

**“Regulatory Challenges Facing SMPs and SMEs: Results of
the April SMP Quick Poll”**

FEE-IFAC SME Regulation Roundtable

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SLIDE 1 - TITLE

It is a great pleasure to participate in this Roundtable. As the co-owner of an SME the subject matter is of both personal and professional interest to me. Before I take you through the results of our [April SMP Quick Poll](#) I'd like to reiterate, though I'm sure we need no convincing, the importance of SMEs, the vital role the accountancy profession plays in supporting SMEs, and what the SMP Committee that I chair is doing to help.

SLIDE 2 – IMPORTANCE OF SMEs AND SMPs

IFAC has long recognized the importance of the SME sector and the SMPs that support it. Indeed, 95% of respondents to the 2010

IFAC Global Leadership Survey, a survey conducted earlier this year of the chief executives and presidents of our 160 plus member bodies, said addressing the needs of SMEs and SMPs was either important or very important – up from 91% in 2008 and expected to become more important. As they account for the majority of GDP and private sector employment, they are the key to sustainable economic recovery. And while regulators may consider individual SMEs to be of little or no public interest, the health of the SME sector as a whole is a public interest priority.

SMPs meanwhile provide a broad range of high-quality professional services to SMEs spanning the more traditional accountancy-based services to business advisory services. These services help ensure the efficiency, transparency, and sustainability of SMEs. SMPs bring much-needed choice and competition into the market for professional services. Unfortunately, SMEs and SMPs are facing “headwinds” not least regulatory challenges.

SLIDE 3 – SMP COMMITTEE STRATEGIC OBJECTIVES

What is the SMP Committee doing to help SMPs and SMEs address the regulatory challenges? Well the committee's recently expanded mandate extends to four strategic objectives as shown on this slide. I've highlighted the top one as being the most relevant to today's event: participation in IFAC's policy-making and regulatory dialogue. The aim is to help ensure that regulation is proportionate, stable, and relevant to SMEs and SMPs. An example of this participation was the SMP Committee's contribution to the development of the IFAC comment letter on the EC Green Paper on Audit Policy.

It is vital that policy and regulation appropriately reflects SMEs. We hear all the time how SMEs are struggling to cost effectively meet regulatory requirements, how "red tape" is impeding their ability to innovate and grow. This poses a risk of impairing their ability to lead the global economy out of recession. New

regulatory proposals need to consider SMEs to avoid unnecessary or unintended financial and other burdens being placed on them. Special consideration needs to be given to their capacity to meet new regulation and standards, as well as the appropriateness of regulation and standards to this sector.

SLIDE 4 – SMP QUICK POLL OVERVIEW

The SMP Quick Poll was launched in January of this year. The objective was to take a quarterly snapshot of the key issues confronting SMPs and, in their minds, their SME clients. Typically we ask 8-10 multiple-choice questions and the expected completion time is 2 minutes. Some questions are recurring, so that we can identify key trends, while others are expected to be one off, topic-related questions. The poll is promoted through our electronic newsletter, SMP eNews, which has over 13,000 subscribers, but also, and, more importantly, through our regional organizations like FEE and member bodies. Despite tight

deadlines – less than 3 weeks – the January and April polls elicited 425 and 440 responses respectively.

The first poll suggested that burden of regulation and keeping up with standards present a significant challenge for SMEs and SMPs. We wanted to learn more about the nature and origins of this burden. So, in the second poll, we made regulation the focus.

I'd like to share the key findings with you.

SLIDE 5 – QUESTION 1

The burden of regulation was cited as the "biggest challenge" faced by practitioners' small- and medium-sized (SME) clients with economic uncertainty, the top challenge in January, slipping into second place. From the graph, you can see that difficulties accessing finance was a distant 4th place. In light of the prevailing economic uncertainty, this finding might surprise some.

SLIDE 6 – QUESTION 2

When asked what aspect of regulation posed the greatest challenge for their SME clients, most respondents said pace of

change, the speed with which it was changing. Again the results came as a surprise – we hear a lot of anecdotal concerns around volume, cost, and complexity.

SLIDE 7 – QUESTION 3

Similarly, when asked about the most important issue facing their practices right now, nearly half the respondents cited keeping up with regulations and standards (44%) followed by attracting and retaining clients (26%). Again given the difficult economic conditions, one might have expected a different result.

SLIDE 8 – QUESTION 4

Just like question 2, we asked what aspect of regulation posed the greatest challenge for SMPs, and again, pace of change came out top.

SLIDE 9 – QUESTION 9

As with most polls and surveys, we were keen to learn a few more things about the respondents to establish how representative the sample was and to create the basis for disaggregating the data.

While respondents represent all regions of the world, 85% are located in Europe and Asia. While the total number of respondents increased since the first poll, there was a much smaller response rate from North America in the second poll, and an increased number of respondents from Europe and Asia. This is possibly the result of FEE's success in promoting the poll!

SLIDE 10 – QUESTION 10

The majority of respondents are sole practitioners (46%) or SMPs with 2-5 professional staff (26%).

SLIDE 11 – POLICY IMPLICATIONS

These last two questions reveal that we have a sample bias – a disproportionate number of very small practices from Europe. Hence, the results are not representative and we have insufficient numbers to be able to draw statistically significant findings for regions other than Europe and Asia.

These caveats aside, there are a few possible implications from the poll's findings on regulation. Respondents and their SME

clients are most concerned about the pace of change of regulation and standards. Hence, regulators and standard setters might wish to consider having moratoriums on changes and bringing changes in batches rather than a continuous stream. I think the findings from this poll provide interesting food for thought. I look forward to the deliberations.

SLIDE 12 – CONCLUSION

In conclusion, I would like to thank FEE and those member bodies represented here today for promoting this poll and look forward to you supporting our future polls both by promoting participation to your members and disseminating the findings. In this way, we all stand to develop a deeper understanding of the issues and challenges facing SMPs and SMEs and how we might help address these challenges.

Ladies and gentlemen, thank you.