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EFRAG Secretariat: SWPA Staff

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

WHO CAN APPLY IT IN EUROPE?

SUBSIDIARIES WITHOUT PUBLIC ACCOUNTABILITY: SCOPE

DECEMBER 2021

This Briefing is issued by the Secretariat of the European Financial Reporting Advisory Group ('EFRAG').

The publication of Briefings is part of EFRAG's strategy to stimulate debate within Europe and clarify the IASB discussions on *Subsidiaries without Public Accountability: Disclosures*.

The views expressed in this Briefing are those of the EFRAG Secretariat and have not been approved by either EFRAG TEG or the EFRAG Board. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Any views expressed in this Briefing are tentative and reflect the EFRAG Secretariat's understanding of how the proposals included in the IASB's exposure draft *Subsidiaries without Public Accountability: Disclosures* might be applied.

In particular, the EFRAG Secretariat highlights that if the IASB decides to publish a final IFRS Standard focused on reduced disclosures for subsidiaries without public accountability, the EFRAG Secretariat does not know at this stage whether the European Commission will request endorsement advice to EFRAG or will even endorse such an IFRS Standard.

Also, this Briefing is intended to contribute to the IASB's due process and does not necessarily indicate the conclusions that would be reached by EFRAG in its capacity as advisor to the European Commission on endorsement of definitive IFRS Standards in the European Union and European Economic Area.

Due to the nature of the Briefing, the EFRAG Secretariat has not included questions to constituents. However, constituents may express their views on the topic when responding to the EFRAG draft comment letter. EFRAG will develop its final views after considering the feedback received from its constituents.

Executive Summary

ES1 It is well-known that in June 2002, the European Union (EU) adopted a Regulation on the application of international accounting standards (Regulation No. 1606/2002) which provides, among other things, the option to Member States to permit or require companies to prepare their annual accounts and consolidated financial statements of non-publicly traded companies in conformity with EU Endorsed IFRS.

ES2 In accordance with this legislation, many Member States already permit or require the use of IFRS in the annual accounts[*]. More specifically, allow the use of IAS 27 *Separate Financial Statements* for the financial statements presented by a parent company or an investor.

ES3 On 26 July 2021 the IASB published the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (ED) with the objective of developing a reduced-disclosure IFRS Standard (draft Standard) that would apply on a voluntary basis to subsidiaries without public accountability.

ES4 Similar to what already happened with IAS 27 *Separate Financial Statements*, the draft Standard (if published by the IASB) would be part of full IFRS Standards and is in principle subject to endorsement in the EU under the Regulation No. 1606/2002. If endorsed, it would mainly directly affect EU Member States that either permit or require the use of IFRS in the annual and consolidated accounts of non-publicly traded companies.

ES5 When EFRAG discussed the IASB's proposals in the draft Standard with national standard setters and other European stakeholders in different outreach events, many questions were raised on who would be able to apply the IASB's proposals in the EU. In Chapter 2 *Who would apply the proposals in Europe*, the EFRAG Secretariat explains its assessment on who could apply the IASB's proposals in Europe and provides a number of examples. In particular, the EFRAG Secretariat highlights that if the EU decides to endorse this draft Standard for subsidiaries in the future, the EFRAG Secretariat expects that such draft Standard would apply only to the companies located in the EU Member States that permit or require the use of IFRS in the annual accounts and consolidated financial statements of non-publicly-traded companies (in accordance with Article 5 of Regulation (EC) No 1606/2002). The same logic already applies to IAS 27 *Separate Financial Statements* when EU Member States permit or require companies to prepare their annual accounts in conformity with IFRS. However, if this Draft Standard is not endorsed, companies located in EU member states may still be affected by the Draft Standard if it has subsidiaries located outside of Europe in countries where IFRS Standards are applied.

ES6 Similarly, many questions were raised on the interaction between the IASB's proposals and the EU Accounting Legislation. In *Chapter 3: Interaction with EU Accounting Law*, the EFRAG Secretariat explains its assessment on the interaction between the IASB's proposals and the EU Accounting Legislation. In particular, the EFRAG Secretariat highlights that EU Member States that currently do not permit or allow the use of IFRS Standards for non-publicly traded companies would not be affected by the IASB proposals, even if endorsed in the EU. Nonetheless, those EU Members States may still use the IASB's proposals as a point of reference for their local accounting requirements (similar to IFRS for SMEs). Nonetheless, any comparison between local GAAP and reduced disclosure IFRS Standard should always have in mind the compatibility with EU Accounting Directive.

[*] Includes separate and individual financial statements

CHAPTER 1: BACKGROUND

Introduction

1.1 In August 2015, the IASB published a *Request for Views: 2015 Agenda Consultation*. Some respondents suggested that the IASB consider permitting subsidiaries to apply IFRS Standards with reduced disclosures. This approach would reduce costs, without removing information needed by the users of the subsidiaries' financial statements.

1.2 The IASB added a research project to its pipeline in 2016 and it became active in March 2019. The research project assessed whether it would be feasible to permit subsidiaries that are SMEs to apply the recognition and measurement requirements of IFRS Standards and the disclosure requirements of the IFRS for SMEs Standard with minimal tailoring of those disclosure requirements.

1.3 The IASB recognised that the disclosure requirements of the *IFRS for SMEs* Standard would need to be tailored to reflect differences in the recognition and measurement requirements between IFRS Standards and the IFRS for SMEs Standard. However, the IASB wished to keep the tailoring to a minimum.

1.4 The IASB discussed the research results at its meetings between September and December 2019. At its meeting on 28 January 2020 the IASB decided to move the Subsidiaries that are SMEs project from the research programme to the standard-setting programme.

1.5 Between October 2020 and January 2021 the IASB discussed issues that were identified during the preparation and review of the analysis and suggested disclosure requirements.

IASB Exposure Draft *Subsidiaries without Public Accountability: Disclosures*

1.6 On 26 July 2021 the IASB published the ED *Subsidiaries without Public Accountability: Disclosures* with the objective of developing a reduced-disclosure IFRS Standard that would apply on a voluntary basis to subsidiaries without public accountability.

1.7 The draft Standard would be part of full IFRS Standards and in principle subject to endorsement in the EU under the Regulation No. 1606/2002.

1.8 If endorsed, it would mainly affect EU Member States that either allow or require the use of IFRS in the annual accounts of publicly traded companies and/or use of IFRS in the annual and consolidated accounts of non-publicly traded companies and have not used the subsidiary exemption in Article 37 of the 2013 Accounting Directive. If endorsed, it could also affect those EU Member States that would change their options and start permitting or requiring the use of IFRS in accordance with Article 5 of the Regulation No. 1606/2002.

1.9 If not endorsed, companies located in EU member states may still be affected by the Draft Standard if it has subsidiaries located outside of Europe in countries where IFRS Standards are applied.

EFRAG Draft Comment Letter

1.10 On 30 September 2021, EFRAG published its Draft Comment Letter (DCL), where it welcomes the IASB's efforts in developing reduced disclosure requirements for subsidiaries without public accountability and cautiously supports the proposed scope of the ED.

1.11 However, EFRAG recognises that there is also support for the alternative view expressed by Ms Françoise Flores in the Basis for Conclusion of the ED. Therefore, EFRAG has decided to ask constituents for their views on the scope of the ED, including a question to better understand which entities issue insurance contracts and are in the scope of the project.

1.12 In addition, EFRAG raises some concerns and provides suggestions to the IASB. For example, EFRAG:

a) suggests that the key principles proposed by the IASB in paragraph BC33 of the Basis for Conclusions should encompass cost-benefit considerations;

b) highlights the risks of not considering the existing disclosure requirements in IFRS Standards in the light of BC157 when there are no recognition and measurement differences between IFRS for SMEs and IFRS Standards;

c) suggests that the reasoning for the exceptions is improved;

d) suggests considering the interaction between the disclosure requirements of the ED and the disclosure requirements of the ED Disclosure Requirements in IFRS Standards – A Pilot Approach;

e) considers that the application of a full set of disclosure requirements for IFRS 17 Insurance Contracts can be burdensome and costly for eligible subsidiaries.

f) suggests a number of additional disclosures that it considers relevant for users of financial statements. Nonetheless, EFRAG acknowledges that the assessment of users' needs in terms of disclosures is difficult and subjective.

1.13 EFRAG's draft comment letter can be found here and stakeholders comments are welcome by 26 January 2022.

CHAPTER 2: WHO COULD APPLY THE PROPOSALS IN EUROPE?

When EFRAG discussed this project with national standard setters and other stakeholders in different outreach events, many questions were raised on who would be able to apply the IASB's proposals in Europe. In this section, the EFRAG Secretariat explains its assessment on who could apply the IASB's proposals in Europe.

SCOPE OF THE EXPOSURE DRAFT

2.1 In paragraph 6 of the ED, the IASB proposes that an entity would be permitted to apply the proposed disclosure requirements in its consolidated (subgroup), separate or individual financial statements if, at the end of its reporting period, it is a subsidiary that does not have public accountability and has a parent (ultimate or intermediate) that produces consolidated financial statements available for public use that comply with IFRS Standards.

Public accountability

2.2 In paragraph 7 of the ED, the IASB clarifies that an entity has public accountability if its debt or equity instruments are traded in a public market (or it is in the process of issuing such instruments for trading in a public market) or it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

2.3 It is worth noting that 'Public Interest Entities' is a European concept defined by European legislation (Article 2 of the 2013 Accounting Directive) that is different from the IASB's definition (more details in Chapter 3).

Subsidiaries of a parent that produces consolidated financial statements available for public use that comply with IFRS Standards

2.4 In accordance with paragraph 6 of the ED, the proposed disclosure requirements would only be available to subsidiaries of a parent (ultimate or intermediate) that produces consolidated financial statements available for public use that comply with IFRS Standards.

2.5 In paragraph BC93 of the Basis for Conclusions the IASB explains that it aims to reduce the cost of financial reporting for subsidiaries that report to a parent applying IFRS Standards while maintaining the usefulness of the subsidiary's financial statements to users. In paragraph BC21 of the Basis for Conclusions, the IASB explains that 'restricting the eligibility is consistent with the stakeholder feedback when the Board added the project to its research pipeline'. In paragraph B16 of the Basis for Conclusions the IASB further explains why it did not expand the scope of the project.

At the end of the reporting period

2.6 In paragraph 6 of the ED, the IASB states that only an entity that is a subsidiary at the end of its reporting period can apply its proposed disclosure requirements.

2.7 In paragraph BC19 of the Basis for Conclusions the IASB explains that referring to the end of the reporting period is simple and clear. For example, if the IASB were to permit an entity that was a subsidiary at any time during the reporting period to apply the proposed disclosure requirements, an entity that ceased to be a subsidiary near the start or end of its reporting period would remain eligible to apply the disclosure requirements for that reporting period (even if not a subsidiary for most of the reporting period).

Electing to apply the proposed disclosure requirements

2.8 It is also worth noting that in accordance with paragraph 9 of the draft Standard, would be optional and entities could apply or revoke them at any time.

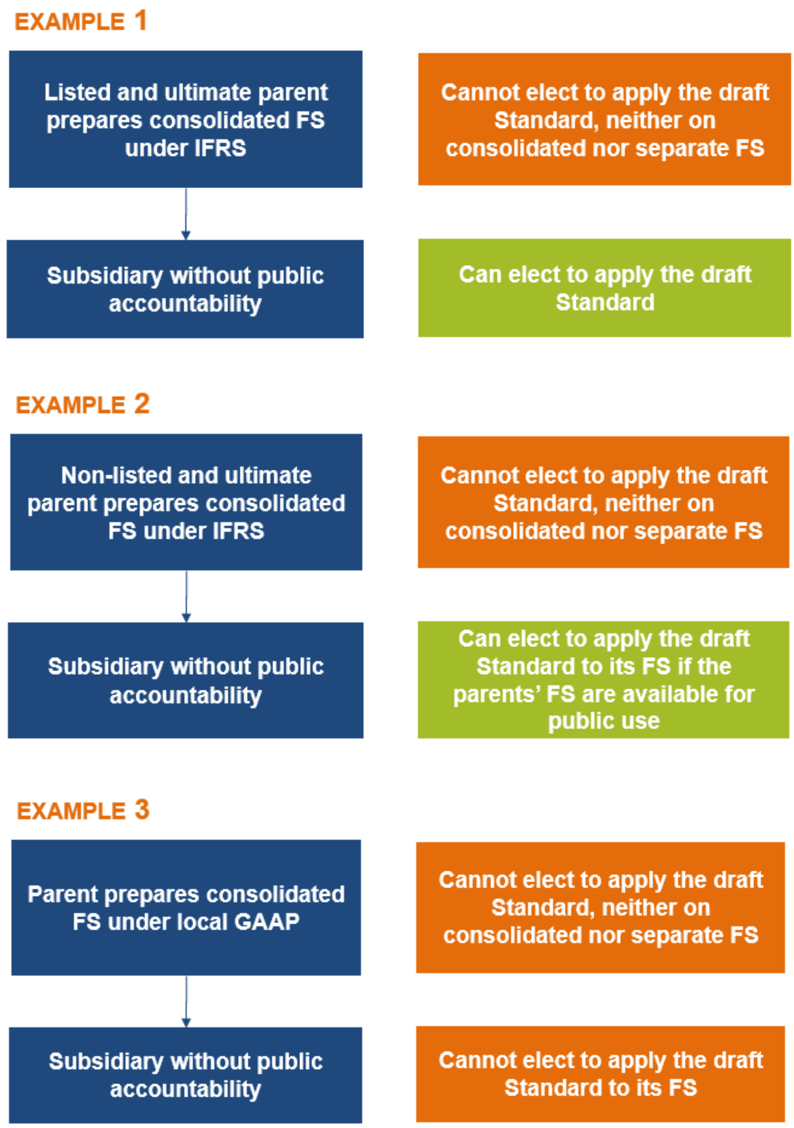
Who would be out of the scope in accordance with the IASB's proposals?

2.9 Most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks would not be able to apply the IASB's proposals, because they typically hold assets in a fiduciary capacity.

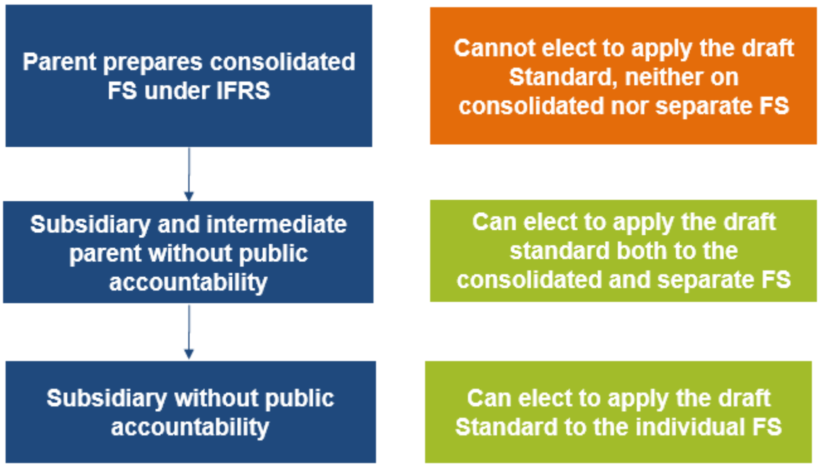
2.10 In addition, a conglomerate that is a subsidiary and has subsidiaries that are listed in paragraph 2.10 would normally not be able to apply the IASB's proposals in its consolidated financial statements.

2.11 Finally, subsidiaries of an investment entity, when the investment entity (the parent) does not present consolidated financial statements.

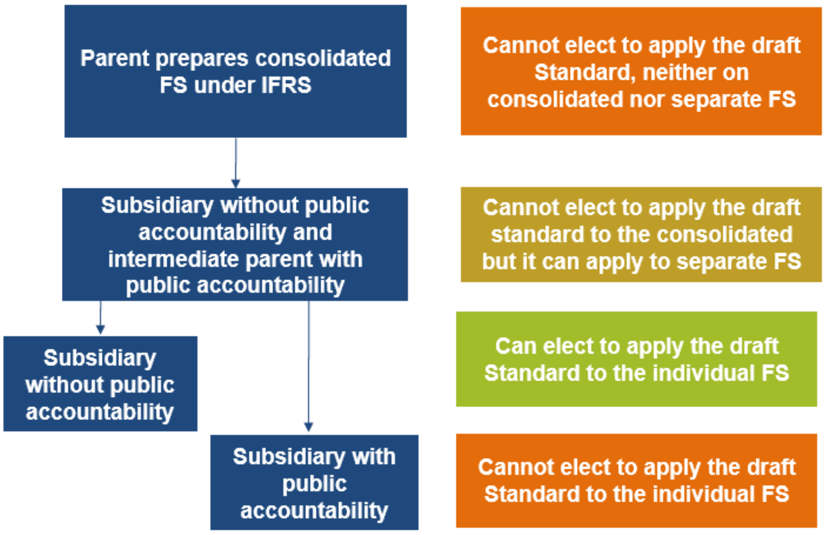
Examples on the scope as defined by the IASB



EXAMPLE 4



EXAMPLE 5



Application of the IASB's proposals in Europe

2.12 In accordance with Regulation (EC) No 1606/2002, European publicly traded companies have to prepare consolidated accounts in conformity with IFRS Standards. In addition, EU Member States have the option to permit or require the use of IFRS Standards for:

a) the annual accounts of publicly traded companies;

b) consolidated financial statements of non-publicly-traded companies; and/or

c) the annual accounts of non-publicly-traded companies.

2.13 Currently, many European countries use some or all of the options provided by the Regulation (EC) No 1606/2002 (please see Appendix 1 *Overview of the use of options in the IAS Regulation*, a Staff Working Document on the fitness check on public reporting by companies). However, some EU Member States do not use any of the options and require the use of national laws, regulations and administrative provisions, in compliance with Directive 2013/34/EU (the 2013 Accounting Directive), for the annual financial statements and consolidated financial statements of non-publicly-traded companies.

2.14 If the EU decides to endorse this draft Standard for subsidiaries in the future, the EFRAG Secretariat expects that such draft Standard would apply to the companies located in the EU Member States that permit or require the use of IFRS in the annual accounts and consolidated financial statements of non-publicly-traded companies (in accordance with Article 5 of Regulation (EC) No 1606/2002).

2.15 The same logic already applies to IAS 27 *Separate Financial Statements* when EU Member States permit or require companies to prepare their annual accounts in conformity with IFRS. (More detailed information about our proactive work on Separate Financial Statements is available on the EFRAG website).

2.16 However, only the companies in the scope of the project (as described above) could apply the reduced-disclosure IFRS Standard. Therefore, **the EFRAG secretariat expects that only the following companies could use the reduced-disclosure IFRS Standard:**

a) the consolidated financial statements of non-listed companies that:

(i) are also subsidiaries;

(ii) do not have public accountability; and

(iii) its ultimate or intermediate parent produces financial statements available for public use that comply with EU Endorsed IFRS Standards.

b) the annual accounts of non-listed companies (including separate financial statements) that:

(i) are subsidiaries;

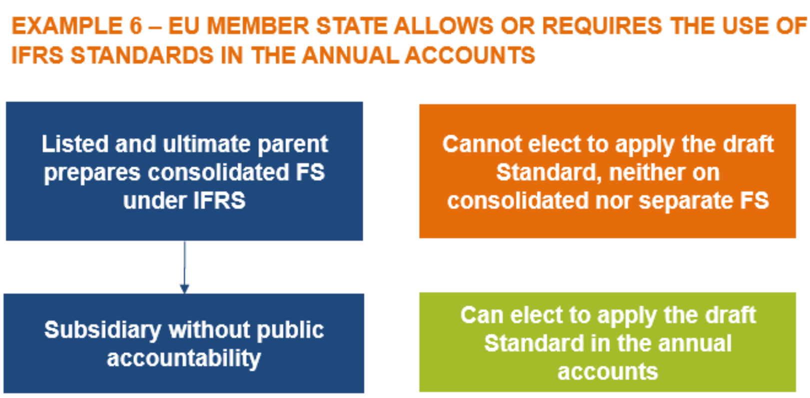
(ii) do not have public accountability; and

(iii) its ultimate or intermediate parent produces financial statements available for public use that comply with EU Endorsed IFRS Standards.

2.17 If not endorsed, companies located in EU member states may still be affected by the Draft Standard if it has subsidiaries located outside of Europe in countries where IFRS Standards are applied.

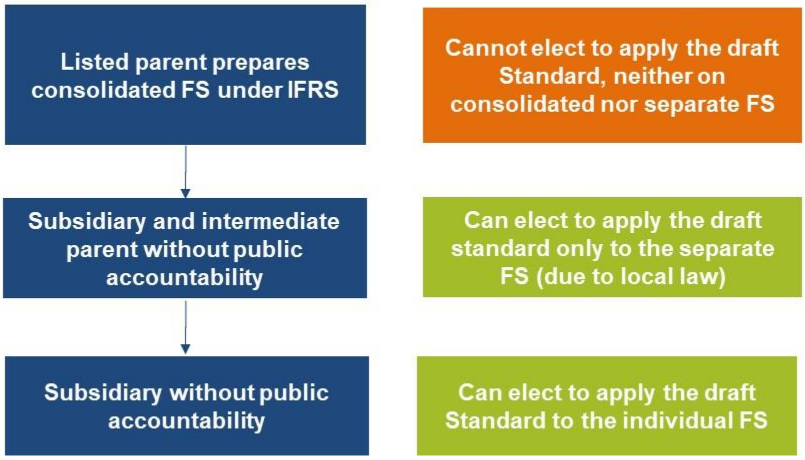
2.18 Finally, it is worth noting that currently *IFRS for SMEs* Standard is not used in Europe and there is no endorsement process related to it. Therefore, in the EU the IASB's proposals would not be seen as competing with the IFRS for SMEs Standard.

Examples on the scope of the project when considering EU accounting legislation

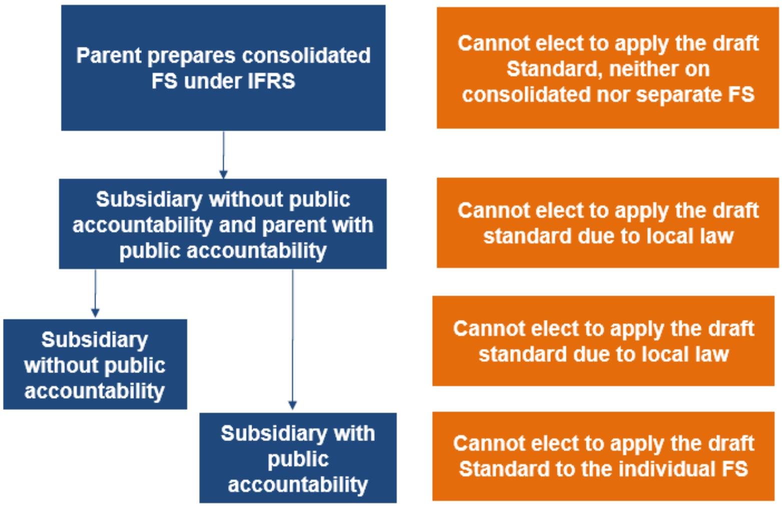


EXAMPLE 7 – EU MEMBER STATE DOES NOT ALLOW THE USE OF IFRS STANDARDS IN THE ANNUAL ACCOUNTS

EXAMPLE 8 – FOR NON-LISTED ENTITIES, EU MEMBER STATE ALLOWS OR REQUIRES THE USE OF IFRS IN THE ANNUAL ACCOUNTS BUT NOT IN THE CONSOLIDATED FINANCIAL STATEMENTS



EXAMPLE 9 - FOR NON-LISTED ENTITIES, EU MEMBER STATE ALLOWS OR REQUIRES THE USE OF IFRS IN THE CONSOLIDATED FINANCIAL STATEMENTS BUT NOT IN THE ANNUAL ACCOUNTS



CHAPTER 3: INTERACTION WITH EU ACCOUNTING LAW?

When EFRAG discussed this project with national standard setters and other European stakeholders in different outreach events, many questions were raised on the interaction between the IASB's proposals and the EU Accounting Legislation. In this section, the EFRAG Secretariat explains its assessment on the interaction between the IASB's proposals and the EU Accounting Legislation.

Interaction with EU Accounting Regulation (Regulation 1606/2002)

3.1 The use of the IASB draft Standard would depend on the EU member state options on the use of IFRS requirements for consolidated financial statements (non-listed) and for annual accounts (listed and non-listed).

When companies are permitted or required to prepare annual accounts and/or consolidated financial statements of non-publicly traded companies under IFRS

3.2 From Appendix 1 *Overview of the use of options in the IAS Regulation*, we can observe that currently many EU Member States are using the options included in the Regulation No. 1606/202 in respect of annual accounts and of non-publicly traded companies (*Article 5*). In those EU Member States, companies may have the option or are required to use IFRS requirements in the annual accounts and/or consolidated financial statements of non-publicly traded companies. In such cases:

a) if a company already applies IFRS Standards to its financial statements and is under the scope of the proposals, the company would benefit from significantly fewer disclosure requirements;

b) if a company currently applies local GAAP to its financial statements but is under the scope of the IASB's proposals, the company may decide to prepare financial statements in accordance with IFRS Standards (assuming that it is allowed by the Member State). Such company would incur first-time implementation costs (as recognition and measurement requirements may differ between IFRS Standards) and the entity may have to provide additional disclosures when compared with local GAAP. In addition, the company will have to consider all future new and amended IFRS Standards when preparing its financial statements. These costs would have to be weighed against the benefits of applying the same accounting policies as the parent (i.e. benefits of the subsidiary not being required to maintain additional accounting records).

3.3 However, in some jurisdictions, companies are permitted to use IFRS Standards but are still required to prepare annual accounts under local GAAP (for tax purposes, distribution of dividends or other legal reason) or exempted from preparing (sub)consolidated financial statements (e.g. for subgroups that have an IFRS intermediate or ultimate parent company that already prepares consolidated financial statements). In such cases, the benefits of applying the draft Standard would be limited or even none.

3.4 It is worth noting that for those EU Member States that permit or require the use of IFRS in the annual financial statements and/or consolidated financial statements of non-publicly-traded companies, they can always reconsider their local law and prohibit the use of the draft IFRS Standard locally. As the draft Standard will be optional, companies located in that jurisdiction would have to provide full disclosures from IFRS Standards and would be able to continue to state compliance with IFRS Standards as endorsed in the EU (as local legislation would only forbid an option in IFRS Standards).

3.5 Finally, EFRAG notes that current scope of the project may lead to 'inequalities' for non-publicly traded companies that currently already apply IFRS Standards:

a) those that are in the scope of the project would be able to benefit from significantly fewer disclosure requirements; but

b) those that are not in the scope of the project (e.g. non-listed subsidiaries that have a fiduciary capacity or non-subsidiaries single entities) will be required to prepare full disclosures from IFRS Standards.

When companies are not permitted or required to prepare annual accounts and/or consolidated financial statements of non-publicly traded companies under IFRS

3.6 EU Member States that currently do not permit or allow the use of IFRS Standards for non-publicly traded companies would not be affected by the IASB proposals, even if endorsed in the EU.

3.7 However, if considered useful, these EU Member States might reconsider the use of the options given by the EU Accounting Regulation and start allowing or permitting the use of IFRS Standards in the annual accounts and/or consolidated financial statements of non-publicly trade entities, including for tax and other legal purposes.

3.8 Finally, the EFRAG Secretariat notes that expanding the scope to all entities without public accountability may raise calls from European Stakeholders in some EU Member States to increase the use of IFRS and adopt the draft IFRS Standard, particularly those jurisdictions that require the use of local GAAP for annual accounts and consolidated financial statements of non-publicly traded entities.

Interaction with EU Accounting Directive (Directive 2013/34/EU)

3.9 The use of the IASB's draft Standard is not directly related and does not depend on the EU Accounting Directive (as explained above, it is only related to the use of options in the IAS Accounting Regulation). However, if more entities elect to use IFRS Standards and consequently move from local GAAP to IFRS Standards (in accordance with the options provided by the EU Regulation 1606/2002 as described above), then the IASB's draft Standard could be seen as competing with the EU Accounting Directive, even if in a limited way (when considering the narrow scope proposed by the IASB).

3.10 Although the use of the IASB's proposals are not directly related to the EU Accounting Directive, EU Members States may still use the IASB's proposals as a point of reference for their local accounting requirements (as some already do with the *IFRS for SMEs*).

3.11 If a EU Member State sees the IASB's proposals as a point of reference or make changes to their local GAAP based on the IASB proposals, these EU Member States will always have to assess to what extent the IASB's proposals are compatible with the EU Accounting Directive.

3.12 Nonetheless, it is worth noting that when making the direct comparison between the EU Accounting Directive and the IASB's Draft Standard, EU Members States should have in mind that:

a) that there are several recognition and measurement differences between the two. For example, in accordance with 2013 EU Accounting Directive, goodwill is amortised while under IFRS Standards goodwill is subject to an annual impairment test. In such cases, any comparison in terms of disclosures will be difficult or even impossible as they are simply incompatible. In addition, local

GAAP might not reflect or not be in line with the new or amended IFRS Standards such as IFRS 15, IFRS 16 and IFRS 17.

b) that there are (minimum) disclosures requirements within the EU accounting directive. The Directive has introduced a harmonisation regime for small undertakings. Harmonisation will be achieved by way of a reduction in EU Member State options to add any further disclosure requirements that are needed for a true and fair view or to meet user needs in their national context. Member States will have the option to require medium-sized and large companies to increase disclosures for certain financial statement items. There is no such option in respect of small undertakings[†].

3.13 Thus, direct comparison between local GAAP and IFRS Standards in terms of disclosures will be difficult.

Interaction with other EU legislation

3.14 'Public Interest Entities' (PIE) is a European concept defined by European legislation. More specifically, defined by article 2 of the 2013 Accounting Directive, which states:

'public-interest entities' means undertakings within the scope of Article 1 which are:

a) governed by the law of a Member State and ***whose transferable securities are admitted to trading on a regulated market*** *of any Member State within the meaning of point (14) of Article 4(1) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments (1);*

b) ***credit institutions*** *as defined in point (1) of Article 4 of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions, other than those referred to in Article 2 of that Directive;*

c) ***insurance undertakings*** *within the meaning of Article 2(1) of Council Directive 91/674/EEC of 19 December 1991 on the annual accounts of insurance undertakings; or*

d) ***designated by Member States as public-interest entities****, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees.*

3.15 Additionally, in accordance with the 2013 Accounting Directive, some of the references to PIE are highlighted below:

a) **Additional disclosures for public-interest entities**: Public-interest entities have to provide additional disclosures (*Article 17 and 18)*.

b) **Exemptions from consolidation**: Small groups shall be exempted from the obligation to draw up consolidated financial statements and a consolidated management report, except where any affiliated undertaking is a public-interest entity (*Article 23*). Member States may also exempt medium-sized groups from the obligation to draw up consolidated financial statements and a consolidated management report, except where any affiliated undertaking is a public-interest entity *(Article 23).*

[†] Nevertheless, EU Member States have the option to require IFRS for separate or individual Financial Statements according to Regulation (EC) No 1606/2002 of the European Parliament

c) **General requirement**: Member States shall ensure that the financial statements of public-interest entities, medium-sized and large undertakings are audited by one or more statutory auditors or audit firms approved by Member States to carry out statutory audits on the basis of Directive 2006/43/EC (*Article 34*).

3.16 In accordance with a study made by Accountancy Europe in 2017, there is a wide diversity of definitions of PIEs applicable across European countries. Some countries have implemented the minimum EU requirements, but others have kept or even newly included additional entities to their national PIE definition (which is possible under article 2(1)(d) of the 2013 Accounting Directive).

3.17 The IASB notion of public accountability is similar but different. An entity has public accountability if:

a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or

b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks would meet this criterion).

3.18 An entity may hold assets in a fiduciary capacity for a broad group of outsiders because the entity holds and manages financial resources entrusted to it by clients, customers or members not involved in the management of the entity. However, doing so for reasons incidental to a primary business does not make the entity publicly accountable. Such a situation may arise for travel or real estate agents, schools, charitable organisations, co-operative enterprises requiring a nominal membership deposit, and sellers (such as utility companies) that receive payment before the delivery of goods or services.

3.19 As noted in BC22 of the 2013 ED *Proposed amendments to the IFRS for SMEs*, the term fiduciary capacity was unclear for some respondents to the RfI as it was a term with different implications across jurisdictions. However, the IASB conducted at the time outreach activities and determined that the use of this term does not appear to create significant uncertainty or diversity in practice. Also respondents generally could not provide any workable suggestions of another term or suggestions for guidance. Therefore, it only made minor clarifications to the definition.

3.20 In summary, although the IASB's concept of subsidiaries 'Without Public Accountability" is different from the European's concept 'Public Interest Entities', the EFRAG Secretariat highlights that entities applying the IASB's proposals in Europe would be under the scope of Regulation No. 1606/2002 and not the 2013 Accounting Directive. The same applies for those that apply IAS 27 *Separate Financial Statements* in Europe. Therefore, the EFRAG Secretariat assesses that there should be no conflict between the two.

APPENDIX 1: OVERVIEW OF THE USE OF OPTIONS IN THE IAS REGULATION

	Listed undertakings								Other undertakings													
	Annual financial statements								Consolidated financial statements						Annual financial statements							
	IFRS permitted				IFRS required				IFRS permitted		IFRS required				IFRS permitted				IFRS required			
	Financial			Non-financial	Financial			Non-financial	Financial	Non-financial	Financial			Non-financial	Financial			Non-financial	Financial			Non-financial
Type of company	Bank	Insurance	Other		Bank	Insurance	Other				Bank	Insurance	Other		Bank	Insurance	Other		Bank	Insurance	Other	
Austria									Yes													
Belgium							Yes		Yes		Yes	Yes	Yes								Yes	
Bulgaria	Yes								Yes						Yes							
Cyprus					Yes						Yes								Yes			
Czech Republic					Yes				Yes						(1)							
Germany	(2)								Yes						(2)							
Denmark				(1)				(6)	Yes									Yes				
Estonia					Yes				Yes		Yes	Yes	Yes					Yes	Yes	Yes	Yes	
Greece					Yes				Yes		Yes	Yes	Yes	(5)				Yes	Yes	Yes	Yes	(5)
Spain									Yes		(3)											
Finland	Yes		Yes	Yes					Yes						(4)							
France									Yes													
Croatia					Yes						Yes	Yes	Yes	(5)				(1)	Yes	Yes	Yes	(5)
Hungary					Yes				Yes							Yes	Yes	(1)	Yes		Yes	
Ireland	Yes								Yes						Yes							
Italy					Yes	(6)	Yes	Yes	Yes			Yes		(9)	Yes		Yes	Yes				(9)
Lithuania				Yes	Yes	Yes	Yes			Yes	Yes	Yes	Yes					Yes	Yes	Yes	Yes	
Luxembourg	Yes								Yes						Yes							
Latvia				Yes	Yes	Yes	Yes	(7)		Yes	Yes	Yes	Yes					Yes	Yes	Yes	Yes	
Malta					Yes				Yes		Yes	Yes	Yes	(8)				Yes	Yes	Yes	Yes	(8)
Netherlands	Yes								Yes						Yes							
Poland	Yes								(10) or (11)		Yes				(10) or (11)							
Portugal				(1)	Yes	(6)				Yes	Yes							(1)	Yes			
Romania					Yes				Yes		Yes		Yes						Yes		Yes	(5)
Sweden									Yes		(12)											
Slovenia			(6)		Yes	Yes		(1)		Yes	Yes	Yes					Yes	Yes	Yes	Yes		
Slovakia	Yes				Yes	(5)	Yes	(5)			Yes						Yes		Yes	(5)	Yes	(5)
United Kingdom	Yes								Yes						Yes							

Footnotes

(1) If the consolidated financial statements are prepared in accordance with IFRS Standards
(2) Only in addition to financial statements prepared in accordance with National GAAPs
(3) Groups in which there is a listed undertaking
(4) If mandatory audit
(5) Public Interest entities
(6) If no IFRS consolidated financial statements are published
(7) Issuers listed on the Baltic Main List
(8) Large and regulated entities
(9) Entities listed on a non regulated market
(10) Subsidiaries of a group in which parent or higher level parent prepares consolidated financial statements under IFRS
(11) Entities having filed or intending to file for admission to public trading
(12) IFRS mandated by the Financial Supervisory Authority

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