

Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Feedback to respondents – EFRAG Final Comment Letter

February 2025

This Feedback Statement has been compiled by the EFRAG Secretariat to summarise the main comments received by EFRAG on its draft comment letter and explain how those comments were considered by EFRAG during its technical discussions leading to the publication of its final comment letter. The content of this Feedback Statement does not constitute any form of advice or opinion and does not represent the official views of EFRAG or any individual member of the EFRAG FRB or EFRAG FR TEG.

Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures

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Introduction

Objective of this feedback statement

EFRAG published its final comment letter on the Exposure Draft *Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures* issued by the IASB on 30 July 2024 (the ‘ED’). This feedback statement summarises the main comments received by EFRAG on its draft comment letter and explains how those

comments were considered by EFRAG during its technical discussions leading to the publication of EFRAG’s final comment letter.

Background to the ED

In May 2024, the International Accounting Standards Board (IASB) issued IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. An eligible subsidiary that chooses to apply IFRS 19 applies the requirements in other IFRS Accounting Standards, except for the disclosure requirements, and instead applies the disclosure requirements in IFRS 19.

The disclosure requirements in IFRS 19 come from all other IFRS Accounting Standards issued before 28 February 2021 and were reduced using the principles for developing reduced disclosure requirements described in paragraph BC33 of the Basis for Conclusions on IFRS 19. Disclosure requirements in new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024 (the date of publication of IFRS 19) were included in IFRS 19 without reductions because the IASB had not consulted on reducing those requirements.

The ED covers new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024. The IASB proposed updating the disclosure requirements in these new or amended accounting standards so that IFRS 19 includes only those disclosure requirements that reflect its principles for developing reduced disclosure requirements. In addition, the IASB asked for views on whether to reduce the disclosure requirements from the prospective IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities* (prospective RARL Standard).

Further details are available on the IASB [website](#).

EFRAG’s draft comment letter

EFRAG published a [draft comment letter](#) (‘DCL’) on the proposals on 20 September 2024. In it, EFRAG supports the IASB’s approach to updating IFRS 19 with all the new and amended disclosures proposed in the IFRS Accounting Standards issued between February 2021 and May 2024. EFRAG also suggested that the publication

of the amendments would be most helpful if completed before the implementation process of IFRS 19 started, as preparers wishing to apply IFRS 19 would welcome the opportunity to implement updated IFRS 19 disclosure requirements without having to make further changes to their reporting processes and systems shortly after the implementation of IFRS 19. In addition, EFRAG highlighted that the timing of the publication of the amendments to IFRS 19 might have an impact on the endorsement process of the IFRS 19 Standard itself.

Comments received from respondents

EFRAG received and considered four comment letters from respondents. These comment letters are available on EFRAG's [website](#).

A summary of the respondents' comments can be found below for each ED question.

EFRAG's final comment letter

EFRAG issued its [final comment letter](#) ('FCL') on 28 November 2024.

EFRAG observed that the application of the principles for reducing disclosure requirements included in BC2 of the ED was not always understandable and suggested that the IASB apply these principles transparently to the specific information needs of the users of eligible entities' financial statements. EFRAG also recommended that the IASB consider engaging further with users of financial statements of eligible subsidiaries (i.e. lenders) on the type of information they need by establishing a dedicated consultative group, which would include users of financial statements of subsidiaries without public accountability.

In addition, EFRAG noted that for any other new IFRS Accounting Standard and new amendments, the reductions are rather low. EFRAG recommended that, in cases where the IASB issues a new IFRS Accounting Standard (or an amendment) and the complete set of disclosure requirements of that Standard applies to subsidiaries without public accountability, it could be helpful to establish a review process for recent IFRS 19 amendments (i.e. a three-year period after first-time adoption).

EFRAG's tentative views expressed in the draft comment letter and respondents' comments

EFRAG's response to respondents' comments

Cover letter¹

EFRAG's tentative position

In its draft comment letter, EFRAG supported the IASB's approach to updating IFRS 19 *Subsidiaries without Public Accountability: Disclosures* with all the new and amended disclosures proposed in the IFRS Accounting Standards issued between February 2021 and May 2024.

EFRAG also noted that the timing for the finalisation of the amendments to IFRS 19 is important. EFRAG observed that the ED did not include an effective date and transition requirements for the proposed amendments to IFRS 19 requirements. EFRAG suggested that the publication of the amendments would be most helpful if completed before the implementation process of IFRS 19 starts. Preparers wishing to apply IFRS 19 would welcome the opportunity to implement updated IFRS 19 disclosure requirements without having to make further changes to their reporting processes and systems shortly after the implementation of IFRS 19. In addition, the timing of the publication of the amendments to IFRS 19 might have an impact on the endorsement process of the IFRS 19 Standard itself.

Respondents' comments

Respondents overall supported the ED's proposals and concurred with the IASB's conclusion that the principles for developing disclosure requirements for subsidiaries are met.

However, a few respondents were concerned that the extent of disclosures increases towards the number of disclosures required when applying full IFRS Accounting Standards instead of IFRS 19. They considered that, as a result,

EFRAG's final position

In its FCL, EFRAG reiterated its overall support for the IASB's proposals and the need for a timely finalisation of the proposed amendments, prior to the beginning of the implementation process of IFRS 19.

In addition, based on respondents' feedback, EFRAG observed that the application of the principles for reducing disclosure requirements included in BC2 of the ED was not always understandable and suggested that the IASB apply these principles transparently to the specific information needs of the users of eligible entities' financial statements. EFRAG also recommended that the IASB consider engaging further with users of financial statements of eligible subsidiaries (i.e. lenders) on the type of information they need by establishing a dedicated consultative group, which would include users of financial statements of subsidiaries without public accountability.

Moreover, as for any other new IFRS Accounting Standard and new amendments, the reductions are rather low. EFRAG recommended that, in cases where the IASB issues a new IFRS Accounting Standard (or an amendment) and the complete set of disclosure requirements of that Standard applies to subsidiaries without public accountability, it could be helpful to establish a review process of recent IFRS 19 amendments (i.e. a three-year period after first-time adoption).

¹ Several of EFRAG's overarching comments were expressed in the DCL and FCL cover letters instead of in response to the ED's questions on specific aspects.

EFRAG's tentative views expressed in the draft comment letter and respondents' comments

EFRAG's response to respondents' comments

applying IFRS 19 might become less attractive for eligible subsidiaries. They therefore encouraged the IASB to provide more relief for subsidiaries when developing disclosure requirements and adopt an approach more tailored to the specific information needs of users of a subsidiary's financial statements when developing the reduced disclosure requirements.

In addition, they suggested that the IASB review its process for developing disclosure requirements for subsidiaries in due course and engage further with users of the financial statements of eligible subsidiaries (i.e. lenders) on the type of information they need by establishing a dedicated consultative group for users of the financial statements of subsidiaries without public accountability.

ED Question 1 – Presentation and disclosure in financial statements

Proposals in the ED

The IASB proposed retaining the disclosure requirements in IFRS 19 relating to IFRS 18. The only substantial change proposed was to remove from IFRS 19 the requirements relating to management-defined performance measures and instead include a reference to these requirements in IFRS 18. Therefore, an eligible subsidiary that uses management-defined performance measures, as defined in IFRS 18, would be required to apply the related disclosure requirements in IFRS 18. The IASB also proposed removing the disclosure objective in paragraph 137 of IFRS 19 relating to non-current liabilities with covenants.

EFRAG's tentative position

EFRAG supported the IASB proposal to remove from IFRS 19 the disclosure requirements for management-defined performance measures and instead include a cross-reference to IFRS 18 requirements, as this would allow eligible subsidiaries that already provide information about such measures to continue doing so without reproducing the IFRS 18 requirements in the IFRS 19 Standard.

EFRAG also considered that the removal of the disclosure objective in paragraph 137 of IFRS 19 and the elaboration of the remaining disclosure requirements related to non-current liabilities with covenants were sufficiently clear.

Respondents' comments

Respondents generally agreed with the position expressed in EFRAG's DCL and supported the IASB's proposals in relation to IFRS 18.

EFRAG's final position

Based on respondents' agreement with EFRAG's DCL position, EFRAG maintained its initial position in support of the proposals.

EFRAG's tentative views expressed in the draft comment letter and respondents' comments

EFRAG's response to respondents' comments

ED Question 2 – Supplier finance arrangements

Proposals in the ED

The IASB proposed retaining the disclosure requirements in IFRS 19 relating to supplier finance arrangements, with some amendments. The IASB also proposed deleting the disclosure objective previously included in paragraph 167 of IFRS 19, consistent with its decision not to include disclosure objectives in IFRS 19.

The IASB further proposed: (a) adding a new paragraph, paragraph 167A, which would include the description of supplier finance arrangements from paragraph 44G of IAS 7; and (b) amending paragraph 168 of IFRS 19 to remove the reference to the disclosure objective.

EFRAG's tentative position

In its draft comment letter, EFRAG supported the IASB's view that all the new disclosure requirements in IAS 7 are necessary to meet the information needs of users of financial statements, as users considered that information about entities entering into such type of transactions may have an impact on their short-term cash flows and, consequently, their liquidity.

EFRAG considered that the removal of the disclosure objective in paragraph 167 of IFRS 19 and the reference to it in paragraph 168 of IFRS 19 is in line with the principles for developing reduced disclosures for the IFRS 19 Standard.

EFRAG also supported the inclusion of the description of supplier finance arrangements in paragraph 167A of IFRS 19. In EFRAG's view, this would provide clarity to the disclosure requirements related to supplier finance arrangements.

EFRAG's final position

Based on respondents' agreement with EFRAG's DCL position, EFRAG maintained its initial position in support of the proposals.

EFRAG's tentative views expressed in the draft comment letter and respondents' comments

EFRAG's response to respondents' comments

Respondents' comments

Respondents generally agreed with the position expressed in EFRAG's DCL and supported the IASB's proposals in relation to supplier finance arrangements.

ED Question 3 – International Tax Reform – Pillar Two Model Rules

Proposals in the ED

The IASB proposed retaining the disclosure requirements in IFRS 19 relating to the amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* that introduced: (a) a temporary exception to the requirements for recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes; and (b) targeted disclosure requirements for affected entities. The only proposed change was the removal of paragraph 198 of IFRS 19 and the reference to a disclosure objective in paragraph 199 of IFRS 19.

EFRAG's tentative position

EFRAG supported retaining the disclosure requirements in IFRS 19 relating to the amendments to IAS 12, sharing the IASB's view that selecting some but not all of the requirements would mean that users of eligible subsidiaries' financial statements would not have enough information to understand the effects of the Pillar Two model rules on affected subsidiaries.

EFRAG also supported the removal of the disclosure objective in paragraph 198 of IFRS 19 and the reference to it in paragraph 199 of IFRS 19.

Respondents' comments

Respondents generally agreed with the position expressed in EFRAG's DCL and supported the IASB's proposals in relation to Pillar Two income taxes.

EFRAG's final position

Based on respondents' agreement with EFRAG's DCL position, EFRAG maintained its initial position in support of the proposals.

EFRAG's tentative views expressed in the draft comment letter and respondents' comments

EFRAG's response to respondents' comments

ED Question 4 – Lack of exchangeability

Proposals in the ED

The IASB proposed retaining the disclosure requirements in IFRS 19 relating to the amendments to IAS 21 for lack of exchangeability. The IASB amended IAS 21 to require an entity to apply a consistent approach: (a) to assessing whether a currency is exchangeable into another currency; and (b) to determining the exchange rate to use and the disclosures to provide if a currency is not exchangeable.

The only proposed change was removing from IFRS 19 the disclosure objective and the reference to the amount of detail necessary to satisfy that objective.

EFRAG's tentative position

EFRAG supported the removal of the disclosure objective in paragraph 221 of IFRS 19 and recommended retaining the detailed requirements in paragraph 223 of IFRS 19, specified as being necessary to satisfy the objective.

However, EFRAG considered that the disclosures required under paragraph 224 of IFRS 19 (e.g. name of the foreign operation, summarised financial information about the foreign operation, etc.) were quite detailed, questioning whether they satisfy the principles for reducing disclosures applied by the IASB. Therefore, EFRAG recommended that the IASB better explain its rationale for including these disclosures in IFRS 19.

Respondents' comments

Respondents generally agreed with the position expressed in EFRAG's DCL in support of the IASB's proposals while calling for more clarity on how the principles for reducing disclosures had been applied, as the resulting disclosures were quite extensive.

EFRAG's final position

Based on respondents' agreement with EFRAG's DCL position, EFRAG maintained its initial position in support of the proposals and the suggestion to clarify how the principles for reducing disclosures had been applied.

ED Question 5 – Financial instruments classification and measurement

Proposals in the ED

Paragraphs 56A–56D of IFRS 19 were added due to *Amendments to the Classification and Measurement of Financial Instruments* issued in May 2024. The paragraphs contain disclosure requirements relating to the effects of contractual terms that could change the amount of contractual cash flows as a result of a contingent event that does not directly relate to basic lending risks and costs (such as the time value of money or credit risk).

The IASB proposed not to reduce the disclosure requirements because they provide users of eligible subsidiaries' financial statements with information about short-term cash flows and obligations as well as solvency and liquidity.

EFRAG's tentative position

EFRAG supported the IASB's proposal not to reduce the disclosure requirements related to financial instruments with contractual terms that could change the amount of contractual cash flows as a result of a contingent event (amendments to IFRS 7). This information could provide users of financial statements with useful information about eligible subsidiaries' short-term cash flows and obligations as well as their solvency and liquidity.

EFRAG noted that some insurance companies could still be impacted by the disclosure requirements in IFRS 19 as they might not meet the IASB's definition of public accountability. EFRAG observes that IFRS 19 does not propose any reductions to the disclosure requirements in IFRS 17 *Insurance Contracts*; however, insurance companies could benefit from reduced disclosures in IFRS 19 for other IFRS Accounting Standards.

EFRAG's final position

Based on respondents' agreement with EFRAG's DCL position, EFRAG maintained its initial position supporting the proposals and insurance-related considerations in its FCL.

Respondents' comments

Respondents generally agreed with the position expressed in EFRAG's DCL supporting the IASB's proposals.

In addition, a few respondents affirmed that insurance companies often hold assets in a fiduciary capacity without having public accountability; thereby, some insurance subsidiaries may be eligible to apply IFRS 19. As such, they suggested developing reduced disclosures for IFRS 17 to reduce their reporting burden.

ED Question 6 – Regulatory assets and regulatory liabilities

Proposals in the ED

An entity that applies IFRS 19 and the prospective *Regulatory Assets and Regulatory Liabilities* (RARL) Standard will be required to apply the disclosure requirements in the prospective RARL Standard. The IASB proposed removing the disclosure requirements relating to IFRS 14 (which were included in IFRS 19) when the prospective RARL Standard will be issued, and amending paragraph 4(b) of IFRS 19 such that the disclosure requirements in the prospective RARL Standard remain applicable. These changes would be consequential amendments in the prospective RARL Standard.

A table in the ED illustrated which of the RARL Standard's disclosure requirements might be reduced if the IASB were instead to apply its principles for developing reduced disclosure requirements for entities applying IFRS 19. The ED proposed no reductions in disclosure requirements relating to regulatory assets and regulatory liabilities at this stage.

EFRAG's tentative position

EFRAG supported the IASB's proposal not to develop reduced disclosures for the prospective RARL Standard at this stage of the project. EFRAG concurred with the IASB that there are potential benefits to delaying any potential reduced disclosure requirements, as it would allow sufficient time for both preparers and users of financial statements to become familiar with the new accounting model for rate-regulated entities and the new disclosure requirements that support it.

In addition, EFRAG highlighted that stakeholders' feedback indicated that the level of detail required to satisfy the disclosure objectives in the prospective RARL Standard was too high and would require significant efforts from preparers to provide the prospective disclosures.

EFRAG's final position

EFRAG maintained its initial position supporting the IASB's decision not to develop reduced disclosures for the RARL Standard at this stage.

At the same time, in cases where the IASB issues a new IFRS Accounting Standard (or an amendment) and the complete set of disclosure requirements of that Standard applies to subsidiaries without public accountability, EFRAG suggested the IASB establish a review process for recent IFRS 19 amendments (i.e. a three-year period after first-time adoption). This would cater to respondents' concerns about not reducing disclosure requirements for all new (major) IFRS Accounting Standards or amendments.

EFRAG's tentative views expressed in the draft comment letter and respondents' comments

EFRAG's response to respondents' comments

EFRAG also supported the IASB's approach to gathering feedback from constituents on possible reductions to the proposed disclosures in the RARL Standard related to removing the disclosure objectives, application guidance and requirements in the prospective RARL Standard in line with the IASB's principles for reducing disclosures.

Respondents' comments

Some respondents agreed with the position expressed in EFRAG's DCL supporting the IASB's decision not to develop reduced disclosures at this stage but also raised concerns with respect to the level of detail of the prospective disclosures in the upcoming Standard.

A few other respondents disagreed with the IASB's decision not to propose reduced disclosure requirements, expressing the view that this should not be a principle for all new (major) IFRS Accounting Standards or amendments but should be considered on a case-by-case basis.

Moreover, they considered that from a preparer's perspective it would be more appropriate to provide reductions for subsidiaries from the outset so that they do not incur high implementation costs for gathering data to comply with disclosure requirements that could be reduced in the future. They recommended that the IASB revisit its decision once the final RARL Standard has been published and consult on reduced disclosure requirements.

Appendix: List of respondents

Table 1: List of respondents

Name of respondent²	Country	Type / Category
Accounting Standards Committee of Germany (ASCG)	Germany	National Standard Setter
European Insurance CFO Forum	Europe	Professional Organisation
El Instituto de Contabilidad y Auditoría de Cuentas (ICAC)	Spain	National Standard Setter
Organismo Italiano di Contabilità (OIC)	Italy	National Standard Setter

² Respondents whose comment letters were considered by the EFRAG FRB before finalisation of the comment letter.