic Planning

This workshop will use several case studies to examine the link between stated organizational goals, the business environment, and visible strategies, with a focus on functional strategy. Participants will learn about the tools used to develop and execute successful strategies.

May 30, 9am-5pm, Victoria
June 26, 9am-5pm, Vancouver
July 16, 9am-5pm, Vancouver

Risk Management & Governance

This workshop will explore the different types of risk that can undermine an organization's efforts to reach its objectives, and the management-level approaches and tools used to mitigate them. Participants will examine the risk management policies, practices, and reporting methods used by leading organizations. Each participant will then assess their organization's approach to risk and consider their own role in the process.

June 27, 9am-5pm, Vancouver
July 17, 9am-5pm, Vancouver

Team Development

To manage today's complex business challenges, you need the skills of a diverse and effective team. This workshop will give you valuable insight on issues that can affect team performance, including the team's design, the stages of team development, and the ingredients necessary to achieve results.

June 13, 9am-5pm, Vancouver
July 4, 9am-5pm, Victoria

Change Management

In a world where change is an imperative, this workshop will explore how organizations can improve the odds and how leadership can support successful change. Participants will learn how organizational and human dynamics can affect change initiatives and how to plan for change. The seminar will also examine the main ingredients necessary for successful implementation.

July 11, 9am-5pm, Vancouver

TAXATION

Tax for Controllers

This course will help controllers of private companies stay current with a broad range of income tax, GST/HST, and related compliance issues. It will cover a variety of topics at a general level and review specific examples, cases, and practical problems. Detailed industry-specific material will not be included in this course.

June 4-5, 9am-5pm, Vancouver

Tax Planning for Private Enterprises on Business Succession

Attend this seminar to gain practical knowledge of the principal considerations involved when formulating and implementing business succession plans. While the focus will be on salient income tax considerations, key non-tax issues will also be identified and related planning points will be covered.

May 23, 9am-5pm, Vancouver



Controller's Operational Skills
July 15-18 | Whistler

Controller's Management
July 18-21 | Whistler

CFO's Leadership
September 19-22 | Whistler

CFO's Operational Skills
September 23-26 | Whistler

CFO as Navigator
October 10-13 | Whistler

Enterprise Risk Management Fundamentals *NEW!*
October 14-17 | Vancouver

VISIT pd.bccpa.ca/pd-in-depth
EMAIL pdreg@bccpa.ca



Information Technology Conference 2018
June 21-22 | Vancouver Convention Centre West

PD Nexus: Business Insights – Victoria
(Formerly Victoria PD Day)
July 10 I Westin Bear Mountain Resort

PD Nexus: Business Insights – Vancouver
(Formerly Members in Business & Industry PD Day)
July 13 I Vancouver Convention Centre West

PD Nexus: Maximizing Diversity *NEW!*
July 24 | Vancouver Convention Centre West

VISIT pd.bccpa.ca/conferences
EMAIL pdreg@bccpa.ca

Kudos!



Shelley Brown, FCPA, FCA, an audit partner and board member at Deloitte Canada, has been appointed to the Accounting Standards Oversight Council. Shelley is also the recipient of a 2018 Influential Women in Business Award from *Business in Vancouver* (see page 7).



Donald Coulter, CPA, CA, recently became president and CEO of Concentra Bank, working primarily from its Surrey office. Donald previously worked at Coast Capital Savings—first as CFO of its Vancouver office and later as president and CEO of its headquarters in Surrey.



Michael Francis, FCPA, FCA, president of Seed Management Inc. in Vancouver and chair emeritus of the Vancouver International Film Festival and Simon Fraser University, will receive an honorary degree from Simon Fraser University this summer in recognition of his significant contributions to business education and the arts.



Scott Munro, CPA, CA, director of standards and certification for the First Nations Financial Management Board in West Vancouver, has been appointed to the Public Sector Accounting Board by the Accounting Standards Oversight Council. In addition to his CPA, CA, Scott holds a certified aboriginal financial manager designation with AFOA Canada.

Smythe LLP is pleased to announce appointments for three CPABC members at its Langley office: **Julie Edge, CPA, CGA**, has joined the firm as a principal, and **Maninder Dhadda, CPA, CGA**, and **Sam Lang, CPA, CA**, have joined as senior managers. Julie has 25 years of partnership experience; Maninder specializes in Canadian corporate and personal tax planning and compliance; and Sam has more than 10 years of national firm experience providing accounting and tax services in a variety of industries.



Julie Edge



Maninder Dhadda



Sam Lang

2018 PEAK Awards

Three CPABC members have been recognized with 2018 PEAK awards from the Association of Women in Finance: **Beverley Briscoe, FCPA, FCA**, chair of the board of directors of Ritchie Bros. Auctioneers, received the Lifetime Achievement Award; **Jayana Darras, CPA, CA**, an audit partner with Deloitte Canada, received the Rising Star Award; and **Angela Kaiser, CPA, CGA**, proprietor of Angela Kaiser, Chartered Professional Accountant, received the Significant Board Contribution Award.



Beverley Briscoe



Jayana Darras



Angela Kaiser

Do you have an announcement you'd like to share in the magazine?
Email us at: ***infocusmag@bccpa.ca***



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In Memoriam

We wish to send our condolences to the families, friends, and colleagues of the following members:



P. Nicholas (Nick) Geer, FCPA, FCA

Nick was born in London, England, and earned his accounting designation from the Institute of Chartered Accountants in England and Wales (ICAEW) in 1963. He joined Coopers Lybrand, Chartered Accountants in 1964 and spent three years working with the firm in West Africa.

After moving to Vancouver in 1967, Nick joined the Institute of Chartered Accountants of British Columbia (ICABC). He worked in public practice as a manager and partner until 1980, when he joined the Jim Pattison Group as a senior vice-president. He later served as vice-chair and managing director.

From 2001 to 2003, Nick chaired the board of directors of the Insurance Corporation of British Columbia (ICBC). He served as ICBC's president and CEO from 2002 to 2004.

During his career, Nick was active in the accounting profession, serving on legacy CA committees and task forces at both the provincial and national levels, as well as on the Canadian Tax Foundation. He provided leadership at the board level for other organizations as well, including BC Sugar Ltd., Kinetic Capital Partners, and NAV CANADA. In addition, Nick co-founded Collingwood School in West Vancouver and served as chair of both its board of governors and its foundation.

For his contributions to the accounting profession, Nick was elected to the ICAEW Fellowship in 1983 and the ICABC Fellowship in 1994. For his service to the community, he received the Queen Elizabeth II Golden Jubilee Medal in 2003.

Nick passed away on January 22, 2018, after a car accident in Sacramento, California. He was 75.

Photo: The Canadian Press/Handout.



Donald M. Young, FCPA, FCA

Donald was born and raised in Winnipeg, Manitoba. He studied accounting at the University of Manitoba and earned his accounting designation with the Institute of Chartered Accountants of Manitoba in 1963.

In 1966, Donald moved to Vancouver, where he began working with MacMillan Bloedel in its internal audit department. He became a member of the Institute of Chartered Accountants of British Columbia (ICABC) in 1974.

In 1982, Donald left his role as director of internal audit for MacMillan Bloedel to join the Office of the Auditor General of Canada (OAG) in Ottawa under the federal government's Executive Interchange Program. After completing his appointment in 1984, he was asked to stay on permanently. He subsequently moved back to Vancouver to manage the OAG's Vancouver and Edmonton offices. In 1987, a Winnipeg office was added to this list, and Donald was appointed assistant auditor general of Canada responsible for the Western Region. He held the role until his retirement in 2002.

During his 20 years with the OAG, Donald was a valued member of the senior leadership team, responsible for managing the audits of some of the largest federal departments.

He was a big contributor to the accounting profession, providing leadership to both the provincial and national legacy CA bodies. This included serving on the national board of governors and on the ICABC council. He was the president of the latter in 1990-1991. For his contributions, Donald was elected to the ICABC Fellowship in 1991, and to the Fellowship of the Institute of Chartered Accountants of Ontario in 1994.

Donald passed away on March 10, 2018, at the age of 78.



Jantarat/iStock/Thinkstock

Honouring Excellence

CPABC celebrated its 2017 Member Recognition Program honourees at two events held earlier this year.

At the third annual Member Recognition Dinner, held at the Waterfront Hotel on February 21, CPABC recognized the 14 newest recipients of the FCPA designation, the Honorary CPA designation, the Early Achievement Award, and the Distinguished Service Award. More than 170 people attended the event to celebrate as these individuals were recognized for their outstanding career accomplishments and volunteerism, as well as for their contributions to the accounting profession.

Heather Banham, FCPA, FCGA, chair of CPABC's Board of Directors, served as master of ceremonies, together with David Hallinan, FCPA, FCMA, past chair of the CPABC board and current chair of its two member recognition committees. The honourees were presented with awards and certificates as an audiovisual presentation highlighted their individual achievements.

CPABC held a separate event on April 4 to honour the nine members elected to Fellowship in 2017. The annual FCPA Dinner, held at the Vancouver Club, was attended by more than 100 BC FCPAs. Special guests at the event included Terry LeBlanc, FCPA, FCGA, chair of CPA Canada's Board of Directors, and members of CPABC's board and executive management committee.

More information about CPABC's Member Recognition Program is available on page 15. You can also find details, including nomination forms and criteria, online at **bccpa.ca**.



CPABC's 2017 honourees. Standing (l to r): David Wende, CPA (Hon.); Diana Chan, FCPA, FCA; E. Albert (Al) Botteselle, FCPA, FCGA; Karen Horcher, FCPA, FCGA; Étienne Bruson, FCPA, FCA; Thelma Siglos, CPA, CA (Distinguished Service Award); W. Mackenzie Kanigan, CPA, CGA (Early Achievement Award); Thomas Wong, FCPA, FCA. Seated (l to r): Mary Galaugher, FCPA, FCGA; David Bowra, FCPA, FCA; Abigail Ma, CPA, CA (Early Achievement Award); Cecilia Wong, FCPA, FCA; Tim Howley, FCPA, FCA. Not in attendance: John Helliwell, CPA (Hon.). Photo by Kent Kallberg Studios.















1. David Hallinan, FCPA, FCMA, chair of CPABC's two member recognition committees, presents the awards with CPABC Chair Heather Banham, FCPA, FCGA. 2. Early Achievement honouree Abigail Ma, CPA, CA, with her husband. 3. Karen Horcher, FCPA, FCGA, receives her Fellowship certificate from Heather Banham. 4. Honorary CPA recipient David Wende, CPA (Hon.), with his wife. 5. Thomas Wong, FCPA, FCA (centre), celebrates with his family. 6. Katherine Angus, FCPA, FCA, congratulates colleague Tim Howley, FCPA, FCA, on his election to Fellowship. 7. Newly elected FCPA Cecilia Wong, FCPA, FCA (centre), with friends. 8. Thelma Siglos, CPA, CA, (right) receives the Distinguished Service Award. 9. Newly elected FCPA Diana Chan, FCPA, FCA (second from left), joined by her husband (third from left) and their friends. 10. Al Botteselle, FCPA, FCGA, celebrates his Fellowship with his colleagues. Photos by Kent Kallberg Studios. For more photos from this event, visit CPABC's Flickr page at **flickr.com/cpabc/sets**.







Giving Back – CPAs in the Community

CPABC members, candidates, and students participated in a number of recent charitable events to support causes in their communities:

- **Richmond Multicultural Community Services** – This spring, 16 members of the CPABC Richmond/South Delta Chapter volunteered several of their Saturdays to support a tax clinic for newcomers to Canada. The clinic was organized by Richmond Multicultural Community Services, an organization that helps newcomers overcome settlement barriers by providing education and skills training in areas such as financial literacy and voluntary tax compliance (**rmcs.bc.ca**).
- **Eagle Ridge Hospital Foundation** – On May 5, over a dozen volunteers from the CPABC Tri-Cities/Ridge Meadows Chapter participated in the Wheel 2 Heal bike race as marshals and course directors. The event raises funds for the Eagle Ridge Hospital Foundation (**erhf.ca**). Each year, Eagle Ridge Hospital handles 50,000 medical emergencies, conducts 600,000 lab tests, and performs 6,000 surgeries.
- **UBC Farm** – Also on May 5, more than 20 volunteers from the CPABC Vancouver Chapter worked at the UBC Farm (**ubcfarm.ubc.ca**), harvesting food, weeding garden beds, turning compost, and organizing sheds. The farm is part of the Centre for Sustainable Food Systems. Located on the unceded ancestral territory of the Musqueam people, the farm bases its teaching, learning, and research on indigenous farming philosophy, concepts, and techniques.

Want to get involved in upcoming events?

If you'd like to participate in upcoming CPABC events, be sure to check your local chapter website (**bccpa.ca/members/chapters**) for community engagement opportunities. And if you have a community event you think CPABC members, candidates, and students may be interested in supporting, contact your local chapter leader online or email David Chiang, CPA, CA, CPABC's vice-president of member advice and programs, at **dchiang@bccpa.ca**.





Members of the CPABC Richmond/South Delta Chapter, including chapter chair Jacqueline Ho, CPA, CGA (above), and Stephanie Yoneda, a candidate in CPA PEP (below), volunteered to help newcomers to Canada by participating in tax clinics hosted by Richmond Multicultural Community Services.

Classifieds

Succession Planning Opportunity

Well-established and progressive CPA firm in Langley is looking to expand and purchase a block of corporate clients from a retiring practitioner. For more information, please contact **langleycpafirm@outlook.com**.



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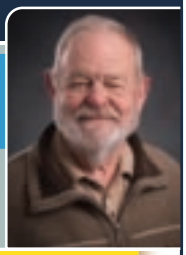
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L to R: Bruce Hurst, Jim Carr-Hilton, Eoin White, and Bruce Gandossi

Member Profile

A Life-Changing Trek

How a trip to Nepal turned into a passion project for local CPAs

Profile by Megan Hooge and Michelle McRae
Photo by Kent Kallberg Studios

When lifelong friends Bruce Hurst, FCPA, FCGA, and Jim Carr-Hilton, FCPA, FCA, embarked on a trek to Mount Everest's South Base Camp with their families in October 2012, they had no idea the trip would change their lives. Here, Bruce describes how a "once-in-a-lifetime" adventure turned into an ongoing journey of self-discovery and outreach.

"On our first trip, our guide Eoin White introduced us to local families who put us up along the trek route. Their homes were uninsulated, made of hand-chiselled rock or plywood, and it was obvious that they had very little. And yet they were extremely generous—they'd give you the shirts off their backs."

When the trekkers reached their final destination of Kala Patthar, a renowned lookout point with an elevation of 18,500 feet, they were rewarded with a breathtaking view.

"The sun had just risen over the peaks. It was truly spectacular."

Little did they know how different things would look just three years later, after a 7.8-magnitude earthquake struck the region.

"The April 2015 earthquake was devastating. All of the families we'd met lost their homes."

Bruce and Jim had already booked their second trip to Nepal by the time news of the disaster broke. Eager to help the families who'd shown them such hospitality, they raised funds by collecting pledges for a 500-km bike ride.

"Cycling in 42-degree heat was brutal, but tons of people donated. With several friends, we raised about $93,000."

When they returned to Nepal in October 2015—this time with friend Bruce Gandossi, CPA, CA, as part of their crew—they witnessed the indomitable spirit of the Nepalese people.

"Day-to-day life was already tough before the earthquake hit, and then they lost their livelihoods. But they persevered. And they kept smiling. It made us realize how much we take for granted."

With the money they'd raised, the group was able to help six local families rebuild their homes, five complete extensive repairs, and eight relocate.

"We wanted this trip to mean something, so it was extremely gratifying to be able to make a difference."

Jim, who'd become a guide with Eoin White's company in 2014, saw another opportunity to contribute after participating in the 2016 trekking season.

"On every trek, Jim saw local kids kicking makeshift soccer balls around. It gave him the idea to start collecting soccer balls for the 2017 trekking season."

The idea took off after the CPAs engaged the help of their networks (including CPABC's Richmond/South Delta Chapter) and various local soccer clubs.

"We ended up with 300 soccer balls and 12 sets of uniforms!"

In the fall of 2017, Bruce, Jim, Bruce Gandossi, and nearly 50 others travelled to Kathmandu with 26 duffel bags of gear in tow.

"Eoin hired porters and yaks to carry the bags and split the group into three treks. Jim travelled with the first two groups while Bruce and I joined the third, along with our wives."

In the village of Kerung, the two CPAs had the chance to referee a soccer tournament a Sherpa had organized for local children.

"They'd never played organized soccer before, but they played like it was the World Cup final! Being on the field with these kids and watching them have so much fun was an emotional experience."

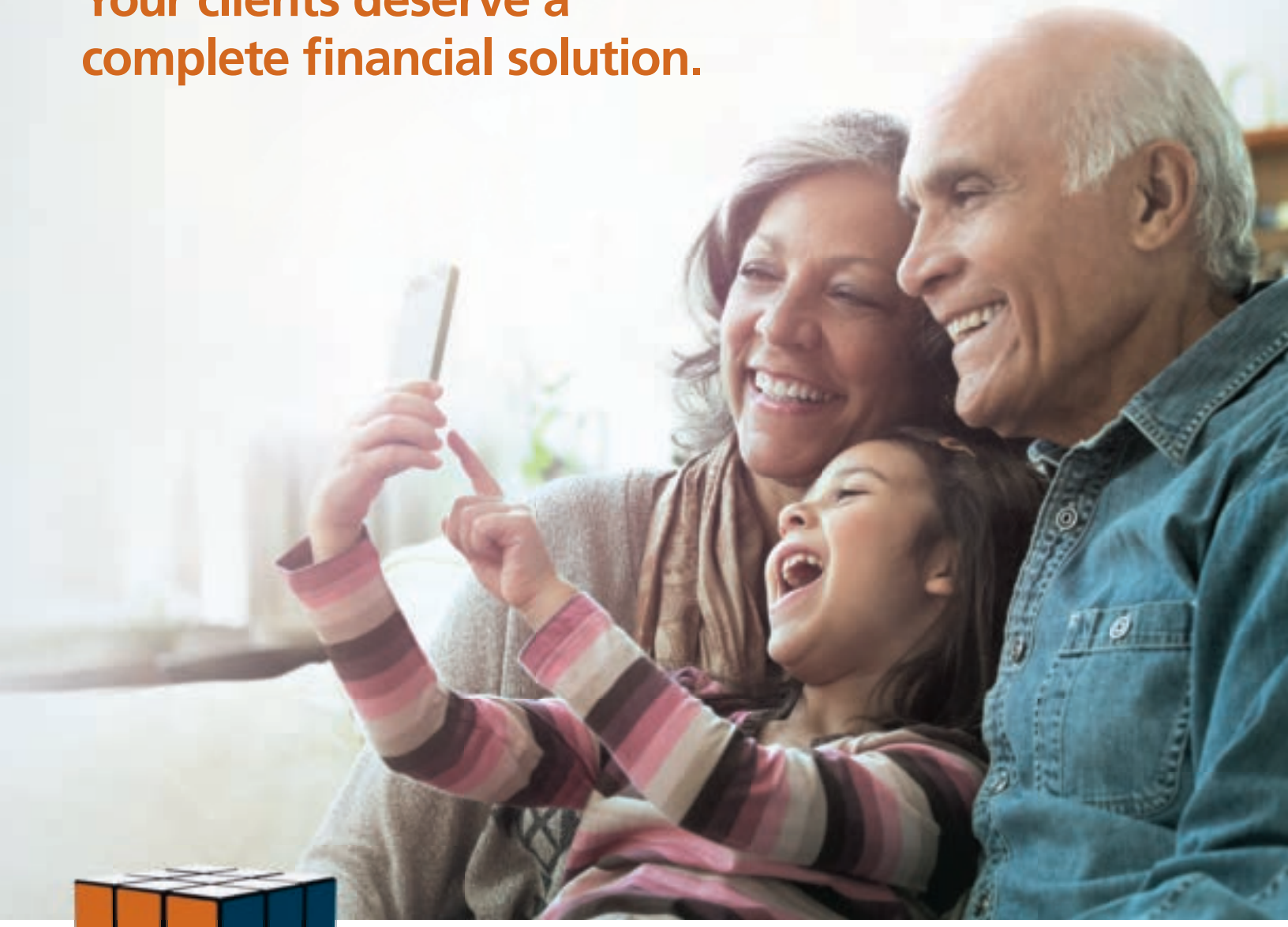
In addition to planning more soccer tournaments for their next trek, the friends are currently collecting school supplies, laptops, and donations for a birthing centre and dental care.

"This is a passion project for us now. These people have become family." ■

Bruce Hurst is a partner with RHN Chartered Professional Accountants in Richmond. Jim Carr-Hilton was a founding and managing partner of DMCL Chartered Professional Accountants, and retired in 2015. Bruce Gandossi is a consultant to Evergreen Nursing Services Ltd. in Vancouver and a retired licensed insolvency trustee.

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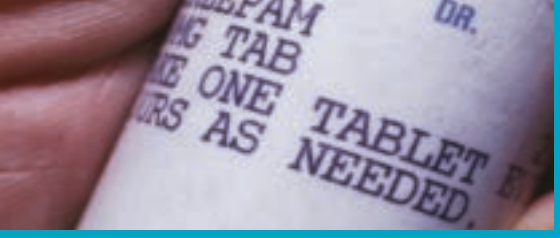




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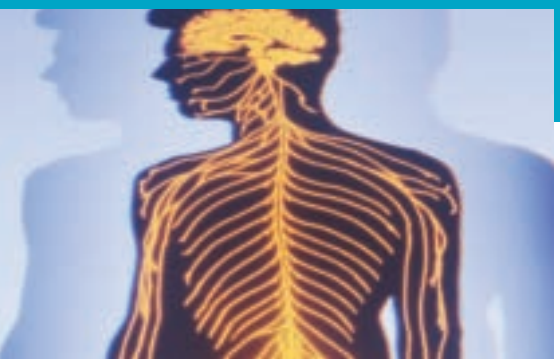
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We've made Private Health Services Plans cookie-cutter simple!







Canada Revenue Agency (CRA) Federal Legislation allows business owners to fully tax deduct 100% of their healthcare costs as a business expense using a Private Health Services Plan.

Who qualifies?

Anyone who owns a business of any size, employees and dependents. No health questions or age limits. This is not insurance.

What's covered?

100% of virtually all dental and medical expenses. Visit our website www.trustedadvisor.ca for a complete list.

What's the cost?

There is a one-time set-up fee plus applicable taxes. The additional cost is 10% administration fee plus applicable taxes, depending on which province you live in.

Who uses a Private Health Services Plan?

Business owners who:

- > do not qualify for group insurance or find it too expensive
- > find group insurance coverage too restrictive; i.e.; orthodontics
- > have sick child or spouse
- > want front of line treatment
- > want to write-off child support relating to healthcare expenses
- > large groups who have been struggling with significant cost increases each year.

A partial list of qualified expenses:

Acupuncture
Alcoholism Treatment
Ambulance
Anesthetist
Attendant Care
Birth Control Pills
Blood tests
Catscan
Chinese medicine
Chiropractor
Crowns
Dental Treatment
Dental Implants
Dental X-rays
Dentures
Dermatologist
Detoxification Clinic
Diagnostic Fees
Dietitian
Drug Addiction Therapy
Eyeglasses
Fertility Treatments
Guide Dog
Hair Transplant
Hearing Aid and Batteries
Hospital Bills
Insulin Treatments
Lab Tests
Laser Eye Surgery
Lodging (away from home for outpatient care)
MRI
Naturopath
Nursing Home (incl. board & meals)
Optician
Oral Surgery
Orthodontist
Orthopedist
Osteopath
Out-of-Country Medical Expenses
Physician
Physiotherapist
Prescription Medicine
Psychiatrist
Psychologist
Psychotherapy
Registered Massage Therapy
Renovations & Alterations to Dwelling (for severe & prolonged impairments)
Special School Costs for the Handicapped
Surgeon
Transportation Expenses (relative to health care)
Viagra
Vitamins (if prescribed)
Wheelchair
X rays

Note: This is a partial list. All allowable expenses must qualify as outlined in the Income Tax Act

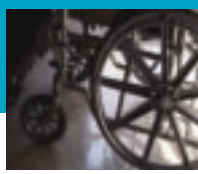
Why are your clients doing this with their healthcare expenses?

Healthcare Costs $1600	
(3% of net income) Deduct $1500	
Available for credit $100	
Tax Credit* $25	

When they could be doing this!

Healthcare Costs	$1600
Admin Fee (10%)	$ 160
Tax-deductible total	$1760
Tax Deduction	**$1760**

EXAMPLE:
Net income of $50,000 per year with family medical expenses of $1600
*Based on a combined Federal and Provincial rate of 25%.





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