

# Business Matters

Issue 2 2019

[home.kpmg/bm/enterprise](http://home.kpmg/bm/enterprise)



At KPMG Enterprise, we're dedicated to working with businesses like yours. It's all we do. Whether you're an entrepreneur, family business, or a fast-growing company, we understand what's important to you. We can help you navigate your challenges – no matter the size and stage of your business. You gain access to KPMG's global resources through a single point of contact – a trusted adviser to your company. It's a local touch with a global reach.

We measure our success from the only perspective that matters – yours.

## In this edition

03

Fishing in choppy waters - Seizing opportunity amidst geopolitical uncertainty

05

On the horizon: Accounting standards for private enterprise

08

Go with the flow - Value stream mapping

11

Spring/summer 2019 professional development programmes

13

Cyber security - What does it mean for the Board?

15

Blockchain - Boardroom questions

17

Let sparks fly - Introducing Ignite

18

In the spotlight - Meet our newest team members



# Fishing in choppy waters

**How many companies seize opportunities amidst so much geopolitical uncertainty?**

By: **Andrew Mantilia**, Global Geopolitics Lead, Global Clients and Markets, KPMG International

Being based in London it sometimes feels like everyone is consumed by Brexit. However, when I talk to business leaders around the world (i.e., outside the UK) about what politics means for business, Brexit (surprisingly) rarely comes up. Nearly three years on from the referendum, Brexit uncertainty is the new norm. The near- and long-term future might be uncertain, but the parameters of worst and best case scenarios are set and most businesses feel content with their plans to respond to any fall-out.

Increasing populism, nationalism and political leaders challenging the status quo present a much more challenging risk to global business. This includes actual and technological borders rising in some parts of the world and diverging international architecture, standards, and norms.

That said, many of the geopolitical issues around the world are microcosms of some of the challenges that wider themes pose to businesses. Equally important, it showcases how political volatility and an uncertain future can trigger companies to step-change strategy and gain ground over the competition. It is the uncertainty that creates significant risk and less so the eventual structure that may be implemented.

So how do you prepare for a future of 'known unknowns' and 'unknown unknowns' – and still thrive? With so many important political developments still unclear, the time for a 'wait-and-see' strategy is over. Stress-testing your business to identify and address vulnerabilities is more important than ever – and that includes being clear about how much risk your company is ready to take. Here are five key questions that you should be asking yourself

if you want to be relatively confident that you are future-proofed across the board:

### 1. Are your customs and supply chains resilient?

Considering global trade tensions and uncertainty, your logistics and tariff exposure might look different from one day to the next, so having a mitigation plan is vital. How would a (shock-induced) two-fold increase in transport times and/or costs affect your business?

### 2. Are your suppliers ready?

A strong relationship with your suppliers is vital to ensure they have adequately assessed their exposure to geopolitical risk and for you to understand how their planning might affect your operations and relations – while also allowing you to carefully consider back-up options.

### 3. Will changing trade relationships break your contracts?

Questions hover over the ability of UK and EU firms to interpret and enforce millions of contracts after Brexit, from service level agreements and insurance policies to product licenses and data transfers. This goes beyond just understanding your contractual obligations to assessing third-party risk: Can your counterpart meet its contractual obligations – or will it want to? Can you meet your side of the bargain, or do you want to renegotiate? And most importantly, is your legal team up for the challenge?

### 4. Are your finances ready for uncertainty?

Be aware of the possible strain on your cash position and access to finances. Contingency plans for changes in your inventory, delayed payments, revenue shocks and foreign exchange volatility are a 'must-have' rather than an option.

### 5. Do you have a future-ready workforce?

Proposed changes to immigration policy are forcing companies to think again about how they secure talent, and operate with less or no free movement. Securing talent involves more than retaining them – providing practical and even emotional support will be key for companies in face of changes related to (im)migration. Rule number one of change management is to make it known, so it is important that you are up to date and ready to guide your employees, while also thinking about potential extra costs and other challenges associated with finding local talent.

In all instances, these questions force businesses to consider trust. In times of change, it is crucial to strengthen relationships with customers, users, suppliers, employees, the government and public at large. This isn't just about driving growth, but also – and more importantly – building and retaining confidence.

### Building confidence

While the easy thing to do is wait for clarity, the hard thing to do is remain focused on leading into a future regardless of what it holds. Four ways to feel confident and positive you're making the right decisions:



**Diversify your perspectives.** Surround yourself with diverse information. Break the echo-chamber and don't fall into the trap of surrounding yourself with views that only align with your own.



**Forecast and monitor with data.** As the Boy Scouts taught me, always be prepared. Trusting one's experience is important, but use real data to inform decisions based on real world experience. Too many leaders overlook the insights provided by data and analytics because it contradicted their own experience or intuition.



**Stress test.** Simulate all sorts of scenarios – from best case to worst case. This will help highlight vulnerabilities so you can focus on improving your position.



**Invest in the inevitable.** Regardless of how geopolitics play out, no regret investments such as skills, technology and diversity should be prioritised, as they need to happen no matter what.

Contact us if you would like to discuss geopolitical matters.



**Andrew Mantilia**

Global Geopolitics Lead,  
Global Clients and Markets  
KPMG International

**E:** Andrew.Mantilia@kpmg.co.uk

**T:** +44 (0)20 7694 8527



**Steve Woodward**

Managing Director  
Sector Lead, KPMG Enterprise  
KPMG in Bermuda

**E:** stevewoodward@kpmg.bm

**T:** +1 441 294 2675



# On the horizon: Accounting standards for private enterprise

By: **Jonnie Burnett**, Manager, KPMG Enterprise

## Section 3856 Financial Instruments

In December 2018, the Accounting Standards Board (AcSB) issued final amendments to Section 3856 Financial Instruments related to the accounting for financial instruments between related parties and significant risk disclosures. The amendments are effective for annual financial statements relating to fiscal years beginning on or after January 1, 2020.

### Scope

- The scope of Section 3856 has been amended to make it clear that the Section applies to the initial and subsequent measurement, derecognition, presentation, and disclosure of related party financial instruments.
- Guidance on how not-for-profit organisations initially measure related party financial instruments has been added.

### Initial measurement

- The amended Section 3856 requires that financial instruments in a related party transaction are initially measured at cost, unless the instrument is equity or debt that is quoted in an active market, debt where the inputs significant to the determination of the fair value of the instrument are observable, or a derivative contract. Any such instruments are measured at fair value without any adjustment.
- The cost of a financial instrument in a related party transaction is dependent on whether or not the instrument has repayment terms.
- The election to initially measure financial assets or financial liabilities at fair value is now prohibited for related party financial instruments.
- The equity component of compound financial instruments issued between related parties is permitted to be initially measured as zero.

### Subsequent measurement

- Subsequent measurement requirements of a financial instrument are aligned with the instrument's initial measurement. Related party financial instruments are measured at cost, less any reduction for impairment; except for equity instruments quoted in an active market and derivative contracts, which are measured at fair value.
- The amended Section 3856 provides guidance on how to measure any impairment of a debt or equity instrument in a related party transaction measured at cost.

### Presentation of impairment and forgiveness

- The amended Section 3856 introduces new requirements for the presentation of impairment and forgiveness of related party financial instruments.
- Enterprises are required to first assess for, and recognise in net income, any impairment of a related party financial asset before the forgiveness of the related party financial asset is recognised.
- Except for not-for-profit organisations, the forgiveness of a related party financial asset is recognised in:
  - Equity when the original transaction that resulted in acquiring the financial asset was not in the normal course of operations; or
  - Net income when the original transaction that resulted in acquiring the financial asset was in the normal course of operations or when it is impracticable to determine whether the amount forgiven originated outside the normal course of operations.

- Enterprises are required to disclose when the forgiveness of a related party financial asset is recognised in net income because it is impracticable to determine whether the amount forgiven originated outside the normal course of operations.
- For not-for-profit organisations, forgiveness of a related financial party asset is recognised in the statement of operations.

### **Modifications and extinguishment**

- All modifications of a related party financial liability are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.
- Not-for-profit organisations are to recognise an extinguishment of a financial liability in a non-reciprocal transaction in accordance with Section 4410, Contributions – Revenue Recognition.

### **Significant risk disclosures**

- Guidance is provided to clarify the disclosure requirements and encourage enterprises to prepare their financial instrument disclosures using enterprise-specific information to improve the usefulness to users of the financial statements.
- An enterprise may have significant exposure to financial instrument risk, if for example, it has a significant amount of debt that is denominated in a foreign currency. In this scenario, the enterprise should disclose information on the risk that the future cash flows of the debt instrument may fluctuate because of changes in foreign exchange rates. If, however the enterprise does not have significant exposure to foreign-denominated financial instruments, it should not include foreign-exchange risk information in its financial statements.

### **Transition**

The amendments are to be applied retrospectively, with simplified transitional provisions, for fiscal years beginning on or after January 1, 2020. The following simplified transitional provisions are available:

- The remeasurement of a financial instrument that is measured using the consideration transferred by the enterprise is not required.
- Amendments only apply to financial instruments that exist on the date of transition.
- Where a financial instrument that exists on the date of transition has been modified or a portion extinguished in the period preceding that date, the amendments related to modifications and extinguishment of financial liabilities will be applied as of the beginning of the earliest period presented.

Get in touch with Jonnie if you would like to discuss any of these upcoming changes.



**Jonnie Burnett**

Manager, KPMG Enterprise  
KPMG in Bermuda

**E:** [jonnieburnett@kpmg.bm](mailto:jonnieburnett@kpmg.bm)

**T:** +1 441 294 2714



# Passion. Purpose. Perspective.

When you work with KPMG Enterprise, our relationship begins with understanding what is important to you. Passion is what drives family businesses to large international companies, and every sized company in between.

We use our collective knowledge, skills and insights to add value to every relationship. With us, you also have access to our firm's global resources through a single trusted advisor. It's a local touch, with a global reach. And we'll match your passion at every turn.

## Contacts

Steve Woodward, Managing Director  
Sector Lead, KPMG Enterprise  
T: 441 294 2675  
E: [stevewoodward@kpmg.bm](mailto:stevewoodward@kpmg.bm)

Felicia Wilsen  
Director, KPMG Enterprise  
T: 441 294 2649  
E: [feliciawilsen@kpmg.bm](mailto:feliciawilsen@kpmg.bm)

[kpmg.bm](http://kpmg.bm)

# Go with the flow

## Enabling efficiency, effectiveness and engagement through value stream mapping



Continuous improvement – reducing waste, eliminating bottlenecks, streamlining processes, cutting costs – has become a critical ingredient to success for small- and medium-sized businesses. More companies have been turning to Lean principles and tools like value stream mapping given its strong correlation with revenue growth, innovation and team engagement. While value stream mapping is just one part of a broader approach to improvement, it's a tool that can help unlock distinct advantages.

Ready to start improvement efforts but not sure how? Is your company struggling with improvements that are already underway? To accelerate efficiency, effectiveness and engagement, take a fresh look with value stream mapping.

### Value stream mapping: A focus on the customer

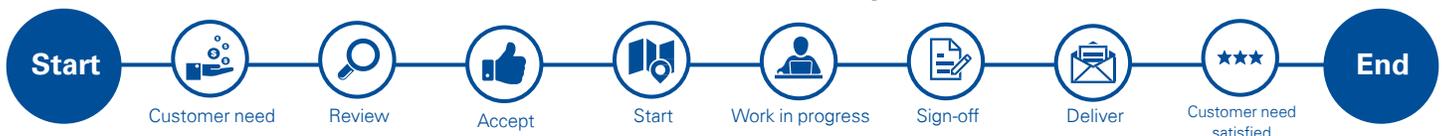
In a Lean approach, value is always defined by the customer — either the end consumer or your internal customer in the office next door. The value stream represents the series of steps, both value added and non-value added, required to complete a service from beginning to end. Value streams either deliver customer value

directly or support internal business processes. The fundamental objective of Lean thinking is to create the most value while consuming the fewest resources.

Value stream maps provide a highly visual, holistic view of how work progresses through your organisation. Often, in work systems, people downstream haven't articulated to people upstream what they actually need to complete their work. Value stream mapping brings cross-functional teams together to complete this analysis, and discover and gain clarity on the current state.

Research shows that, on average, 40% of what we do adds no value. Imagine the efficiency that can be created by eliminating the waste. Waste in administrative processes is even more entrenched and hidden, so it can be even harder to see. Value stream mapping reveals problems with flow and enables identification of which steps create value and which are only waste. Ultimately, waste points to problems within the overall system.

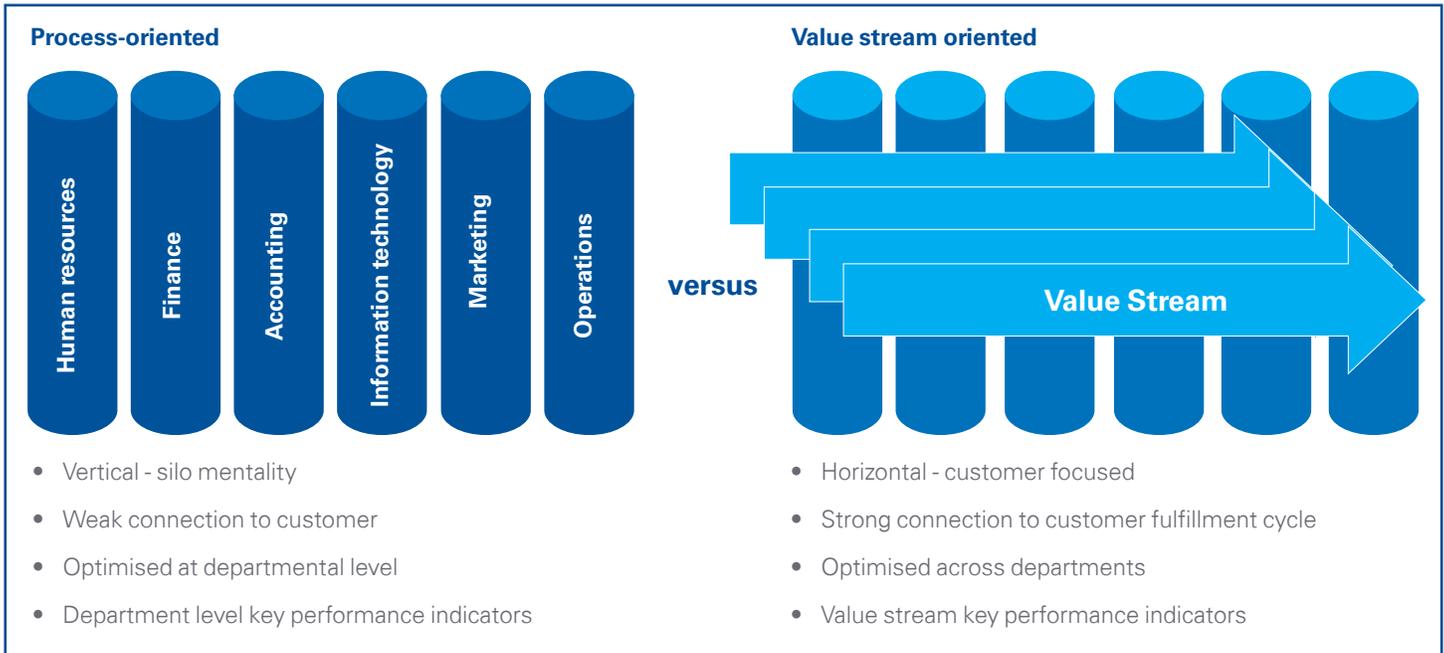
### Basic value stream map



## Silos or systems?

Traditionally within organisations, we've tended to operate in silos which focus on efficient business processes as the core of successful operations. The problem with the prevailing "siloed" thinking is usually there is no one person that can really describe

how you deliver value from beginning to end. In turn, it becomes harder to identify the customer, the precise service offering, and the key elements that comprise customer value.



## Avoid automating bad processes

It can be tempting to jump into the weeds and design micro or process-level improvements before the entire work system is fully understood; however, functional handoffs which are often a sign and cause of significant waste are often overlooked at the silo, or

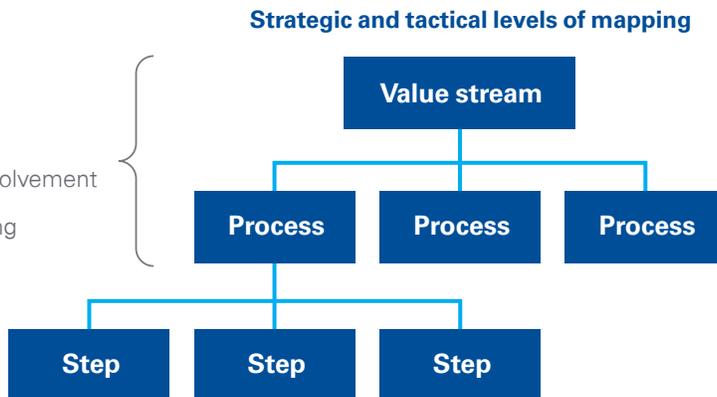
process level. Further, starting with siloed or micro-level efforts could also lead to suboptimised technology implementations that automate bad or unnecessary processes. This can lead to efficiency in silos versus the goal of improving the overall customer experience.

## Taking a system-wide view results in simplicity, focus, and speed

Value stream mapping facilitates conversations about what the customer needs really are, then you can begin to bridge the gaps between different functional areas, address the redundancies, gaps and disconnects in how work gets done, shorten time to delivery and drive up quality metrics. The result: Simplicity, focus, and speed.

### Macro perspective

- Define strategic direction ("what")
- Heavy leadership involvement
- Value stream mapping



### Micro perspective

- Identify the tactical "how"
- Heavy frontline involvement
- Metrics-based process mapping

Visualising more than the single process level creates the potential for bold moves, such as the elimination of entire process steps before focusing on eliminating waste from unnecessary processes.

For this reason, organising around value streams has been used in many companies and industries to drive competitive advantage. Used properly, value stream mapping is one of the most powerful transformation tools for engaging frontline employees and improving results. Once people learn how to think in terms of value streams, it's difficult for them to look at work in any other way.

### Our basic beliefs on creating a culture of excellence

KPMG has worked with clients across a broad range of industries to drive significant improvements in both performance and health of operations. Through our experiences, the following has come to inform our approach to transformation:

#### Use value stream mapping to prioritise process excellence efforts



Processes typically follow their own rhythm, so one size of continuous improvement doesn't fit all parts of the organisation. Leverage value stream mapping to customise how and where your continuous improvement is targeted. This can help appropriately prioritise and sequence projects, and strategically design them to succeed.

#### Challenge the basic assumptions of what is being done



Too many continuous improvement projects focus on gaining efficiencies without challenging the basic assumptions of what's currently being done. Key questions to address include: What can be done differently or not at all? What steps can be combined or eliminated to simplify flow? Where should decisions be made? Can work be reorganised to get information to the customer with fewer handoffs? Are existing controls and administrative guidelines appropriate? What knowledge and skills are truly required to perform the step(s)?

#### Take a bottom-up and top-down approach



Design a bottom-up approach that is collaborative, and drives high levels of energy and engagement across the team to get people involved in creating the organisation's future.

Next, in order to 'win the right' to scale up a transformation, a clear story and business case needs to be built amongst the top team – which often falls by the wayside in 'bottom-up' capability builds.

Finally, your transformation team needs to have a clear roadmap (with options) for scaling up a program as demand and momentum begin to come together.

#### Cherry-picking the tools is not enough



Tools like value stream mapping form only part of a system that helps organisations focus on the "flow" of value. There is a way of thinking that underlies the tools and system, and your teams learn the thinking through doing. The objective is to create an approach to

continuous improvement that is efficient, effective, and drives engagement. We can help you decide what Lean tools and reinforcement mechanisms will form the basis of your new way of working.

“ One fundamental shift is seeing someone's role in an organisation change from 'I deliver great service' to I deliver great service and I help improve the services for our customers in the future.' We support the behaviour change across the organisation to shift from one that is often caught in a fire fighting environment to one that is coaching and developing people, and making sure they are on board and addressing their issues at the root cause. ”

– Gordon Burrill, Partner, Global Operational Excellence Co-Lead

### We're here to help

Consider what your organisation can do to make your continuous improvement journey as smooth as possible. Done well, value stream mapping is a very efficient way to engage people, and likely more cost effective than trying to convince them of solutions that they were not part of developing.

At KPMG, we work side by side with your team each step of the way. By working with your people throughout the engagement, knowledge transfer, sharing, and collaboration occurs naturally, facilitating transition of the project to your process owners.

The transformation process can be long and complex, but tools such as value stream mapping can help you avoid pitfalls and incrementally improve the chances of success with your improvement efforts. After all, there are savings to be had and efficiencies to exploit. Take steps to eliminate waste, minimise handoffs and reduce silos, and you'll be well on your way to creating more satisfying experiences for both your people and your customers, and building the foundation for a culture of excellence.

To learn more about making your continuous improvement journey successful and rewarding, please contact:



#### Gordon Burrill

Partner  
KPMG in Canada  
E: gburill@kpmg.ca  
T: +1 416 777 3061



#### Thomas Kelly

Managing Director  
KPMG in Bermuda  
E: thomaskelly@kpmg.bm  
T: +1 441 294 2659



#### Denise Thompson

Senior Manager, Advisory  
KPMG in Bermuda  
E: denisethompson@kpmg.bm  
T: +1 441 294 2703

# Spring/summer 2019 professional development programmes

## Improving your performance

### Being a skilled manager

This course helps managers, supervisors, and team leaders improve the skills they need to successfully manage others – and gain improved performance from their team members.

May 30 | \$750 | 7 CPE credits | One-day course

### Time management and working productively

This learning course addresses aspects of time management fundamentals to working productively. The goals are to help you reduce stress, work smarter, improve your professional image, and avoid crises. Throughout the course, you will be asked to make self-commitments to use time in new, constructive ways.

May 31 | \$395 | 3.5 CPE credits | Half-day course

### Communicating with impact

With a focus on small meetings and one-on-one interactions, *Communicating with impact* provides the skills you need to be clear and convincing. You will practice a variety of communication skills in this interactive course. The overall learning objective is to improve your ability to speak with confidence in any situation.

June 11 | \$750 | 7 CPE credits | One-day course

### Giving feedback and managing difficult conversations

When done well, feedback helps others improve their performance and personal effectiveness. However, the skills of giving feedback do not always come naturally. This course focuses on the skills needed to give constructive feedback in a way that opens the door to discussion and improvement.

The course will also cover how to manage difficult conversations while focusing on preserving relationships. You will learn a repeatable approach that you can use when engaging in difficult conversations.

June 12 | \$395 | 3.5 CPE credits | Half-day course

### Critical thinking for decision making

Information and opinion without the benefit of critical thinking is full of risk. That's why you need to analyse information in logical ways, and come up with useful ideas and solutions.

In this course, you will learn techniques to objectively analyse and evaluate issues in order to make good judgements.

June 13 | \$395 | 3.5 CPE credits | Half-day course

### Writing for today and tomorrow

With email continuing to dominate the workplace and new data showing over 50% of work emails being read on mobile devices, it's truer than ever that the medium is the message. Most people spend a fair amount of time at work communicating using the written word.

The learning objective of this course is to improve your writing so readers can grasp the intended meaning quickly and easily, whatever the medium. The focus is on making your writing clear, concise and correct.

June 28 | \$750 | 7 CPE credits | One-day course

### How to register

If you or someone in your organisation would like to register, please contact Jennifer Outerbridge, Programme Administrator at [jenniferouterbridge@kpmg.bm](mailto:jenniferouterbridge@kpmg.bm) or **295-5063 ext. 426**.

All [courses](#) are held at KPMG, and we are located at 4 Par-la-Ville Road in Hamilton. Continental breakfasts are provided for all courses, and lunch is provided for one-day courses.

### Register more, save more

We offer a discount for multiple registrations. If your company registers two or more participants at one time in any of the full-day courses, we are pleased to offer a discounted fee of \$650 per participant. (There are no discounts for the half-day courses). KPMG in Bermuda is an approved provider of Continuing Professional Education credits.

**Special offering:** We offer a customised programme in 'Creating Team Effectiveness' for teams at client sites.

Visit <https://bit.ly/2OQfLsy> to find out more details on our professional development courses or contact Curt.



**Curt Peoples**

Director, People, Performance & Culture  
KPMG in Bermuda

**E:** [curtpeoples@kpmg.bm](mailto:curtpeoples@kpmg.bm)

**T:** +1 441 295 5063

# Advisory training curriculum 2019

## Introduction to Anti-Money Laundering (AML) and Anti-Terrorist Financing (ATF)

During this session, we will discuss the concepts of money laundering and terrorist financing; the roles and responsibilities of regulated financial institutions; and the roles and responsibilities of employees tackling financial crimes.

This two-hour session is interactive, and will make use of videos, voting technology, and audience questions and answers to facilitate learning objectives.

May 15 | \$200 | 2 hours

## Introduction to Anti-Bribery and Corruption

The international community is committed to countering bribery and corruption and punishing those who engage in it. This commitment has resulted in new laws and increased expectations on organisations.

This course explains how firms can aim to tackle bribery and corruption using their systems and controls.

May 21 | \$200 | 2 hours

## Cyber Security Essentials

With the evolving complexity and frequency of cyber security incidents, this training is designed to reinforce fundamental cyber security concepts while introducing the latest threat actors and trending vulnerabilities.

May 31 | \$200 | 2 hours

## Fraud Awareness

This course explains how to recognise, prevent, and report fraud. It details each type of offence, highlights certain red flags that should raise concerns, and explains how these concerns should be escalated to the compliance department.

June 11 | \$200 | 2 hours

## Writing a Privacy Policy

During this training session, we will run through the key areas and concepts that should be included in your organisation's privacy policies. We will also briefly touch on the development of supporting procedures.

The session is best suited for individuals who have some knowledge of privacy policies and participants are encouraged to bring a copy of their organisation's policies (if available), so they can refer to them during the session.

June 20 and 25 | \$200 | 2 hours

## AML Speed Dating

This course is designed as an interactive session that will cover a variety of relevant Anti-Money Laundering / Anti-Terrorist (AML/ATF) hot topic issues.

September 5 | \$300 | 3 hours

## New to the role of Money Laundering Reporting Officer (MLRO)

This training session is designed for individuals who are new to the role of MLRO. It will help you understand the comprehensive regulations and how to implement them in their role.

October 29 | \$200 | 2 CPD credits | 2 hours

## Annual MLRO Update

These training sessions are designed to fulfil the annual training requirements of MLROs and Compliance Officers; however, the content is also relevant to all employees involved in Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF) compliance.

They are meant for individuals who have existing knowledge and experience with the relevant Bermuda AML/ATF regulations and generally of AML/ATF.

November 6, 7, 13 and 14 | \$200  
2 CPD credits per session | 2 hours

## Privacy guidance notes update

Upon the release of the Personal Information Privacy Act (PIPA) Guidance Notes, we will be holding a number of training sessions to update organisations on the evolving regulation.

November 6, 7, 13 and 14 | \$200 | 2 hours

## In-house options

All courses can be delivered in-house to your employees at your organisation. We take a customised approach, tailoring the course contents to focus on the group's performance and learning needs. We concentrate on practical techniques, insightful discussion, a high level of interaction and coaching.

To learn more about our Advisory training program, please contact:



**Kate Taylor**

Senior Manager  
Learning and Development  
KPMG in Bermuda  
E: [katetaylor@kpmg.bm](mailto:katetaylor@kpmg.bm)  
T: +1 441 295 5063

# Cyber security — What does it mean for the Board?

## Boardroom questions

From KPMG's Board Leadership Centre

### Why cyber security risk is an everyday business consideration

Companies are under increasing pressure to adopt and deploy new technology in order to remain competitive within their markets, with technology opening opportunities to differentiate customer experience, reduce operational costs, and increase competitive advantage.

At the same time, investors, governments and regulators are increasingly challenging Board members to actively demonstrate diligence in this area. Regulators expect personal information to be protected and systems to be resilient to both accidents and deliberate attacks.

Organisations cannot afford to be held back by cyber risks. They need to make bold decisions and feel confident that their cyber strategy, defenses, and recovery capabilities will protect their business and support their growth strategies.

### Business pressures: Why companies should consider reviewing their cyber strategy

-  Pressure to find new customers and compete with existing and disrupting competitors means many companies are leveraging digital technology such as robotics, artificial intelligence, mobility, and introducing new systems exposing the company to data risks.
-  A mutating threat landscape where an increasing range of highly professional attackers are innovating faster than many businesses can improve their defenses.
-  Restoring trust and minimising reputation damage is key for many industries – a data breach could affect trust, reputation, and share price.

### Potential impact and possible implications for Boards

-  Intellectual property losses including patented and trademarked material, client lists, and commercially sensitive data.
-  Penalties, which may be legal or regulatory fines for data privacy breaches and customer and contractual compensation, for delays.
-  Property losses of stock or information leading to delays or failure to deliver.
-  Reputational losses causing the market value to decline; loss of goodwill and confidence by customers and suppliers.
-  Time lost due to investigating the losses, keeping shareholders advised and supporting regulatory authorities (financial, fiscal and legal).
-  Administrative resources to correct the impact such as restoring client confidence, communications to authorities, replacing property, and restoring the organisation to its previous levels.

### Boardroom questions

Board level awareness of emerging cyber threats and direct involvement in determining the response is critical. Threat intelligence can help organisations become more proactive, focused and preventative to take control of cyber risk in a unique and positive way.

1. What are the **new cyber security threats** and risks, and how do they affect our organisation?

2. Is our organisation's **cyber security program ready** to meet the challenges of today's and tomorrow's cyber threat landscape?
3. Do we fully understand our **current vulnerabilities** and what **processes** do we have in place to deal with cyber threats?
4. What **key risk indicators** should we be reviewing at the executive management and Board levels to perform effective risk management in this area?
5. Does our **organisation** meet all of its obligations for information assurance and **do we fully comply with General Data Protection Regulation (GDPR)**?
6. Is cyber part of the Board's **strategy discussions** and when was the threat last examined by the Board?
7. How do we move from **reacting to anticipating** cyber attacks?
8. Are our **competitors** ahead of us? If so, does this give them an **advantage**?

### Questions for senior management

1. How are we **demonstrating** due diligence, ownership, and **effective management of risk**?
2. To what level have we created **a security culture** across the organisation that **empowers and ensures** the right people, skills, culture and knowledge to enable cyber security?
3. How effective is our approach to achieve comprehensive and **effective risk management** of information **throughout the organisation** and its delivery and supply partners?
4. Are we **prepared** for a security event? How do we **prevent or minimise the impact** through crisis management and stakeholder management?
5. What **control measures** do we have to address identified risks, and **how effective** are these to prevent or minimise the impact of compromise?
6. Do we have a clear **understanding of the legal and regulatory environment** within which we operate? How do we effectively **demonstrate our compliance** to our supply chain, customers, and business partners?

### What actions could the Board consider?

Consider developing a strategy that is more than just security through combining people, privacy, information governance, and business resilience. The questions outlined here will help to identify gaps in your current cyber security strategy.

KPMG's Cyber Maturity Assessment (CMA) provides an in-depth review of an organisation's ability to protect its information assets and evaluate its preparedness against cyber-crime, looking at:

- Leadership and governance
- Human factors
- Information risk management
- Business continuity
- Operations and technology
- Legal and compliance

Please contact Chris to discuss cyber security at your organisation.



**Chris Eaton**

Director, Advisory  
KPMG in Bermuda

**E:** [chriseaton@kpmg.bm](mailto:chriseaton@kpmg.bm)

**T:** +1 441 294 2641

# Blockchain

## Boardroom questions

From KPMG's Board Leadership Centre

### Why might Blockchain or Digital Ledger Technology (DLT) be important to businesses?

Up to 40% increased efficiency of data and digitisation from single source of truth.

Up to 25% revenue enhancement as a result of better customer experience and new markets.

Up to 75% reduction of operating risk, capital requirements and working capital.

Up to 95% reduction in reconciliations and errors.

**Source:** Estimates based on KPMG client blockchain projects 2016 - 2017. Indicative benefits are not guaranteed and will depend on a number of factors including the change between the current state and the envisaged theoretical future state.

### What is Blockchain or DLT?

Blockchain is the Distributed Ledger Technology ("DLT") for Bitcoin, and now typically refers to DLTs generally. DLTs work as a distributed ledger or database system that:

- Records data or transactions;
- Designed to create and maintain unalterable records;
- Shares data across multiple users / devices; and
- May be public or privately run (e.g., for enterprises).

### How is using Bitcoin different from Paypal and other online payment systems?

- Bitcoin as a crypto-asset does not require integration with a bank account or credit card to transfer Bitcoin;
- It is not housed within a single entity, but de-centralised across all its users, applying cryptography to create integrity and trust between strangers; and
- Bitcoin as store of value is more volatile than most government issued currencies.

### How can Blockchain technology be used in day-to-day business?

Blockchain and financial services may:

- Reduce transaction costs and complexity;
- Increase transaction speed and security, releasing trapped capital and liquidity;
- Enhance customer experience by minimising duplication; or
- Enable financial inclusion and transactions for the unbanked.

Technical, legal and business uses:

- **Technical** – a distributed database to efficiently share information across multiple participants, e.g., provenance of manufactured goods.
- **Business** – a mechanism to exchange value between peers (business to business; person to person) using tokenised assets.
- **Legal** – it can validate pre-agreed contract conditions without human intervention.

### What are some of the possible risks?

- **Not understanding** how Blockchain can affect your business or industry.
- **Investing too early**, perhaps without a clear strategic business case and not fully capturing the benefits.
- **Your competitors taking the first advantage**, thereby reducing their costs and pricing whilst creating new services.

### Opportunities

Innovations are being developed including:

- **Peer-to-peer sharing economies** – such as co-operatives can be formed and controlled by themselves, therefore not needing the sharing aggregators to take a margin.

- **Digital identity** – e.g., birth certificates, passports, social security: Blockchain uses an embedded trust component, meaning someone does not need to appear physically to prove who they are.
- **Property ownership** – Blockchain uses a time stamp which cannot be changed, unlike a database, and could be the record keeper for all property and subsequent transactions.
- **Healthcare** – through medical records ensuring that only certain people can see certain aspects of the record.
- **Smart contracts** – software programs that auto-execute transactions and make them easier to enforce, for example in the music industry where the artists' songs have smart contracts included, enabling the artist to be paid before the music is streamed.
- **Supply chain** – verification and transparency, enabling new forms of supply chain finance and reducing counterfeits.
- **Intellectual property** – every industry, from people, services and manufacturing to conglomerates, can be protected from piracy.
- **Agency businesses** – e.g., reduction of co-ordination and overhead costs and better sharing of information.

### Boardroom questions

1. Have we considered **what areas of our business can use Blockchain technology**: whether that is intellectual property, contracts, treasury, etc.?
2. How could Blockchain be a **disruptor** to our business?
3. Will our **customers and suppliers benefit** from our using Blockchain and can we support them in the transition, ultimately leading to greater margins?
4. Are any of our **competitors, suppliers or customers using Blockchain**? What has been the impact to their business and ours?

5. What are the **risks of implementing Blockchain** to our current and future business?
6. Do we have a **strategy** in place to assess, review and implement Blockchain and if so, who is responsible?
7. What are the **costs** in time, resources, legal and finance to implement?

### What actions can the Board consider?



Appoint a suitable senior management person to be responsible for reviewing the implications of Blockchain to our business.



Provide an overview of how our clients, suppliers and competitors might use Blockchain.



Report back to the Board to give an update, and the possible scenarios involving the different areas of the business and benefits.



Consider the review, suggest recommendations, and plan ongoing reviews.

Please get in touch with Steve if you would like to discuss Blockchain or any other business issue.



**Steve Woodward**

Managing Director, Sector Lead,  
KPMG Enterprise, KPMG in Bermuda

**E:** [stevewoodward@kpmg.bm](mailto:stevewoodward@kpmg.bm)

**T:** +1 441 294 2675

# Let sparks fly



By: **Neil Patterson**, Chairman, KPMG in Bermuda and Director, Bermuda Accelerator Limited

## **A new business often begins from a spark of an idea, inspiration, or imagination.**

Ignite Bermuda has launched, and will help fuel bringing those ideas to market. It is the island's first privately funded entrepreneurial accelerator, co-founded by KPMG and New Venture Holdings and in partnership with Entrepreneurial Spark, the largest operator of such hubs in the UK. The new support ecosystem is dedicated to entrepreneurs and small businesses alike, and it is poised to help accelerate Bermuda's economy through entrepreneurship.

A big part of the local economy and creating jobs here counts on entrepreneurial activities. But starting or growing a small business really isn't easy. Ask anyone who has tried. Turning that original spark of an idea, moment of inspiration or one's own imagination into a reality means having a place to work and a support network of people – mentors and advisors to guide entrepreneurs whether they are at the start up stage or growth stage of their business – and to also have an opportunity to source much-needed and sought-after capital along the way.

## **Ignite is designed to do just that.**

Ignite is the trading name of Bermuda Accelerator Limited, a registered charity; a collaborative work environment that provides everything an entrepreneur or small business needs from office space to education, mentoring and access to investors. Upon successful entry into the program, all of these resources will be provided to the entrepreneurs who will be working out of a purposed-designed facility at 12 Wesley Street which is located right in the heart of Hamilton. Entrepreneurs also gain access to each other; a community to share ideas and benefit from each other's experiences, and to celebrate successes.

“Starting and running a business is hard everywhere, not just Bermuda. The advantage that we do have on our island is that there a number of people and organisations who want to help. Over the past year, we have witnessed a huge appetite for the community to improve economic participation for all Bermudians.” Don Mackenzie, Director of Bermuda Accelerator Limited (BAL) and Chairman and Owner of New Venture Holdings. ”

The interest and support for Ignite has been just incredible and continues to be. This includes financial support from many companies like Argus that generously provided the facility's space, and the many individuals who are equally as excited to see how Bermudians will create economic independence through entrepreneurship and small business. We have lined up

an impressive network of professionals who are eager to donate their time and experience to mentor and coach the entrepreneurs, and we are developing a network of angel investors to provide capital for those businesses that are ready to scale up. Rounding out all these stakeholders, are Ignite's ambassadors. They are Bermudians who have a proven track record in bringing their ideas to life and are keen to inspire fellow entrepreneurs to pursue their passions and dreams.

## **Building a community of entrepreneurs that make an impact locally and globally.**

It really does take a village. All of us at Ignite are also working with the existing programs and infrastructure already in Bermuda. This includes the Bermuda Economic Development Corporation (BEDC), which has been a key partner for Ignite as we provide complementary and crucial services to the entrepreneur and small business community. Working together as a community and by encouraging and supporting one another, it can only help accelerate the local economy and fuel its entrepreneurs to accomplish great things.



The journey for the first cohort of Bermuda-based entrepreneurs kicks off in May 2019, with a boot camp and business curriculum customised for the Bermuda market by Entrepreneurial Spark. For more information on Ignite and how you can get involved in strengthening Bermuda's ecosystem, please visit [ignitebermuda.com](http://ignitebermuda.com).

Contact Neil if you would like to discuss Ignite.



**Neil Patterson**

Chairman, KPMG in Bermuda

**E:** [neilpatterson@kpmg.bm](mailto:neilpatterson@kpmg.bm)

**T:** +1 441 294 2605

# In the spotlight



## **Crystal Worrell**

**Audit Senior**

Crystal is a Bajan by birth and has resided in Barbados for her entire life. She comes from a large loving family, but has taken up the challenge to explore the opportunities which exist away from her family, in Bermuda. Crystal is currently an Audit Senior with KPMG's Enterprise department and has accumulated over four

years' of audit experience, having previously worked at another Big 4 firm in Barbados.

Crystal enrolled in the University of the West Indies, Cavehill, where she attained her Bachelor of Science degree in Accounting. Having checked this goal off her list, Crystal then started her first job, where she was responsible for a diverse portfolio of clients and employees. At the same time, she attained her professional designation, ACCA, within the first two years of being fully employed.

Not only is Crystal a lover of numbers and technical challenges, she also believes in the "Work smart, Play harder" concept. Crystal is an avid Soca Warrior and party goer, even during exam times. In quieter times, she enjoys a game of Sudoku, an episode of Big Bang Theory, or a Harry Potter movie.

Crystal is looking forward to her experience here in Bermuda, as she aims to broaden her knowledge base and experience new, fulfilling challenges and cultures. At the same time, Crystal seeks to add value to the firm and her clients in all areas possible, as well as build new lasting friendships/family here in Bermuda.



## **Jodian Williams**

**Audit Senior**

Jodian attended the University of the West Indies, Mona in Kingston, Jamaica, and obtained a BSc. Management Studies-Accounting (Hons.). She commenced employment at KPMG in Jamaica, shortly thereafter as an Assistant Accountant. During her tenure at KPMG in Jamaica, Jodian has been the In-Charge

Accountant on several external audits spanning companies in the public and private sectors, primarily in the manufacturing/distribution and hotel/tourism industries. She has received recognition from KPMG in Jamaica for 'going the extra mile' and was named the employee of the quarter for June 2013, March 2014 and September 2015. She was also an employee of the year nominee for those three years. Another highlight of her time at KPMG was being selected as 'Purpose Champion' for the Montego Bay Office in 2015.

In October 2016, Jodian transferred to the KPMG Audit Team Extension (KATE) where she was a Team Lead for KPMG in the Cayman Islands. After two very challenging, but rewarding years with KATE, she returned to local external audits in October 2018.

Jodian has joined the KPMG in Bermuda's Enterprise Department as a secondee from her home office. Her expectation from this short-term transfer is to gain experience with international business type audits and continuous learning with exposure to new accounting standards, interpretations and pronouncements.

Jodian's interests outside of work includes: travelling inside and outside of Jamaica, meeting people with various interests, listening to motivational videos on YouTube (Steve Jobs, Eric Thomas, Earl Nightingale, Joel Osteen, among others), reading, event planning, and spending quality time with members of her extended family. While in Bermuda, Jodian hopes to expand these interests by adding walking, sightseeing, and learning about the island.





## Contact us

### Audit

**Steve Woodward**

Managing Director, Sector Lead,  
KPMG Enterprise  
**T:** +1 441 294 2675  
**E:** stevewoodward@kpmg.bm

**Felicia Wilsen**

Director  
**T:** +1 441 294 2649  
**E:** feliciawilsen@kpmg.bm

**Stephen Warren**

Senior Manager  
**T:** +1 441 294 2663  
**E:** stephenwarren@kpmg.bm

**Shanay Brown**

Manager  
**T:** +1 441 294 2613  
**E:** shanaybrown@kpmg.bm

**Jonnie Burnett**

Manager  
**T:** +1 441 294 2714  
**E:** jonnieburnett@kpmg.bm

**Tshepo Tshabalala**

Manager  
**T:** +1 441 294 2715  
**E:** tshepotshabalala@kpmg.bm

### Tax

**Will McCallum**

Managing Director, Head of Tax  
**T:** +1 441 294 2645  
**E:** willmccallum@kpmg.bm

**Catherine Sheridan Moore**

Managing Director  
**T:** +1 441 294 2606  
**E:** catherinesheridanmoore@kpmg.bm

**Crystal Pittendrigh**

Senior Manager  
**T:** +1 441 294 2672  
**E:** crystalpittendrigh@kpmg.bm

**Sarah Robey**

Senior Manager  
**T:** +1 441 294 2701  
**E:** sarahrobey@kpmg.bm

### Advisory

**Charles Thresh**

Managing Director, Head of Advisory  
**T:** +1 441 294 2616  
**E:** charlesthresh@kpmg.bm

**Chris Eaton**

Director  
**T:** +1 441 294 2641  
**E:** chriseaton@kpmg.bm

**Richard Hobday**

Director  
**T:** +1 441 294 2600  
**E:** richardhobday@kpmg.bm

**Lori Rockhead**

Director  
**T:** +1 441 294 2656  
**E:** lorirockhead@kpmg.bm

**Mike Penrose**

Senior Manager  
**T:** +1 441 294 2603  
**E:** michaelpenrose@kpmg.bm

[home.kpmg/bm/enterprise](http://home.kpmg/bm/enterprise)



© 2019 KPMG, a group of Bermuda limited liability companies which are member firms of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.