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EFRAG's ~~Draft~~ Letter to the European Commission Regarding Endorsement of IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Sean Berrigan
Director General, Financial Stability, Financial Services and Capital Markets Union
European Commission
1049 Brussels
[dd Month] 2025

Dear Mr Berrigan

Endorsement of IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Based on the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards, EFRAG is pleased to provide its opinion on IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, which was issued by the IASB on 9 May 2024. An Exposure Draft of IFRS 19 was issued on 26 July 2021. EFRAG provided its comment letter on that Exposure Draft on 24 February 2022.

The objective of IFRS 19 is to reduce the reporting burden for eligible subsidiaries by allowing them to prepare their financial statements under IFRS Accounting Standards but with the reduced disclosure requirements under certain conditions. IFRS 19 does not change measurement, recognition and presentation requirements in other IFRS Accounting Standards. They remain applicable if endorsed in the EU.

An entity may elect to apply IFRS 19 retrospectively for annual periods beginning on or after 1 January 2027, with earlier application permitted. If an entity chooses to apply IFRS 19 earlier, it shall disclose that fact. A description of its requirements is included in Appendix 1 to this letter.

In order to provide our endorsement advice as you have requested, we have first assessed whether IFRS 19 would meet the technical criteria for endorsement, in other words whether IFRS 19 would provide relevant, reliable, comparable and understandable information required to support economic decisions and the assessment of stewardship, leads to prudent accounting and is not contrary to the true and fair view principle. We have then assessed whether IFRS 19 would be conducive to the European public good. We provide our conclusions below.

We have also assessed the interaction of IFRS 19 reduced disclosure requirements with the requirements of the Directive 2013/34/EU (Accounting Directive, or 'AD') and whether a corresponding carve-out could be made to IFRS 19. Finally, we report on the results of our in-depth

cost-benefit assessment of the effects of IFRS 19 through extensive outreach activities and through desktop research to estimate the number of entities potentially impacted by the implementation of IFRS 19 in the EU.

Does IFRS 19 meet the IAS Regulation technical endorsement criteria?

EFRAG has concluded that IFRS 19 meets the qualitative characteristics of relevance, reliability, comparability and understandability required to support economic decisions and the assessment of stewardship and raises no issues regarding prudent accounting.

EFRAG has also assessed that IFRS 19, as a disclosure-only standard for eligible subsidiaries, does not create any distortion in its interaction with other IFRS Accounting Standards and that all necessary disclosures are required. Therefore, EFRAG has concluded that IFRS 19 is not contrary to the true and fair view principle. EFRAG's reasoning is explained in Appendix 2 to this letter.

Is IFRS 19 conducive to the European public good?

EFRAG has assessed that IFRS 19 would improve financial reporting and would reach an acceptable cost-benefit trade-off for eligible subsidiaries. EFRAG has not identified that IFRS 19 could have any adverse effect on the European economy, including financial stability and economic growth. Accordingly, EFRAG assesses that endorsing IFRS 19 is conducive to the European public good. EFRAG's reasoning is explained in Appendix 3 to this letter.

We provide insights into those assessments below.

Interaction with the EU Accounting Directive

Upon your request we have conducted a comparative analysis of the requirements in the Accounting Directive ('AD') and IFRS 19 together with a high-level overview of the varying disclosure requirements in the AD for different sizes of entities. As a result of this assessment, EFRAG believes that the provisions of IFRS 19 and its limited scope will not result in a material departure from the disclosure requirements specified in the AD for eligible entities and will continue to lead to high-quality financial reporting.

Costs and benefits

Upon your request we have conducted a more in-depth cost-benefit analysis of the potential impacts of the implementation of IFRS 19 in the EU through various outreach activities with our constituents. We also have estimated the number of entities potentially impacted by the implementation of IFRS 19 in the EU.

All constituents expressed overall support for implementing IFRS 19, as it would reduce the reporting burden for eligible subsidiaries. Besides the main cost and time savings from preparing IFRS financial statements with less disclosures, constituents noted the benefits of aligning systems and processes within a group, potential better financial reporting quality with a more streamlined consolidation process, a lower risk of errors due to the use of the same accounting framework and improved relevance and comparability of eligible subsidiaries' financial statements. Among other benefits constituents expected financial statements prepared in accordance with IFRS 19 to better meet users' information needs and increase investors' trust.

As a result, EFRAG assesses that the benefits from the implementation of the standard would outweigh implementation and ongoing costs, particularly given that IFRS 19 is a voluntary standard, which will only be applied by those entities or group of entities for which it is proven beneficial.

EFRAG highlights that costs and benefits from the implementation of IFRS 19 will vary across jurisdictions and entities and that the overall benefits will increase with wider acceptance of IFRS Accounting Standards across Europe.

Considering the current Member States' options, the number of subsidiaries potentially impacted by the endorsement of IFRS 19 in the EU is estimated to be around 89 000.

Effects on economic growth

EFRAG has also considered, on the assumption of normal business behaviour, whether the changes triggered by IFRS 19 could have an impact on economic growth. EFRAG believes that IFRS 19 will reduce financial reporting burden and save costs for eligible subsidiaries without reducing the relevance and usefulness of the information for users of their financial statements. EFRAG has not identified that IFRS 19 could have any adverse effect on the European economy, including financial stability and economic growth.

Our advice to the European Commission

As explained above, we have concluded that IFRS 19 meets the qualitative characteristics of relevance, reliability, comparability and understandability required to support economic decisions and the assessment of stewardship, raises no issues regarding prudent accounting and that it is not contrary to the true and fair view principle. We have also concluded that IFRS 19 is conducive to the European public good. Therefore, we recommend IFRS 19 for endorsement.

On behalf of EFRAG, I would be happy to discuss our advice with you, other officials of the European Commission or the Accounting Regulatory Committee as you may wish.

Yours sincerely,

Wolf Klinz
EFRAG FRB Chair

Appendix 1: Understanding the changes brought about by IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Background of IFRS 19

1 IFRS 19 was developed by the IASB in response to stakeholder feedback on the 2015 Agenda Consultation, where stakeholders – mainly preparers – requested a cost-saving simplification. They requested to permit subsidiaries with a parent that applies IFRS Accounting Standards in its consolidated financial statements to apply IFRS Accounting Standards with reduced disclosure requirements.

2 In particular, stakeholders reported the following reasoning:

(a) subsidiaries applying local GAAP or the *IFRS for SMEs* Accounting Standard have recognition and measurement differences between their own financial statements and the amounts reported to their parent for group consolidation purposes; and

(b) subsidiaries applying IFRS Accounting Standards found the disclosure requirements disproportionate to the information needs of the users of their financial statements.

3 All the above creates a disproportionate reporting burden on subsidiaries, resulting in excess costs and without necessarily providing useful information for the users of their financial statements.

The issue and how it has been addressed

4 IFRS 19 addresses stakeholders' request by allowing eligible subsidiaries apply IFRS Accounting Standards with reduced disclosure requirements. All other requirements in IFRS Accounting Standards such as recognition, measurement and presentation remain unchanged. IFRS 19 does not include guidance on applying disclosure requirements. The guidance in other IFRS Accounting Standards remains applicable.

5 This approach aims to reduce the reporting burden on companies by simplifying reporting systems and processes, reducing the costs of preparing eligible subsidiaries' financial statements while maintaining the usefulness of those financial statements for their users.

6 In particular, IFRS 19 will:

(a) enable subsidiaries to keep only one set of accounting records and group unified accounting policies, meeting both the needs of their parent company and the needs of the users of their financial statements; and

(b) reduce the disclosure requirement burden by permitting reduced disclosures better suited to the needs of users of the subsidiaries' financial statements.

Interaction with the Accounting Directive

7 The EU Accounting Directive 2013/34/EU applies to all entities operating within the EU and prescribes the minimum reporting requirements for different types of entities. The AD follows the 'think small first' approach allowing entities to prepare financial statements and notes to the financial statements that are proportionate to their size and their users' information needs.

8 Although IFRS 19 has a much narrower scope, it pursues a similar objective as the proportionality principle of the Accounting Directive, which is to simplify the reporting

requirements for eligible entities. This objective is addressed in IFRS 19 in a principle-based way used in IFRS Accounting Standards.

9 Therefore, IFRS 19 could be seen, to a certain extent, as overlapping with national GAAP and the Accounting Directive 2013/34/EU ('the AD') even if in a limited way (i.e. when considering the narrow scope proposed by the IASB and the number of EU Member States ('MS') that allow or require the use of EU-endorsed IFRS Accounting Standards for non-listed entities).

10 The AD and IFRS 19 have differences in the disclosure requirements coming from two main sources:

(a) different recognition and measurement requirements; and

(b) disclosures required in the AD but not required in IFRS 19 or in any other IFRS Accounting Standards. The majority of these differences also exist between full IFRS Accounting Standards and the AD.

11 Only a few differences were added with the introduction of IFRS 19. Some disclosures about the composition of the group required by IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* are in line with the AD but are not required by IFRS 19.

12 In addition to the minimum disclosure requirements set out in the AD, Member States ('MS') are provided with options to simplify or exempt disclosure requirements for specific types of entities.

13 Several layers of simplifications and exemptions are provided by the AD to avoid a disproportionate reporting burden for smaller undertakings. In addition, options are available to MS to further reduce the reporting requirements, not only the disclosures. Large undertakings and groups do not benefit from any simplifications and exemptions but have additional disclosure requirements defined in Article 18 of the AD.

What has changed?

14 IFRS 19 is a voluntary standard for eligible subsidiaries, which works alongside other IFRS Accounting Standards.

15 An eligible subsidiary that applies IFRS 19 does so by applying the requirements in other IFRS Accounting Standards except for the disclosure requirements, and instead it applies the reduced disclosure requirements in IFRS 19. IFRS 19 includes all disclosure requirements to be provided by eligible subsidiaries.

Scope of the standard

16 A subsidiary is eligible if:

(a) it does not have public accountability; and

(b) it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

17 An intermediate parent that does not have public accountability and meets the other eligibility conditions may apply IFRS 19 in its separate financial statements even if it does not apply this standard in its consolidated financial statements.

18 According to IFRS 19, 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 (for example, banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

19 Thus, the majority of financial institutions and insurance companies are excluded from the scope of IFRS 19.

20 The 'public accountability' definition used in IFRS 19 is the same as in *the IFRS for SMEs* Accounting Standard. Subsidiaries without public accountability are in fact a subset of entities within the scope of *the IFRS for SMEs* Accounting Standard (which is not endorsed in Europe). Therefore, the definition was taken from this Standard, but since the recognition and measurement requirements between *the IFRS for SMEs* and IFRS 19 differ, it must be noted that these two standards are different.

Reduced disclosure requirements

21 In developing the reduced disclosures in IFRS 19, the IASB was guided by the set of principles listed below detailing the information needs of users of eligible subsidiaries' financial statements:

(a) liquidity and solvency – information about the entity's ability to generate cash flows and continue as a going concern;

(b) short-term cash flows, obligations, commitments and contingencies – information about the entity's ability to meet its obligations;

(c) measurement uncertainty – information about how amounts in the financial statements are measured, including inputs (for example, significant judgements and estimates) used in those calculations;

(d) disaggregation of amounts – information about the separation of amounts presented in the financial statements into component parts; and

(e) accounting policy choices – information about the accounting policy applied by the entity especially when more than one accounting policy option is allowed.

22 These principles were already used in developing the disclosure requirements for *the IFRS for SMEs* Accounting Standard. They help identify the information that is important to users of the financial statements of entities without public accountability.

23 By applying these principles, the IASB did not reduce the disclosure requirements for IAS 33 *Earnings per Share*, IFRS 8 *Operating Segments* and IFRS 17 *Insurance Contracts*. Subsidiaries eligible to apply IFRS 19 are not required to apply IAS 33 or IFRS 8 but may do so voluntarily, and in this case the full disclosures are deemed relevant for users of financial statements. IFRS 17 represents a new model for accounting for insurance contracts and, thus, users need to be informed about how entities apply this model.

24 The disclosures in the following IFRS Accounting Standards were reduced the most: IFRS 12 *Disclosure of Interests in Other Entities* by 68%; IAS 16 *Property, Plant and Equipment* by

64%; IAS 12 *Income Taxes* by 53%; and IFRS 15 *Revenue from Contracts with Customers* by 52%.

25 The disclosure requirements in IFRS 19 are organised in subsections relating to each IFRS Accounting Standard and include both the IFRS 19 reduced disclosure requirements and the requirements from the relevant IFRS Accounting Standard that remain applicable. In addition, the IASB published an *IFRS 19 disclosure tracker*[1], which lists the disclosure requirements in IFRS 19 and maps them to their equivalents in other IFRS Accounting Standards.

26 IFRS 19 follows the fair presentation principle described in paragraph 6 of the Standard: namely, to achieve a fair presentation a subsidiary applying IFRS 19 considers whether to provide additional disclosures if its compliance with the requirements in IFRS 19 would not be sufficient for users of its financial statements to understand the subsidiary's financial position, financial performance and cash flows.

When does IFRS 19 become effective?

27 An entity may elect to apply IFRS 19 for reporting periods beginning on or after 1 January 2027. Earlier application is permitted. If an entity chooses to apply IFRS 19 earlier, it shall disclose that fact.

Disclosure requirements if an entity applies IFRS 19 before applying IFRS 18 Presentation and Disclosure in Financial Statements

28 IFRS 19 contains the disclosure requirements for IFRS 18 issued in April 2024, which supersedes IAS 1 *Presentation of Financial Statements*. IFRS 18 applies to annual reporting periods beginning 1 January 2027, and earlier application is permitted. The disclosure requirements for IAS 1 are listed in Appendix B of IFRS 19.

29 If an entity elects to apply IFRS 19 before the reporting period in which it first applies IFRS 18, it shall apply the disclosure requirements of IAS 1 listed in Appendix B.

Amendments to IAS 21 The Effect of Changes in Foreign Exchange Rates

30 *Lack of Exchangeability*, issued in August 2023, amended IAS 21, adding new disclosure requirements. IFRS 19 already contains amended disclosure requirements for IAS 21. The amendments to IAS 21 apply to annual reporting periods beginning on or after 1 January 2025, and earlier application is permitted. If an entity applies IFRS 19 for an annual reporting period that begins before 1 January 2025 and has not applied the amendments to IAS 21, it need not apply paragraphs 221-224 of IFRS 19 containing new disclosure requirements.

How will IFRS 19 be maintained?

31 As IFRS 19 includes the complete list of disclosure requirements for eligible subsidiaries, it will be amended whenever a change in disclosure requirements takes place under IFRS Accounting Standards. Any upcoming IASB Exposure Draft will include a section for consequential IFRS 19 amendments.

32 In developing IFRS 19, the IASB took into account disclosure requirements in IFRS Accounting Standards as of 28 February 2021.

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[1] https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standards/ifrs-19/ifrs-19-disclosure-tracker/

33 The disclosure requirements added to, or amended in, IFRS Accounting Standards between 28 February 2021 and May 2024 are covered in a 'catch-up' exposure draft, published by the IASB in July 2024. It develops the proposed amendments to IFRS 19 by applying the principles for reducing disclosure requirements, described above.

34 In the 'Catch-up' ED, the IASB proposes amendments to IFRS 19 relating to:

(a) IFRS 18 *Presentation and Disclosure in Financial Statements*, including amendments introduced by *Non-current Liabilities with Covenants*;

(b) IAS 7 *Statement of Cash Flow*s, as amended by *Supplier Finance Arrangements*;

(c) IAS 12 *Income Taxes*, as amended by *International Tax Reform—Pillar Two Model Rules*; and

(d) IAS 21 *The Effects of Changes in Foreign Exchange Rates*, as amended by *Lack of Exchangeability*.

35 The disclosure requirements in IFRS 14 *Regulatory Deferral Accounts* for regulatory assets and regulatory liabilities, which is not endorsed in the EU, are not applicable for entities in the EU applying IFRS Accounting Standards. Therefore, EFRAG does not recommend endorsing those disclosure requirements.

36 The IASB did not propose any amendments to the requirements in IFRS 19 following the issue in May 2024 of *Amendments to the Classification and Measurement of Financial Instruments*, which amended IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments*.

37 After May 2024, IFRS 19 will be amended as necessary, with new or amended disclosure requirements in other IFRS Accounting Standards. When the IASB publishes an exposure draft of a new or amended IFRS Accounting Standard, it will also propose consequential amendments to IFRS 19.

Appendix 2: EFRAG's technical assessment on IFRS 19 against the endorsement criteria

~~Notes to Constituents:~~

~~This appendix sets out the basis for the conclusions reached, and for the recommendation made, by EFRAG on IFRS 19. In it, EFRAG assesses how IFRS 19 satisfies the technical criteria set out in the Regulation (EC) No 1606 2002 for the adoption of international accounting standards. It provides a detailed evaluation for the criteria of relevance, reliability, comparability and understandability so that financial information is appropriate for economic decisions and the assessment of stewardship. It evaluates separately whether IFRS 19 leads to prudent accounting and finally considers whether IFRS 19 would not be contrary to the true and fair view principle.~~

~~In its comment letters to the IASB, EFRAG points out that such letters are submitted in EFRAG's capacity of contributor to the IASB's due process. They do not necessarily indicate the conclusions that would be reached by EFRAG in its capacity of advisor to the European Commission on endorsement of the definitive IFRS Accounting Standards in the European Union and European Economic Area.~~

~~In the latter capacity, EFRAG's role is to make a recommendation about endorsement based on its assessment of the final IFRS Accounting Standard or Interpretation against the technical criteria for European endorsement, as currently defined. These are explicit criteria which have been designed specifically for application in the endorsement process, and therefore the conclusions reached on endorsement may be different from those arrived at by EFRAG in developing its comments on proposed IFRS Accounting Standards or Interpretations. Another reason for a difference is that EFRAG's thinking may evolve.~~

Does the accounting that results from the application of IFRS 19 meet the technical criteria for endorsement in the European Union?

38 EFRAG has assessed whether IFRS 19 meets the technical requirements of the European Parliament and of the Council on the application of international accounting standards, as set out in Regulation (EC) No 1606/2002 (The IAS Regulation), in other words that IFRS 19:

(a) is not contrary to the principle set out in Article 4(3) of Council Directive 2013/34/EU (The Accounting Directive); and

(b) meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

39 Article 4(3) of the Accounting Directive provides that: 'The annual financial statements shall give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss. Where the application of this Directive would not be sufficient to give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss, such additional information as is necessary to comply with that requirement shall be given in the notes to the financial statements.'

40 The IAS Regulation further clarifies that, 'to adopt an international accounting standard for application in the Community, it is necessary firstly that it meets the basic requirement of

the aforementioned Council Directives, that is to say that its application results in a true and fair view of the financial position and performance of an enterprise – this principle being considered in the light of the said Council Directives without implying a strict conformity with each and every provision of this Directive' (Recital 9 of the IAS Regulation).

41 EFRAG's assessment as to whether IFRS 19 would not be contrary to the true and fair view principle has been performed against the European legal background summarised above.

42 In its assessment, EFRAG has considered IFRS 19 from the perspectives of both usefulness for decision-making and assessing the stewardship of management. EFRAG has concluded that the information resulting from the application of IFRS 19 is appropriate both for making decisions and assessing the stewardship of management.

43 EFRAG's assessment on whether IFRS 19 is not contrary to the true and fair view principle set out in Article 4(3) of Council Directive 2013/34/EU is based on the assessment of whether it meets all other technical criteria and whether it leads to prudent accounting. EFRAG's assessment also includes assessing whether IFRS 19 does not interact negatively with other IFRS Accounting Standards and whether all necessary disclosures are required. Detailed assessments are included in this appendix in the following paragraphs:

(a) relevance: paragraphs 46-57;

(b) reliability: paragraphs 58-66;

(c) comparability: paragraphs 67-74;

(d) understandability: paragraphs 75-81;

(e) whether overall it leads to prudent accounting: paragraphs 82 - 84~~85~~; and

(f) whether it would not be contrary to the true and fair view principle 90~~91~~-93~~94~~.

44 In providing its assessment on whether IFRS 19 results in relevant, reliable, understandable and comparable information, EFRAG has considered all the requirements of IFRS 19. EFRAG has, however, focused its assessment on the requirements it considered most significant in relation to each of the criteria. EFRAG has accordingly focused on guidance that:

(a) has been subject to substantial debate (evidenced by the comments EFRAG has received from constituents); and

(b) relates to the issues raised by the European Commission in its request for endorsement advice dated 17 September 2024.

45 As IFRS 14 *Regulatory Deferral Accounts* is not endorsed in the EU, the assessment did not cover the related disclosure requirements included in IFRS 19.

Relevance

46 Information is relevant when it influences the economic decisions of users by helping them evaluate past, present or future events or by confirming or correcting their past evaluations. Information is also relevant when it assists in evaluating the stewardship of management.

47 EFRAG considered whether IFRS 19 would result in the provision of relevant information – in other words, information that has predictive value, confirmatory value or both – or whether it would result in the omission of relevant information.

48 The principles used to develop the reduced disclosure requirements of IFRS 19 and described in paragraph 21 aimed to ensure that useful and relevant information is provided to the particular group of users of eligible subsidiaries' financial statements.

49 Therefore, some disclosures that were considered more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical eligible subsidiaries were excluded from IFRS 19.

50 The feedback received by EFRAG suggested that the relevant user community interested in subsidiaries' financial statements are typically lenders, who focus particularly on short-term cash flow information, long-term solvency, overall profitability and information about obligations, commitments or contingencies, and whether or not they are recognised as liabilities, which is in line with principles used for elaborating the disclosures.

51 The feedback received by EFRAG from the user community, though highlighting concerns about some eventual loss of information, nevertheless indicated that the relevance of the information will overall continue to be ensured as the disclosures will focus on key information about material aspects of the business and operations of a subsidiary. Some expressed the view that users' information needs are better addressed by applying IFRS 19.

52 The potential cost savings from IFRS 19 might lead subsidiaries that previously hesitated to apply IFRS in their own statutory reporting to switch to IFRS Accounting Standards. If an eligible subsidiary transitions from local GAAP to IFRS, it can apply the accounting policies of the parent company in combination with the reduced disclosures under IFRS 19. This might have two advantages. Firstly, the parent company may have better capacity to assess complex transactions and ensure the most relevant accounting of these in the financial statements. Secondly, the long-standing due process has shown that application of IFRS Accounting Standards generally aims to provide relevant information. There are also requirements and guidelines for complex transactions. Overall, it can be therefore assumed that more relevant information will be provided for the assessment of the net assets, financial position and the results of operations.

53 EFRAG assessed already during the ED consultation phase whether there is a potential loss of information due to the reductions of disclosure requirements in IFRS 19. In its final comment letter on the ED, EFRAG recommended adding several disclosures as it considered them potentially relevant for the users of financial statements. However, when considering the overall feedback received, the IASB decided not to add them to IFRS 19.

54 In particular, EFRAG recommended adding the following information:

(a) paragraph 25 of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, which requires that 'if an entity presented a statement of cash flows under its previous GAAP, it shall also explain the material adjustments to the statement of cash flows', because this information will be useful to users who focus on cash flows;

(b) paragraph 52 of IFRS 2 *Share-based Payment*, which states that 'if an entity has classified any share-based payment transactions as equity-settled, the entity shall disclose an estimate of the amount that it expects to transfer to the tax authority to settle the employee's tax obligation when it is necessary to inform users about the future cash flow effects associated with the share-based payment arrangement'.

EFRAG considered that these disclosures provide useful information on future cash flow effects associated with the share-based payment arrangement;

(c) the primary reasons for the business combination from paragraph B64(d) of IFRS 3 *Business Combinations*, because it would be relevant for users of financial statements and would not be costly;

(d) if a business combination is not finalised at the end of the reporting period, the amounts recognised in the financial statements for the business combination that have been determined provisionally (as in paragraph B67(a) of IFRS 3). EFRAG considered that this information is important because there is measurement uncertainty;

(e) in a business combination achieved in stages, the information about the amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination, as in paragraph B64(p) of IFRS 3;

(f) paragraphs 23 and 24 of IFRS 6 *Exploration for and Evaluation of Mineral Resources*, which focus on disclosing information that identifies and explains the amounts recognised in the financial statements arising from the exploration and evaluation of mineral resources. Paragraph BC65 of the BC for IFRS 19 explains that paragraphs 23 and 24 of IFRS 6 are excluded because it would be difficult to include industry-specific guidance while at the same time keeping it user-friendly for 'simple SMEs';

(g) a number of disclosures for intermediate parents and/or subsidiaries that have significant investments from IFRS 12, in particular the disclosures required by paragraph 10(a)(i) about the composition of a group, disclosures about consolidated and unconsolidated structured entities required by paragraph 14 and disclosures on significant investments required by paragraph 21. However, such disclosures would not have a significant impact on individual subsidiaries and would not affect most of the population in the scope of IFRS 19;

(h) a disclosure on the nature of expenses when an entity classifies expenses by function, as required by paragraph 104 of IAS 1 *Presentation of Financial Statements*, as such information is fundamental for users (this disclosure will be added to IFRS 19 by the catch-up ED for IFRS 18);

(i) disclosures on discontinued operations, as in paragraph 81(h) of IAS 12, which are usually very relevant for users of financial statements. Additionally, when an entity has significant investments, disclosures on the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, as in paragraph 81(f), are highly valued by users of financial statements. Finally, EFRAG suggested requiring disclosures on evidence of deferred tax asset (DTA), as required in paragraph 82, to have evidence that supports the recognition of DTAs, as this is a very subjective area;

(j) for separate financial statements, a list of significant investments in subsidiaries, joint ventures and associates, including the name of those investees, their principal place of business and a proportion of the ownership interest held in those investees (as in paragraph 16 of IAS 27 *Separate Financial Statements*); and

(k) the period over which management has projected cash flows when calculating a unit's (or group of units') recoverable amount under IAS 36 *Impairment of Assets*. Moreover, EFRAG highlighted the importance of having detailed information about impairments and the reversal of impairments. Paragraph 254(d)(ii) of IFRS 19 already asks for an explanation of every key assumption on which management has based its cash flow projections, and the period over which cash flows are projected is one of them.

55 After a careful consideration, EFRAG assesses that although the information requested in the comment letter could enhance the required disclosures, in most cases it is either industry-specific, it relates to transactions which do not occur often or the types of subsidiaries (intermediate parents) represent only a small portion of the entities in the scope of IFRS 19. In addition, paragraph 6 of IFRS 19 requires that additional disclosures be presented if needed to meet users' needs. Therefore, EFRAG considers that not specifically requiring the disclosure above does not have a significant impact on relevance.

56 EFRAG also highlights that the scope of IFRS 19 is unlisted subsidiaries without fiduciary capacity of the parents reporting under full IFRS Accounting Standards and that industries where public interest exists, such as most insurance companies and banks, are excluded from its scope. Given the relatively targeted scope of its application, EFRAG's overall assessment is that IFRS 19 would not result in the omission of relevant information for users of eligible subsidiaries and therefore satisfies the relevance criterion.

57 In this context, it is worth mentioning the view of some stakeholders that the relevance of IFRS 19 itself depends on the level of reductions of the disclosures. Specifically, entities that currently do not report under IFRS Accounting Standards would only transition to them if there are significant simplifications/reductions compared to the full IFRS Accounting Standards. Therefore, the IASB carefully considered and kept those disclosures which were requested by the majority of respondents.

Reliability

58 EFRAG also considered the reliability of the information that will be provided by applying IFRS 19. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully what it either purports to represent, or could reasonably be expected to represent, and is complete within the bounds of materiality and cost.

59 There are a number of aspects to the notion of reliability: freedom from material error and bias, faithful representation, and completeness.

60 IFRS 19 is a disclosure-only Standard and does not change measurement, recognition and presentation requirements, which normally have the most impact on reliability.

61 All other requirements in IFRS Accounting Standards remain applicable, thus ensuring that financial information underlying the reduced disclosure requirements is reliable.

62 The transition to IFRS 19 might indirectly affect reliability because a uniform financial reporting framework promoting consistency in accounting practices will be applied across subsidiaries and the parent entity, and it will result in a provision of more reliable information.

63 The application of IFRS 19 will also reduce the risk of errors from converting local GAAP numbers to IFRS Accounting Standards and thus will improve the reliability of information.

64 IFRS 19 includes all the disclosure requirements that an eligible subsidiary has to apply. Any future change in disclosure requirements will be immediately reflected in IFRS 19. This easy and clear structure helps the Standard to be applied in a reliable way.

65 Some larger groups use shared service centres to prepare the financial information of eligible subsidiaries. Preparing the financial information of several subsidiaries in such shared service centres does not only have a positive impact on costs, but it might also improve the quality of information.

66 EFRAG's overall assessment is that IFRS 19 will have a positive impact on the reliability of information and therefore satisfies the reliability criterion.

Comparability

67 The notion of comparability requires that like items and events be accounted for in a consistent way through time and by different entities and that unlike items and events be accounted for differently.

68 EFRAG has considered whether IFRS 19 results in transactions that are:

(a) economically similar being accounted for differently; or

(b) transactions that are economically different being accounted for as if they were similar.

69 As noted above, IFRS 19 does not impact the measurement, recognition and presentation requirements in IFRS Accounting Standards and, therefore, it does not change how the transactions are accounted for. It only introduces reduced disclosure requirements for eligible subsidiaries.

70 EFRAG shares the views of constituents, both preparers and users, that IFRS 19 will improve comparability both between the entities of the same group and between eligible subsidiaries in jurisdictions which permit or require the use of IFRS Accounting Standards. It could also indirectly incentivise the wider adoption of IFRS by entities and jurisdictions, which will have a positive impact on the comparability of financial statements in the European context.

71 Subsidiaries that decide to transition to IFRS Accounting Standards from local GAAP will use a uniform accounting framework across the group, which will improve comparability between the group's entities. Users will benefit from the increased efficiency of analysing comparable financial information.

72 EFRAG notes, however, that in those jurisdictions where the use of IFRS Accounting Standards is required for eligible subsidiaries, comparability might be reduced to a certain extent. As IFRS 19 is a voluntary Standard, some entities might apply full IFRS Accounting Standards while others will apply the reduced disclosure framework. As the focus of the IASB was to include relevant information for the users of eligible subsidiaries, EFRAG concludes that the most relevant part of the information will be provided on a comparable basis.

73 It should be noted that excluding financial institutions and insurance companies from the scope of IFRS 19 might also have an impact on the comparability of their financial statements with entities from other industries. These entities have to provide the disclosures either

under full IFRS Accounting Standards or under local GAAP (even if IFRS Accounting Standards are permitted in their jurisdiction), while eligible subsidiaries from other industries might voluntarily apply the reduced disclosure Standard. Their exclusion from the scope of IFRS 19 will have no impact on the current comparability within the industry.

74 EFRAG's overall assessment is that the requirements in IFRS 19 will result in comparable information. The extent of the benefits resulting from the improved comparability of financial statements will depend on how widely IFRS 19 is used.

Understandability

75 The notion of understandability requires that the financial information provided should be readily understandable by users with a reasonable knowledge of business and economic activity and accounting, and the willingness to study the information with reasonable diligence.

76 Although there are a number of aspects related to the notion of 'understandability', EFRAG believes that most of the aspects are covered by the discussion above about relevance, reliability and comparability.

77 As a result, EFRAG believes that the main additional issue it needs to consider in assessing whether the information resulting from the application of IFRS 19 is understandable, is whether that information will be unduly complex.

78 EFRAG notes that users generally may benefit from analysing financial statements prepared under IFRS Accounting Standards. Besides the consolidated group information, they would receive information from eligible subsidiaries on a similar and comparable basis. As a result, users will only need to have knowledge of IFRS Accounting Standards and not of several different local GAAP. This would have a positive impact on understandability.

79 The disclosure requirements in IFRS 19 were developed to address the specific needs of users of non-listed subsidiaries (see the principles outlined in paragraph 21), such as credit analysts and other finance providers, so that the resulting information is expected to be easily understandable by them.

80 The reduced disclosures focus on the most relevant information without obscuring it with unnecessary details. This, in EFRAG's view, has a positive effect on understandability and responds to users' needs. As already noted above, IFRS 19 follows the fair presentation principle described in paragraph 6 of the Standard. This principle requires an eligible subsidiary to consider whether to provide additional disclosures to make the presented information understandable.

81 In EFRAG's view, the disclosure requirements in IFRS 19 do not introduce any new complexity that may impair understandability. Therefore, EFRAG's overall assessment is that IFRS 19 satisfies the understandability criterion in all material respects.

Prudence

82 For the purpose of this endorsement advice, prudence is defined as caution in conditions of uncertainty. In some circumstances, prudence requires asymmetry in recognition such that assets or income are not overstated and liabilities or expenses are not understated.

83 IFRS 19 only deals with disclosure requirements, leaving all measurement, recognition and presentation requirements in the other IFRS Accounting Standards unchanged. The reduced disclosure requirements have no impact on prudence.

~~84 In addition, requiring full disclosure requirements for the new IFRS Accounting Standards, such as for IFRS 17 *Insurance Contracts*, could be viewed as a prudent approach.~~

~~85~~84 IFRS 19 does not affect recognition and measurement requirements. EFRAG has therefore concluded that it raises no issues in relation to prudence as defined above.

Early application of IFRS 19

~~86~~85 IFRS 19 becomes effective on 1 January 2027, with earlier application permitted. IFRS 18 *Presentation and Disclosure in Financial Statements* was issued by the IASB in April 2024 and replaced IAS 1 *Presentation of Financial Statements*, which will be withdrawn from the effective date of IFRS 18. IFRS 18 has the same effective date as IFRS 19, but if an eligible subsidiary chooses to early apply IFRS 19 and this is before it applies IFRS 18, then it should apply the requirements in Appendix B of IFRS 19, which may be confusing for some entities.

~~87~~86 Feedback received by EFRAG showed that entities generally prefer first applying IFRS 18 and then applying IFRS 19, but in the unlikely scenario that IFRS 19 is applied first, EFRAG considers that the provisions of IFRS 19 are clear enough to be consistently applied. EFRAG also notes that IFRS 18 is expected to be endorsed in the EU several months before IFRS 19 is potentially endorsed, thus alleviating concerns.

Carve-out

~~88~~87 This section responds to an additional query from the European Commission in its endorsement advice request on 'whether a corresponding carve-out could be made in IFRS 19 or whether general information of companies about this would suffice'. This request refers to the comparison of the disclosure requirements in the AD and the reduced disclosure Standard with the aim of eventually carving out the reductions of the disclosure requirements in IFRS 19 to make them in line with the requirements in the AD.

~~89~~88 However, IFRS 19 contains a list of disclosure requirements grouped by IFRS Accounting Standard and not a list of reductions of disclosures. Hence, any carve-out to this list will remove a disclosure requirement instead of removing a reduction of a disclosure requirement. Therefore, any carve-out will result in the further decrease of disclosure requirements and potentially even in the increase of differences with the AD. As a result, EFRAG does not recommend using a carve-out as it will not achieve its objective of bringing both requirements in line.

~~90~~89 Notwithstanding the above, EFRAG recommends not endorsing the requirements for IFRS 14 *Regulatory Deferral Accounts* included in IFRS 19 as IFRS 14 is not endorsed in the EU. When the new Standard on *Regulatory Assets and Regulatory Liabilities* replacing IFRS 14 is published by the IASB and endorsed in the EU, the reduced disclosure requirements for it should be included in IFRS 19 as endorsed in the EU.

True and Fair View Principle

~~91~~90 A Standard will not impede information from meeting the true and fair view principle when, on a stand-alone basis and in conjunction with other IFRS Accounting Standards, it:

(a) does not lead to unavoidable distortions or significant omissions in the representation of that entity's assets, liabilities, financial position and profit or loss; and

(b) includes all disclosures that are necessary to provide a complete and reliable depiction of an entity's assets, liabilities, financial position and profit or loss.

~~92~~91 EFRAG has assessed that IFRS 19 does not create any negative interactions with other IFRS Accounting Standards. IFRS 19 contains an optional reduced disclosure framework for eligible subsidiaries and works alongside other IFRS Accounting Standards which define recognition, measurement and presentation requirements that remain unchanged. Accordingly, EFRAG has assessed that IFRS 19 does not lead to unavoidable distortions or significant omissions and therefore does not impede financial statements from providing a true and fair view.

~~93~~92 EFRAG has concluded that IFRS 19 contains the appropriate disclosures that are necessary to provide a complete and reliable depiction of an entity's assets, liabilities, financial position and profit or loss.

~~94~~93 As a result, EFRAG concludes that the application of IFRS 19 would not lead to information that would be contrary to the true and fair view principle.

Conclusion

~~95~~94 Accordingly, for the reasons set out above, EFRAG's assessment is that IFRS 19 meets the technical requirements for endorsement in the EU as set out in the IAS Regulation.

Appendix 3: Assessing whether IFRS 19 is conducive to the European public good

Introduction

~~96~~95 EFRAG considered whether it would be conducive to the European public good to endorse IFRS 19. In addition to its assessment included in Appendix 2, EFRAG has considered a number of issues in order to identify any potential negative effects for the European economy on the application of IFRS 19. In doing this, EFRAG considered:

(a) whether IFRS 19 improves financial reporting. This requires a comparison of IFRS 19 with the existing requirements, including its interaction with provisions of the EU Accounting Directive and how it fits into IFRS Accounting Standards as a whole;

(b) the costs and benefits associated with IFRS 19, including the number of entities potentially impacted by the implementation of IFRS 19 in the EU; and

(c) whether IFRS 19 could have an adverse effect on the European economy, including financial stability and economic growth.

~~97~~96 These assessments allow EFRAG to draw a conclusion as to whether IFRS 19 is likely to be conducive to the European public good. If the assessment concludes that there is a net benefit, IFRS 19 will be conducive to the objectives of the IAS Regulation.

EFRAG's evaluation of whether IFRS 19 is likely to improve the quality of financial reporting

~~98~~97 EFRAG has focused its assessment on the most significant impacts resulting from the potential implementation of IFRS 19 in the EU and covered by the special requests from the EC. The structure is as follows.

Interaction with the EU Accounting Directive

Disclosure requirements

~~99~~98 This section addresses the EC's additional request in its endorsement advice request, which asks to compile 'a list of disclosure requirements that will remain, despite the endorsement of IFRS 19, to be done by companies using the Standard, where Directive 2013/34/EU (Accounting Directive, or 'AD') would apply in conjunction'. Therefore, this Section provides a comparative analysis of the requirements in the AD and IFRS 19, as well as a high-level overview of the varying disclosure requirements in the AD for different sizes of entities. More details can be found in the EFRAG Secretariat's Briefing *Updated EFRAG Secretariat study on compatibility of the EU Accounting Directive with IFRS 19*.

~~100~~99 The AD covers a wider range of reporting requirements than IFRS 19; for example, it includes requirements for the publication of non-financial information, the management report, audit, etc. For the purposes of this comparison, EFRAG only assesses the differences in disclosure requirements for financial statements between the AD and IFRS 19.

~~101~~100 The AD applies the 'subsidiarity and proportionality' principle to ensure that the administrative burden is justified by the benefits it brings by providing simplified requirements tailored to the different sizes of entities.

~~102~~101 Similar to the AD's 'subsidiarity and proportionality' principle, IFRS 19 aims to simplify reporting requirements for eligible subsidiaries with the objective of reducing costs for the

preparation of eligible subsidiaries' financial statements while meeting users' information needs.

~~103~~102 However, unlike the AD, the scope of IFRS 19 does not take into account the size criteria. Subsidiaries, regardless of their size, are eligible to apply IFRS 19 if they meet the definition provided in paragraph 7 of IFRS 19.

~~104~~103 As mentioned in paragraph 10 of Appendix 1, there are differences in disclosure requirements between the AD and IFRS Accounting Standards, as well as some additional differences due to the disclosure requirements reduced by IFRS 19.

~~105~~104 However, since disclosure requirements in the AD are based on the size of the entity, these differences can vary accordingly. Article 3 of the AD lays down the size categories and types of undertakings on which requirements are based[2]: micro-, small-, medium-sized and large undertakings or groups.

~~106~~105 The two tables below provide a list of disclosure requirements in the AD which are not present either in the full IFRS Accounting Standards (Table 1) or in IFRS 19 (Table 2). They are split by entity type as defined in the AD.

Table 1: Disclosures in the AD not required by IFRS Accounting Standards – per type of entity

Disclosure requirement	**Micro undertakings**	**Small undertakings/ groups**	**Medium-sized undertakings/ groups**	**Large undertakings/ groups and PIEs**
the reporting entity and the group, and information necessary to identify the register (e.g. where the file is being kept) and the number in that register; the legal form of the company, the location of its registered office and, where appropriate, the fact that the company is being wound up (Article 5); the place where copies of the consolidated financial statements of the ultimate and intermediate parent may be obtained and the name and registered office of undertakings in	X	X	X	X

[2] It should be noted that MS are allowed to define 'stricter' size criteria compared to the AD, exceeding the thresholds for balance sheet total and net turnover. However, MS are not allowed to define thresholds for small undertakings or groups exceeding €7 500 000 of Balance Sheet total and €15 000 000 of Net Turnover.

Disclosure requirement	**Micro undertakings**	**Small undertakings/ groups**	**Medium-sized undertakings/ groups**	**Large undertakings/ groups and PIEs**
which participating interest is held (Article 17)				
the use of specific measurement options (e.g. fair value) (Article 16.1(c))	X	X	X	X
exceptional items (Article 16.1(f))	X	X	X	X
amounts owed falling due after more than five years (Article 16.1(g))	X	X	X	X
the average number of employees (Article 16.1(h))	X	X	X	X
emoluments granted in respect of the financial year to the members of administrative, managerial and supervisory bodies by reason of their responsibilities (Article 17.1(d))			X	X
the entity's shares (shares subscribed for, including by class, and any participation certificates, convertible debentures, warrants, options or similar securities or rights, if appropriate) (Article 17.1(h)(i)(j))			X	X
any undertaking of which it is a member with unlimited liability (Article 17.1(k))			X	X
business combinations within a group (Article 25)		X	X	X
payments made to auditors (Article 18.1(b))				X
analysis of turnover by geographical markets and				X

Disclosure requirement	Micro undertakings	Small undertakings/ groups	Medium-sized undertakings/ groups	Large undertakings/ groups and PIEs
type of activity (Article 18.1(a))				
any necessary disclosure if an exemption from consolidation, exemption for subsidiary undertakings or profit and loss exemption is used (Articles 23.6, 37.6 and 39.2 and 39.3)		X	X[3]	

Table 2: Disclosures in the AD not required by IFRS 19 but aligned with IFRS Accounting Standards – per type of entity

Disclosure requirement	Micro undertakings	Small undertakings/ groups	Medium-sized undertakings/ groups	Large undertakings/ groups and PIEs
composition of a group (Preamble 37 of the AD; paragraphs 10(a)(i), B4(a) and B5-B6 of IFRS 12)			X[4]	X
detailed information on subsidiaries that have non-controlling interests that are material to the reporting entity, including the name of the subsidiary (Preamble 37 of the AD; paragraph 12 of IFRS 12)			X[4]	X
name of each material joint arrangement or associate (Preamble 37 of the AD; paragraph 21(a)(i) of IFRS 12)			X[4]	X
nature of the entity's relationship with the joint			X[4]	X

[3] Depending on how MS used options to exempt specific types of entities from certain requirements in the AD.

[4] Depending on whether MS used options to exempt medium-sized groups from the obligation to prepare consolidated financial statements (unless any of the affiliated undertakings is a public-interest entity).

Disclosure requirement	Micro undertakings	Small undertakings/ groups	Medium-sized undertakings/ groups	Large undertakings/ groups and PIEs
arrangement or associate (Preamble 37 of the AD; paragraph 21(a)(ii) of IFRS 12)				
proportion of ownership interest or participating share held by the entity and, if different, the proportion of voting rights held (Article 17.1(g) of the AD; paragraph 21(a)(iv) of IFRS 12)			X	X
for separate financial statements, a list of significant investments in subsidiaries, joint ventures and associates, including the name of those investees and the principal place of business (and country of incorporation if different) of those investees, as well as its proportion of the ownership interest (and its proportion of the voting rights if different) held in those investees (Article 17.1(g) of the AD; paragraph 16(b) of IAS 27)			X	X

106 Thus most of the disclosures not required by IFRS 19 are not required by the full IFRS Accounting Standards either, i.e. disclosure requirements included in Table 1 are not a lack of disclosure requirements in IFRS 19 itself.

107 EFRAG also highlights that most of the disclosures above are required by the national law of the MS transposed from the Accounting Directives (formerly the Fourth and Seventh Council Directives[5]) for entities which fall within the scope of the IAS Regulation and report financial information in accordance with IFRS Accounting Standards in the EU.

[5] Comments concerning certain Articles of the Regulation (EC) No 1606/2002: INTERPRETATIVE COMMUNICATION CONCERNING CERTAIN ARTICLES OF THE:

Fourth Council Directive https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31978L0660

Seventh Council Directive: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31983L0349

108 In addition to the minimum disclosure requirements set out in the AD, MS are provided with options to simplify or exempt disclosure requirements for specific types of entities. As a result, differences in disclosure requirements will also depend on how MS use these options for simplified disclosure requirements or exemptions.

109 As seen in the tables above, IFRS 19 may be more demanding in terms of disclosures for micro, small, and in some cases medium-sized entities because of the reliefs provided by the AD. However, IFRS 19 is a voluntary Standard and each entity will assess whether and to what extent its application could be beneficial in its particular case.

110 The entities in jurisdictions where IFRS Accounting Standards are permitted or required, such as for example Cyprus, Italy or Portugal, can directly benefit from the reduced disclosures for their eligible subsidiaries. The entities which would like to switch to IFRS Accounting Standards but have not done so because the disclosures were too burdensome can be incentivised by the reduced disclosures provided by IFRS 19.

111 Small or micro-entities in jurisdictions where IFRS Accounting Standards are permitted, such as for example Denmark, Luxembourg and the Netherlands, should carefully assess whether applying IFRS Accounting Standards and IFRS 19 would be more beneficial for them than applying local GAAP and using the reliefs and exemptions provided by the AD and local law.

112 Although IFRS 19 does not require the same disclosures as the AD, paragraph 6 of the Standard requires entities to consider whether additional disclosures are needed to meet users' information needs and to provide these disclosures when necessary. The materiality principle can also be used to either remove unnecessary or add necessary disclosures. Management's judgement and users' needs play an important role in determining the level of disclosures to provide.

113 Thus, it could be said that the 'subsidiarity and proportionality' principle of the AD is addressed in IFRS 19 in a principle-based way used in IFRS Accounting Standards.

114 It should also be noted that disclosure reductions in IFRS 19 are only allowed for the unlisted subsidiaries of a parent who produces publicly available financial statements under IFRS Accounting Standards. Thus, eventual information loss at the subsidiary level is 'compensated' by the full disclosures at the parent level. The AD, however, applies to any entity irrespective of its place in the group and whether it is listed or not. Therefore, it uses the size criteria to define the information to be disclosed.

Scope: public accountability versus public interest entity

115 The scope of the AD is much wider than the scope of IFRS 19. The AD addresses various types of 'undertakings'[6] across the EU without distinguishing between listed and unlisted entities and their role in the group (if any). To provide proportionate reporting requirements for all the entities and for all reporting types, the AD refers to the entity's size and its importance for the public interest (PIE).

116 Unlike the AD, the scope of IFRS 19 is much narrower. It addresses only subsidiaries without public accountability of listed entities reporting under IFRS Accounting Standards. The only reporting requirement IFRS 19 deals with is disclosures when reporting under IFRS

[6] Referred to in Article 1(1) of the AD with legal forms per Member State listed in Annex I and Annex II.

Accounting Standards. It does not cover presentation and measurement requirements or non-financial information, as the same recognition, measurement and presentation requirements in full IFRS Accounting Standards apply.

117 It should also be noted that EU Regulation (EC) No. 1606/2002 provides MS with options to permit or require companies that are non-publicly traded in regulated markets to prepare their separate and consolidated financial statements of companies applying IFRS Accounting Standards as adopted by the EU.

118 Therefore, for an entity to be able to apply IFRS 19, it is not enough to fall within the scope of the Standard; it must also be located in an EU MS that permits or requires the use of IFRS Accounting Standards in the separate and/or consolidated financial statements of companies that are non-publicly traded in regulated markets. MS may reconsider the options used on a continued basis.

119 EFRAG notes that the current scope of the project may lead to different reporting for non-publicly traded companies that already apply IFRS Accounting Standards. These differences could arise because:

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

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

120 In this context EFRAG stresses the call from insurance entities to apply IFRS 19 and to reduce the disclosures of IFRS 17. In particular, European insurers suggest revising, during the upcoming PIR of IFRS 19, the definition of public accountability to permit insurance subsidiaries that hold assets in a fiduciary capacity, but do not engage in broader public financial intermediation, to be eligible to apply IFRS 19.

~~120~~121 Unlisted, stand-alone entities also expressed their interest in benefitting from the reduced disclosure requirements offered by IFRS 19.

~~121~~122 Appendix 1 sets out the scope of IFRS 19 (paragraphs 16-20) and the notion of public accountability (paragraph 18).

~~122~~123 In Europe, there is a similar notion of IFRS 19's 'public accountability', the so-called notion of 'Public Interest Entity' ('PIE'), as defined in the AD. However, it should be noted that according to 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 included additional entities to their national PIE definition (which is possible under article 2(1)(d) of the Accounting Directive 2013/34/EU).

~~123~~124 According to Article 2 of the AD, 'public interest entities' mean 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[7];

(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 the MS 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.

~~124~~125 Although there are many common points in the definition of public accountability in IFRS 19 and PIE in the AD (for example, in both cases insurance undertakings and credit institutions are excluded), differences still remain (for example, the size and public relevance criteria used to define PIE).

~~125~~126 Even if two notions have differences, entities applying IFRS Accounting Standards in the EU would be mainly under the scope of Article 5 of Regulation (EC) No. 1606/2002. The same applies for those that apply IAS 27 *Separate Financial Statements* in the EU.

~~126~~127 However, under the same Article 5, an EU MS can restrict the use of IFRS Accounting Standards to PIEs (for example, as done by Croatia, Romania and Slovakia). The subsidiaries located in those jurisdictions that prepare financial statements using IFRS Accounting Standards would have to carefully analyse whether they would still be eligible to apply IFRS 19 (particularly those that are PIEs due to the nature of their business, their size or the number of their employees).

~~127~~128 Additional details can be found in the EFRAG Secretariat's Briefing 'An EU perspective on the scope of IFRS 19'.

~~128~~129 For the reasons listed above, EFRAG believes that the provisions of IFRS 19 and its limited scope will not result in a material departure from the disclosure requirements specified in the AD for the eligible entities and will continue to lead to high-quality financial reporting.

EFRAG's initial analysis of the costs and benefits of IFRS 19

~~129~~130 EFRAG first considered the extent of the work. Therefore, on the specific request of the European Commission in its endorsement request letter, the approach that EFRAG adopted has been to carry out detailed initial assessments of the likely costs and benefits of implementing IFRS 19 in the EU, to consult on the results of those initial assessments and to finalise those assessments in light of the comments received.

[7] Nevertheless, EU MS have the option to require IFRS Accounting Standards for separate or individual Financial Statements, according to Regulation (EC) No 1606/2002.

~~130~~131 EFRAG notes that, for the purposes of the assessment below, it is important to consider that IFRS 19 is a voluntary Standard that will only be applied if it is beneficial. Entities may decide to apply IFRS 19, if endorsed for use in the EU, provided that they:

(a) fall within the scope of IFRS 19; and

(b) are located in EU MS that permit or require the use of IFRS Accounting Standards for annual financial statements in accordance with Article 5 of EU Regulation 1606/2002.

~~131~~132 Eligible entities electing to apply IFRS 19 may fall into one of the two following categories:

(a) entities already applying IFRS Accounting Standards, which will move to reduced disclosure requirements in IFRS 19; or

(b) entities transitioning from local GAAP to IFRS Accounting Standards and thereby apply IFRS 19.

~~132~~133 In addition, overall costs and benefits will also depend on:

(a) the setup of the reporting systems and processes within the group;

(b) the number of subsidiaries within the group that chooses to apply IFRS 19;

(c) the size and complexity of the subsidiaries' operations;

(d) the internal reporting processes organisation within the group, for example whether shared service centres are used; and

(e) other factors, such as applicable law and regulation.

~~133~~134 As a result, the costs and benefits for these entities will differ.

The number of European entities which might be potentially impacted by IFRS 19

~~134~~135 To respond to the European Commission's request for an assessment of the benefits of IFRS 19, EFRAG analysed the number of entities potentially impacted by IFRS 19. To illustrate the potential benefits, EFRAG conducted desktop research to estimate how many companies in total would be affected by IFRS 19 within the EU as well as the effect of the EU's endorsement outside the EU.

~~135~~136 The research considered:

(a) the scope of IFRS 19 and the definition of public accountability; and

(b) the use of IFRS Accounting Standards for the annual accounts and/or consolidated financial statements, both in the EU and outside the EU.

~~136~~137 To take into account the use of options provided in the IAS Regulation No 1606/2002, EFRAG conducted two different searches:

(a) one without considering the current options used by MS (all EU countries); and

(b) a second one considering the current options used by MS and therefore limiting the search only to EU countries that permit/require the use of IFRS Accounting Standards: Bulgaria, Cyprus, Croatia, Czech Republic, Denmark, Estonia, Finland,

Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Latvia, Malta, the Netherlands, Portugal, Poland and Slovenia.

~~137~~138 In the EU, EFRAG considered listed parent entities located in EU countries as well as unlisted parent entities that use IFRS Accounting Standards as an accounting practice.

~~138~~139 Outside the EU, given that the adoption of IFRS Accounting Standards varies across jurisdictions, EFRAG only considered parent entities of EU subsidiaries located in countries where the use of IFRS Accounting Standards is required for all entities and required or permitted for subsidiaries.

~~139~~140 The research provided the results[8] reflected in the table below.

Number of entities potentially affected by the implementation of IFRS 19 in the EU	Without considering MS' options	Considering MS' options
Number of EU subsidiaries of EU parent entity	124 492	66 952
Number of EU subsidiaries of non-EU parent entity	6 174	3 369
Number of non-EU subsidiaries of EU parent entity	18 936	18 936
TOTAL number of subsidiaries potentially impacted by the implementation of IFRS 19 in the EU	**149 602**	**89 257**

~~140~~141 According to this research, the largest population potentially affected by the implementation of IFRS 19 in the EU is the unlisted European subsidiaries of European parent companies (83%).

~~141~~142 Unlisted non-European subsidiaries of European parents represent approximately 13%, while the rest is represented by the unlisted European subsidiaries of non-European parent companies.

~~142~~143 Should all MS allow or require the use of IFRS Accounting Standards, the total number of companies affected by the implementation of IFRS 19 in the EU would increase by 68%.

~~143~~144 If European Economic Area countries (Iceland, Liechtenstein and Norway) are considered, the total number of subsidiaries potentially impacted by the implementation of IFRS 19 will amount to 152 026 without considering the MS' options and to 91 681 when considering the MS' options, resulting in a total increase of 2% and 3%, respectively.

~~144~~145 EFRAG notes that the benefits of IFRS 19 will be greater the more widely the Standard is accepted and used across the EU.

[8] The research was carried out using Moody's Analytics Inc. Orbis Europe database and is based on the data extracted on 27 January 2025.

Cost-benefit assessment

~~145~~146 To respond to the European Commission's request for a more in-depth cost-benefit analysis of the extent of the potential savings resulting from the implementation of IFRS 19 in the EU, EFRAG conducted various outreach activities with constituents for the purposes of obtaining their views on the costs and benefits of the implementation of IFRS 19 in Europe. In its approach to the cost-benefit assessment, EFRAG also considered the results of the IASB's 'Effects Analysis'. Feedback from European constituents broadly confirmed the messages included in the IASB's 'Effects Analysis'.

~~146~~147 EFRAG conducted two surveys – one for preparers and other types of stakeholders and one for users of financial information – and organised several outreach meetings with various groups of constituents from different European jurisdictions and industries, with subsidiaries within and outside Europe. In order to improve the quality and level of feedback expected to be received, EFRAG organised a public educational event together with the IASB at the beginning of December 2024. The feedback received was mainly qualitative.

~~147~~148 EFRAG notes that the quantification of the incremental costs and benefits appeared to be difficult to most of the respondents at this stage. Nevertheless, constituents provided several qualitative expected costs and benefits.

~~148~~149 All the constituents expressed overall support for the implementation of IFRS 19, as it would reduce the reporting burden for eligible subsidiaries. In addition, given that the Standard is optional, it will only be applied by entities that see overall benefit in it, disadvantages from its application are not to be expected. The detailed assessment of the costs and benefits is provided below.

~~149~~150 As already noted in paragraphs 132~~131~~ and 133~~132~~, the costs and benefits would differ depending on the situation of the subsidiary and the jurisdiction in which it operates.

Costs for preparers

~~150~~151 EFRAG has carried out an assessment of the cost implications for preparers resulting from IFRS 19.

~~151~~152 The following incremental costs and hurdles to the implementation of IFRS 19 were identified by the constituents:

(a) incremental one-off costs of employee training on IFRS Accounting Standards and/or IFRS 19 reduced disclosure requirements;

(b) incremental one-off costs of changing the reporting requirements from local GAAP to IFRS Accounting Standards for entities that decide to switch to IFRS Accounting Standards because of IFRS 19;

(c) incremental one-off costs associated with changes to reporting systems to accommodate the new reporting requirements;

(d) the reporting under IFRS Accounting Standards, even with reduced disclosure requirements, might be more extensive than reporting under local GAAP requirements and therefore result in additional costs;

(e) some user groups, for example in regulated industries, might require additional disclosures which might reduce the benefits of cost reductions from IFRS 19; and

(f) some constituents considered that when the subsidiary has to submit the extensive IFRS reporting package to the parent for consolidation purposes, the cost savings from the reduced disclosures could be very limited or even non-existent.

~~152~~153 The costs below can be linked to the application of IFRS Accounting Standards in general but are, however, also relevant for subsidiaries considering switching to IFRS Accounting Standards from local GAAP as a result of IFRS 19.

(a) Audit costs:

(i) Some jurisdictions require obligatory audit for entities reporting under IFRS Accounting Standards, whereas entities reporting under local GAAP are exempt from audit requirements. Such audit costs might be a barrier for applying IFRS 19 or reduce the potential benefits.

(ii) The audit of annual accounts prepared under IFRS Accounting Standards is usually more expensive than under local GAAP.

(b) Costs for maintaining local GAAP records for taxation or dividend distribution purposes: Some European jurisdictions base their taxation and dividend payment requirements on local GAAP reporting, and thus, costs savings resulting from not having to maintain two sets of records cannot be realised.

~~153~~154 However, these costs are expected to be offset by the following cost reductions:

(a) A decrease in employee costs because less time and efforts are needed to prepare annual accounts with the reduced disclosures (for subsidiaries already applying IFRS Accounting Standards).

(b) A decrease in system costs because only one set of records will have to be maintained (for subsidiaries switching from local GAAP).

(c) A decrease in audit costs due to a more centralised audit process being applied.

(d) Shared service centres can be used more efficiently and further reduce overall costs due to streamlined financial reporting processes. The need for understanding several local GAAP and the associated costs will be removed.

(e) Financial reporting under IFRS Accounting Standards may provide easier access to financing and bring cost of capital reductions.

155 Other qualitative benefits mentioned by constituents are listed below in the 'Benefits for preparers and users' section.

~~154~~156 It should be noted that IFRS 19 does not introduce new disclosure requirements, and it is expected that the information to be disclosed should be already available at the subsidiaries' level for the IFRS group reporting purposes, thus limiting the implementation costs.

157 I~~n terms of costs, i~~t should be mentioned that no additional costs are expected for European preparers due to the timing of the publication of *Updating IFRS 19 Subsidiaries without Public Accountability: Disclosures.* The amendments we~~a~~re ~~expected to be~~ published in August~~Q3~~ 2025 and~~. On the one hand, the amendments~~ contain only minor reductions compared to the disclosures under~~for~~ full IFRS Accounting Standards. ~~On the other hand,~~

EFRAG plans to submit its endorsement advice letter on the amendments to the European Commission before the end of the year that~~. This~~ will allow~~make it possible~~ European preparers to implement IFRS 19 in one step.

~~155~~158 EFRAG's overall assessment is that the implementation of IFRS 19 will result in limited, and mainly one-off, incremental costs for preparers, which will be mostly offset by efficiency gains resulting either from preparing annual accounts with fewer disclosures for IFRS preparers or from no need to have dual records for former local GAAP preparers. However, the extent of these costs will differ across jurisdictions and will depend on local requirements in respect of taxation, dividend distribution and audit, as well as on how the internal reporting processes are organised within a group (for example, whether and how shared service centres are used). EFRAG also highlights that the Standard is optional and is expected to be applied only by those who see benefits in it.

Costs for users

~~156~~159 EFRAG has carried out an assessment of the cost implications for users resulting from the implementation of IFRS 19.

~~157~~160 EFRAG highlights that the financial statements of unlisted subsidiaries of listed entities reporting under IFRS Accounting Standards are of interest only to a very limited group of users, who do not necessarily need all the disclosures required under full IFRS Accounting Standards. The primary users of these financial statements are the shareholders, but they already have access to all the information needed. Bank-lenders could be another user group, but the subsidiaries are often financed either through intercompany loans or through lending arrangements where the parent company provides a guarantee to the lending bank. Credit rating or credit insurance agencies also focus primarily on the reporting of parent entities. Some finance providers, investors and analysts may belong to the limited group of users of subsidiaries without public accountability.

~~158~~161 The following costs and disadvantages of the implementation of IFRS 19 were identified by these users:

(a) Employee costs due to familiarisation with the new reduced disclosure requirements.

(b) System change costs related to the adoption of the new reduced disclosure requirements.

(c) There is a limited risk that information disclosed under IFRS 19 might be insufficient for some particular user groups. For example, regulators may require additional information. It was noted that some additional voluntary disclosures might be needed to address the specific needs of users. However, there was general agreement that the level of disclosures required by IFRS 19 should be sufficient in most cases.

~~159~~162 Overall, EFRAG's assessment is that the implementation of IFRS 19 will not result in increased costs to users apart from those resulting from some initial familiarisation efforts.

Benefits for preparers and users

~~160~~163 EFRAG has carried out an assessment of the benefits for users and preparers resulting from the implementation of IFRS 19.

~~161~~164 Among the main benefits of applying IFRS 19, constituents noted:

(a) cost and time savings from preparing financial statements with fewer disclosures for entities applying IFRS Accounting Standards;

(b) no need for dual accounting records for entities applying local GAAP and switching to IFRS Accounting Standards;

(c) the use of a uniform financial reporting framework, promoting consistency in accounting practices across subsidiaries and the parent entity;

(d) better financial reporting quality and a more streamlined consolidation process;

(e) a lower risk of errors due to the use of the same accounting framework;

(f) improved relevance and comparability of eligible subsidiaries' financial statements; and

(g) increased efficiency in analysing and comparing financial data across subsidiaries.

165 The feedback from large multinationals indicates that IFRS 19 can result in increased efficiency in the preparation of subsidiaries' financial statements in jurisdictions where IFRS Accounting Standards are permitted or required. From a group perspective, efficiencies will further increase for more centralised reporting structures, such as shared service centres.

~~162~~166 Among other benefits, constituents noted that the financial statements prepared in accordance with IFRS 19 are expected to better meet users' information needs and increase investors' trust. They will also be easier to analyse as users generally have better knowledge of IFRS Accounting Standards than of various local GAAP.

~~163~~167 It was also highlighted that IFRS 19's approach aligns with some jurisdictions' efforts to simplify reporting and reduce the reporting burden for smaller entities. In addition, the majority of constituents, notably preparers, indicated that IFRS 19 could make the transition to IFRS Accounting Standards possible for smaller entities that currently report under local GAAP.

~~164~~ The feedback showed appetite among entities currently outside the scope of IFRS 19 – such as unlisted entities from insurance and banking industries or stand-alone unlisted entities – for the application of the Standard, which proves that these entities also see benefits in a reduced disclosure framework. Moreover, even publicly accountable entities, such as financial institutions or insurance entities, in some jurisdictions were supportive for an endorsement of IFRS 19.

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~~165~~169 As already noted for costs, the extent of the benefits would differ between entities depending on their size, industry, and the local requirements and regulations in their jurisdictions. Benefits will also depend on how internal financial reporting processes are organised within a group and may materialise not only at the level of the individual subsidiary but also at the group level. EFRAG highlights that benefits will increase the more widely IFRS 19 is accepted and applied across Europe.

170 In this context, EFRAG notes that there might be appetite in some EU jurisdictions to consider expanding the current use of IFRS Accounting Standards. For example, the

Accounting Standards Committee of Germany recently published a summary report on the study to evaluate the application of IFRS in Germany , conducted between March and October 2024.

~~166~~171 Overall, EFRAG's assessment is that users are likely to benefit from IFRS 19, as it will increase the relevance of the information and comparability between eligible subsidiaries and therefore enhance their analysis.

~~167~~172 EFRAG's assessment is that preparers will also benefit from IFRS 19, as it will reduce the reporting burden and costs for the entities that will opt to apply the Standard.

Conclusion on the costs and benefits of IFRS 19

~~168~~173 The feedback received from the outreach activities showed an overall consensus that IFRS 19 achieves a fair balance between the costs for preparers and the information needs of users and that its endorsement would be beneficial for European entities. Furthermore, there was general agreement that the benefits would outweigh the costs, particularly given that IFRS 19 is a voluntary Standard that will only be applied by those entities and groups for which it is proven beneficial.

~~169~~174 EFRAG also highlights that costs and benefits will vary across jurisdictions and entities. The benefits of comparability of financial statements and the cost savings from the use of a uniform accounting framework with fewer disclosures will increase with wider acceptance of IFRS Accounting Standards across Europe.

~~170~~175 EFRAG's overall assessment is that the benefits of the reduced disclosure framework introduced by IFRS 19 are likely to outweigh the costs associated with its implementation by eligible subsidiaries.

Potential effect on the European economy, including financial stability and economic growth

Assessing whether IFRS 19 is likely to have an impact on financial stability

~~171~~176 According to the IASB's 'Effects Analysis' and EFRAG's cost-benefit assessment, IFRS 19 is expected to simplify financial reporting for eligible subsidiaries by reducing costs for the preparation of financial statements while providing useful information to users.

~~172~~177 EFRAG expects that IFRS 19 will incentivise entities to transition from local GAAP to IFRS Accounting Standards, as it will enable smaller entities previously constrained by the high costs of applying full IFRS Accounting Standards and extensive disclosures to benefit from the reduced disclosure requirements under IFRS 19.

~~173~~178 However, as explained in previous sections, the scope of the Standard is relatively narrow and only affects specific types of entities in jurisdictions that permit or allow the use of IFRS Accounting Standards. Therefore, IFRS 19 is not expected to have an impact on financial stability.

Potential effects on competitiveness: US GAAP comparison

~~174~~179 To understand the potential effects on the European economy and particularly the effect on competitiveness, a high-level comparison between the requirements under IFRS 19 and Generally Accepted Accounting Principles in the United States ('U.S. GAAP') has been conducted. U.S. GAAP, together with IFRS Accounting Standards, are the two primary financial reporting frameworks used worldwide. Therefore, it is important to consider whether the lack of convergence between IFRS 19 and U.S. GAAP will result in any material

competitive advantage or disadvantage for European entities applying IFRS Accounting Standards.

Preparation of financial statements

~~175~~180 IFRS 19 can be applied by eligible subsidiaries in their consolidated, separate or individual financial statements. Therefore, entities electing to apply IFRS 19 can benefit from reduced time and effort in preparing disclosures for these three types of financial statements.

~~176~~181 In contrast, according to U.S. GAAP's Topic 810, 'there is a presumption that consolidated financial statements are more meaningful than separate financial statements and that they are usually necessary for a fair presentation when one of the entities in the consolidated group directly or indirectly has a controlling financial interest in the other entities.'[9]

~~177~~182 There is generally no specific requirement for subsidiaries in the United States to file separate financial statements, as the focus of reporting is at the consolidated level. U.S. GAAP contains no requirement to prepare separate financial statements. However, SEC registrants may be required to include additional special purpose financial statements if certain SEC rules or regulations are met (e.g. financial statements of a significant equity method investee or an acquired business that is considered 'significant' pursuant to SEC rules)[10].

Reduced disclosure requirements

~~178~~183 As explained in previous sections, IFRS 19 allows eligible subsidiaries (private subsidiaries that do not meet the public accountability criteria) to prepare financial statements with reduced disclosure requirements compared to full IFRS Accounting Standards while maintaining the same recognition, measurement and presentation requirements as in IFRS Accounting Standards. The objective of IFRS 19 is to provide cost reductions and reporting simplifications for eligible subsidiaries by reducing the disclosure burden. The Standard also ensures consistency in accounting policies within groups streamlining the consolidation process.

~~179~~184 While not directly comparable, the Private Company Council 'PCC' alternatives under U.S. GAAP offer similar benefits to private companies[11] by simplifying accounting and disclosure requirements. The PCC alternatives provide private companies with optional practical expedients and voluntary accounting policy elections with respect to recognition, measurement and other requirements, extending beyond disclosure relief. Similar to IFRS 19, the PCC alternatives aim to reduce financial reporting burden for private companies by simplifying the full U.S. GAAP requirements while addressing the needs of users.

~~180~~185 However, there are some key differences between IFRS 19 and the PCC alternatives.

(a) The scope of application of the PCC alternatives extends beyond subsidiaries without public accountability and is aimed to all private companies.

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[9] FASB ASC 810 Consolidation (810-10-10-1).

[10] See FASB ASC 810 and SEC Regulation S-X.

[11] Entities that do *not* file with the U.S. Securities and Exchange Commission.

(b) PCC alternatives focus on certain, more specific areas of accounting, while IFRS 19 reduces disclosure requirements for a wide range of topics.

(c) Unlike IFRS 19, the PCC alternatives not only reduce disclosure requirements but also simplify recognition and measurement requirements.

~~181~~186 Therefore, even though the PCC alternatives share similarities with IFRS 19, there is no directly comparable framework under U.S. GAAP that reduces the disclosure burden specifically for subsidiaries without public accountability and to the same extent as IFRS 19. Furthermore, unlike the PCC alternatives, IFRS 19 offers significant benefits in the group consolidation process by eliminating the need for dual accounting records, as it maintains full alignment with recognition, measurement and presentation requirements in IFRS Accounting Standards.

Other considerations

~~182~~187 Pursuant to SEC regulations, foreign private issuers have the option to file financial statements prepared in accordance with IFRS Accounting Standards or local GAAP[12]. In those circumstances[13] where financial statements prepared in accordance with IFRS 19 are included in SEC filings, registrants are required to consider whether additional disclosures are necessary to provide an understanding of particular events or circumstances to meet the needs of investors in the U.S. public securities market. Given that IFRS 19 disclosures are intended for entities without public accountability and not for investors in public markets, additional disclosures will most likely be necessary in these specific circumstances.

~~183~~188 In this case, preparers may apply paragraph 6 of IFRS 19, which requires entities to assess whether additional disclosures are necessary 'to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity's financial position and financial performance.' However, EFRAG highlights that IFRS 19 is not intended for listed entities and cannot be expected to satisfy SEC requirements.

Expected effects of competitiveness on the European economy – Conclusion

~~184~~189 Overall, IFRS 19 is expected to have a positive impact on competitiveness, as it reduces the disclosure burden for eligible subsidiaries. Even though there are differences in approach between IFRS 19 and U.S. GAAP, they are not expected to result in a competitive disadvantage for European entities, particularly for the following reasons.

(a) Although U.S. GAAP generally does not require subsidiaries to prepare separate financial statements, this difference existed prior to the issuance of IFRS 19. The disclosure relief introduced by IFRS 19 is expected to improve the competitive

[12] Rule 4-01(a)(2) of Regulation S-X. Foreign private issuers that prepare financial statements in accordance with IFRS Accounting Standards as issued by the IASB do not need to provide a reconciliation to U.S. GAAP. If local GAAP or non-IASB IFRS Accounting Standards are used, a reconciliation to U.S. GAAP must be included in the consolidated financial statements.

[13] For example, 'if a foreign private issuer files documents with the SEC related to a merger with a foreign business that qualifies for and elects to apply IFRS 19, and the registrant is required to provide financial statements of the foreign business, the foreign business is required by IFRS 19 to consider whether additional material disclosures need to be included in its financial statements'. Source: Statement on the Application of IFRS 19.

position of IFRS 19-compliant subsidiaries that are required to prepare separate financial statements.

(b) The reduced disclosure requirements under IFRS 19 are expected to bring significant benefits (see the 'Analysis of the costs and benefits' section above) for eligible subsidiaries. Additionally, according to the IASB's 'Effects Analysis', similar frameworks in other jurisdictions (e.g. the UK's FRS 101 Reduced Disclosure Framework and New Zealand's IFRS Reduced Disclosure Regime) have been widely used for years and have proven to bring significant benefits, including cost effectiveness and assurance efficiency.

Conclusion

~~185~~190 EFRAG considers that IFRS 19 will reduce the financial reporting burden and save costs for eligible subsidiaries without reducing the relevance and usefulness of information for users of their financial statements. The Standard is optional and will only be applied by those entities who see benefits in it. As such, its endorsement is conducive to the European public good, as improved financial reporting improves transparency and assists in the assessment of management stewardship. EFRAG also highlights that the benefits from the application of IFRS 19 will be greater the more widely the Standard is used by entities across the EU.

~~186~~191 EFRAG has not identified any adverse effects that IFRS 19 could have on the European economy, including financial stability and economic growth.

~~187~~192 Having considered all relevant aspects, including the trade-off between the costs and benefits of implementing IFRS 19, EFRAG assesses that endorsing IFRS 19 is conducive to the European public good.