IFRS

STAFF PAPER

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IASB® meeting

Project	**Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures**
Paper topic	Feedback from comment letters

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Purpose of this paper

1. This paper summarises the comment letters on the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (Exposure Draft). The Exposure Draft sets out the International Accounting Standards Board (IASB) proposal for a new IFRS Accounting Standard (draft Standard) that would permit an eligible subsidiary (see paragraph 15) to apply reduced disclosure requirements when applying IFRS Accounting Standards.

2. The IASB is not asked to make any decisions at this meeting. The paper is for discussion only.

Overall feedback

3. The IASB received 68 comment letters. Paragraphs 4–8 provide an overview of the feedback in these comment letters. Appendix A provides an analysis of respondents by geographical distribution and type, and lists the number of respondents that commented on each question.

4. Most respondents agreed with the objective of the draft Standard. Many reiterated the expected benefits of the proposals—reducing costs and simplifying preparation of financial statements.

5. There were mixed views on the proposed scope of the draft Standard. Many respondents suggested widening the scope to allow more entities to apply the proposals. Some respondents agreed with the proposed scope but suggested the IASB considers widening the scope at a later stage, for example, after the draft Standard has been implemented.

6. Many respondents agreed with the IASB's approach to developing the disclosure requirements of the draft Standard. Some respondents disagreed with starting with the *IFRS for SMEs* Accounting Standard and suggested that the IASB should start with IFRS Accounting Standards in developing the disclosure requirements.

7. Many respondents provided comments on the proposed disclosure requirements in the draft Standard. Comments were wide-ranging and across different IFRS Accounting Standards. The proposed disclosure requirements that attracted the most comments were those from IFRS 7 *Financial Instruments: Disclosures*, IAS 19 *Employee Benefits*, IFRS 12 *Disclosure of Interest in Other Entities,* IFRS 15 *Revenue from Contracts with Customers*, IAS 1 *Presentation of Financial Statements* and application of paragraph 16 of the draft Standard (when a subsidiary provides additional disclosures).

8. There were mixed views on the structure of the draft Standard. Many agreed with the proposal to have a separate IFRS Accounting Standard and organise disclosure requirements by Standard. Although many disagreed with including footnotes in the main body of the draft Standard to identify those disclosure requirements in other IFRS Accounting Standards that continue to apply.

Structure of the paper

9. The paper is structured as follows:

   (a) responses about the objective of the draft Standard, covering Question 1 of the Invitation to Comment (paragraphs 11–14);

(b) responses about the scope of the draft Standard, covering Question 2 of the Invitation to Comment (paragraphs 15–29);

(c) responses about the IASB's approach to developing the proposed disclosure requirements and exceptions to that approach, covering Questions 3–4 of the Invitation to Comment (paragraphs 30–47);

(d) responses about the proposed disclosure requirements, covering Questions 5–8 of the Invitation to Comment (paragraphs 48–61);

(e) responses about the structure of the draft Standard, covering Question 9 of the Invitation to Comment (paragraphs 62–76);

(f) other comments (paragraphs 77–83); and

(g) Appendix A—Analysis of respondents by geographical distribution and type and the number of respondents commenting on each question.

10. The questions asked in the Invitation to Comment are reproduced in grey boxes.

Objective of the draft Standard

11. The objective of the draft Standard is to permit eligible subsidiaries to apply the disclosure requirements in the draft Standard and the recognition, measurement and presentation requirements in IFRS Accounting Standards.

Question 1—Objective
Do you agree with the objective of the draft Standard? Why or why not? If not, what objective would you suggest and why?

12. Most respondents who commented agreed with the objective of the draft Standard. Many observed that the draft Standard will simplify and reduce costs of preparing financial statements of eligible subsidiaries. Particular points raised by some respondents included:

(a) the proposals would also benefit the parent entity through reduced costs for subsidiaries and streamlined group reporting because eligible subsidiaries could align their accounting policies with their parent;

(b) fewer disclosures would reduce the amount of audit work required; and

(c) the proposals would encourage wider application of IFRS Accounting Standards.

13. The International Organization of Securities Commissions said:

> … We think that the Board's proposals would have the benefit of encouraging subsidiaries within the scope to apply IFRS standards rather than another (local) GAAP because of the reduced complexities in doing so, and that such an approach could reduce costs for subsidiaries to prepare financial statements under IFRS. As well, the Board's proposal would result in subsidiaries within scope applying IFRS recognition and measurement requirements, and we think this could reduce the risk of errors occurring in the IFRS consolidation package prepared by the subsidiary for the parent and thus promote the overall quality of the consolidated financial statements of the parent, all while maintaining the information needed by the users of the subsidiaries' financial statements.

14. Although in agreement with the objective, some respondents raised the following concerns:

(a) subsidiaries that currently apply IFRS Accounting Standards have systems in place to comply with IFRS Accounting Standards, and consequently the incremental benefits of applying the proposals may not justify moving to the draft Standard.

(b) if subsidiaries provide disclosures to their parent for consolidation purposes that are otherwise not required by the draft Standard, the benefits of reduced disclosures would be less.

(c) permitting eligible subsidiaries that currently apply IFRS Accounting Standards to apply the draft Standard would reduce information provided to users and hence the quality of financial reporting.

Scope of the draft Standard

15. The IASB has proposed that an entity would be permitted to apply the draft Standard if, at the end of its reporting period, it is a subsidiary which:

    (a) does not have public accountability; and

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

Question 2—Scope
Do you agree with the proposed scope? Why or why not? If not, what approach would you suggest and why?

16. Respondents who commented expressed mixed views on the proposed scope of the draft Standard.

17. Some respondents agreed with the proposed scope. These respondents noted that the draft Standard proposes a new approach to reduce disclosures in IFRS Accounting Standards and agreed that the IASB is rightfully cautious in determining who should be permitted to apply the draft Standard.

18. Some of the respondents who agreed with the proposed scope suggested that the IASB could consider widening the scope after the draft Standard has been implemented for a period of time. A respondent suggested that, in parallel with the finalisation of the draft Standard, the IASB could assess the possibility of widening the scope at a later date to include other types of entities such as associates, joint ventures, joint operations, non-listed banks that are subsidiaries, separate financial statements of ultimate parent entities and all entities without public accountability.

19. Many respondents disagreed with the proposed scope in the draft Standard. Of those who disagreed:

    (a) most suggested widening the scope (see paragraphs 20–22);

    (b) a few suggested a narrower scope (see paragraph 23); and

    (c) a few observed that the regulator should determine who could apply the draft Standard (see paragraph 24).

20. Respondents who suggested widening the scope expressed a variety of different views on how the scope should be widened. Some suggested to widen the scope of the draft Standard to:

    (a) *all* entities without public accountability (all entities that are SMEs). These respondents noted that the approach applied by the IASB in developing the disclosure requirements is relevant to all entities without public accountability. These respondents agreed with the alternative view on the Exposure Draft.

    (b) joint ventures and associates without public accountability. These respondents noted that these entities may need to maintain additional accounting records if they report to an investor that applies IFRS Accounting Standards.

    (c) some financial institutions, including insurance entities and banks. Some of these respondents (particularly those in the insurance industry):

        (i) disagreed with the statement in paragraph 7(b) of the draft Standard that most insurers hold assets in a fiduciary capacity. They assert that many insurers are not managing assets on behalf of policy holders (see paragraph 55).

        (ii) said that unless the insurance entity is listed in a capital market, the insurer should be permitted to apply the draft Standard.

    These respondents also disagreed with the proposal that the disclosure requirements in IFRS 17 *Insurance Contracts* would apply if an eligible subsidiary issued insurance contracts within the scope of IFRS 17 (see paragraph 53).

    (d) subsidiaries without public accountability *regardless* of the GAAP applied in the parent's consolidated financial statements (see paragraph 15(b)).

    (e) ultimate parent's separate financial statements. Some respondents noted that, in some jurisdictions, the reduced-disclosure framework permits application in the ultimate parent's separate financial statements.

21. The Institute of Certified Public Accountants of Cyprus said:

> We have some concerns on the narrowly defined scope of the ED. Though we fully agree on the public accountability criterion, we are not convinced that the Board's proposal to limit the applicability to subsidiaries would help in fully achieving the objective of this project. As noted in the Basis for Conclusions,

> the Board developed the proposed disclosure requirements following an approach relevant for all entities without public accountability, hence without taking into account any characteristics of a subsidiary. The standard is associated with cost savings, dismissing any unnecessary disclosures and thus no entity should be restricted in its use.

22. The German Insurance Association (GDV) said:

> … We would find it fully inappropriate to generally exclude the insurance industry from the scope of the proposed new IFRS Standard. We believe that insurance undertakings being subsidiaries should be in the scope of the new regular IFRS if not listed on a capital market. And irrespective of the potential reliefs regarding IFRS 17, not listed insurance subsidiaries should be eligible to benefit from the reduced set of disclosure requirements regarding the other IFRS Standards to ensure level playing field with other industries.

23. A few respondents (mainly regulators) suggested a narrower scope:

    (a) exclude those subsidiaries who are required to submit their financial statements to regulators applying IFRS Accounting Standards. It was noted that in some jurisdictions all entities within a group (parent and its subsidiaries) must file financial statements in accordance with IFRS Accounting Standards.

    (b) exclude those subsidiaries who are currently applying IFRS Accounting Standards. The respondent noted that subsidiaries moving from 'full' IFRS Accounting Standards to the draft Standard would not enhance transparency and is therefore undesirable.

24. A few respondents (standard-setters in Asia) noted that local regulators are in a better position to determine the scope of the draft Standard. In their view:

    (a) the IASB does not have authority to determine who must, should or could prepare financial statements applying IFRS Accounting Standards. The respondent attributed this statement to paragraph BC3.13 of the Basis for Conclusions of the *Conceptual Framework for Financial Reporting*.

    (b) the proposed scope in the draft Standard may be inconsistent with how IFRS Accounting Standards is adopted and enforced in different jurisdictions.

25. In responding to the Invitation to Comment, some respondents questioned how the draft Standard would interact with their local regulations. Many jurisdictions define

'public interest entity', a term that shares some similarities with 'public accountability'. However, different jurisdictions define this term differently.

26. The Institute of Chartered Accountants of Pakistan said:

> In Pakistan, under the corporate law (i.e. the Companies Act, 2017) a differential financial reporting framework has been set. Differential financial reporting framework is prescribed based on the size (capital, assets thresholds etc.) of the entities. The framework includes IFRS Standards (applicable for listed, other public interest entities, large-sized companies and subsidiaries of listed companies), IFRS for SMEs (applicable for medium-sized companies) and a separate Accounting standard for small-sized companies. Importantly, the subsidiaries of listed entities (irrespective of their size) are required to prepare their separate financial statements in accordance with IFRS Standards.

27. The European Financial Reporting Advisory Group (EFRAG) said:

> … National Standard-Setters have expressed concerns that the notion of public accountability is different from the notion of Public Interest Entities, a similar term used in the European Union accounting law. Therefore, the IASB's proposals in this project are likely to also put pressure on the definition of 'public accountability'. ...

28. Some respondents also sought further guidance on the description of 'public accountability':

(a) guidance on 'fiduciary capacity'.

(i) An auditor noted that the IASB has guidance on this term in one of its educational modules supporting the application of the *IFRS for SMEs* Accounting Standard (Module 1). Some entities may be unfamiliar about the existence of this educational material.

(ii) Some respondents, including insurers and non-insurers, raised concerns about the statement in paragraph 7(b) of the draft Standard that most insurers hold assets in a fiduciary capacity. Some of these respondents asserted that premiums collected belong to the insurance entity in exchange for the promise to compensate the customer if an insured event occurs (for example property and casualty (P&C) insurance contracts). The premiums are not held in a fiduciary capacity by the insurance entity, neither in legal terms nor in economic perspective.

(b) guidance about 'public market'. For example, a standard-setter noted that many companies now raise funds in alternative markets apart from the traditional public market (stock exchange). For example, some funds are raised through crowdfunding and peer-to-peer financing.

(c) guidance about how public accountability is assessed if the subsidiary is also a parent and prepares consolidated financial statements (an intermediate parent). Whether it is assessed at the parent entity level (on its own) or at the sub-group level (intermediate parent and its subsidiaries).

(d) guidance about when financial statements are 'available for public use'. Some respondents noted that the term is already used in IFRS Accounting Standards. These respondents noted that the term is fundamental to the scope criteria and suggested that additional clarification be provided.

29. Other comments on the scope include:

(a) the IASB should consider requiring that non-controlling shareholders are informed about, and do not object to, a partially owned subsidiary applying the draft Standard (similar to paragraph 4(a)(i) of IFRS 10 *Consolidated Financial Statements*); and

(b) in jurisdictions where the *IFRS for SMEs* Accounting Standard is not applied, the draft Standard could enhance comparability among entities without public accountability.

IASB's approach to developing the proposed disclosure requirements and exceptions to that approach

30. In developing the proposed disclosure requirements, the IASB started with the disclosure requirements from the *IFRS for SMEs* Accounting Standard because they are based on IFRS Accounting Standards (as explained in Agenda Paper 31 *Cover paper*). When the recognition and measurement requirements in IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard were:

(a) the same—the IASB used the disclosure requirements in the *IFRS for SMEs* Accounting Standard with minor tailoring.

(b) different—the IASB tailored the disclosure requirements in IFRS Accounting Standards applying the principles in paragraph BC157 of the Basis for Conclusions of the *IFRS for SMEs* Accounting Standard.

31. In a limited number of cases, the IASB made some exceptions to the approach (see paragraphs 40–47). [1]

> ***Question 3—Approach to developing the proposed disclosure requirements***
>
> *Do you agree with the IASB's approach? Why or why not? If not, what approach would you suggest and why?*

32. Most respondents commented on the IASB's approach to developing the proposed disclosure requirements. Of those who responded:

(a) many agreed with the proposed approach (see paragraphs 33–34); and

(b) some disagreed with the proposed approach (see paragraphs 35–36). Of those who disagreed, many—mostly from Europe and a few from Global—suggested that the starting point to developing the disclosure requirements should be IFRS Accounting Standards and then considering exemptions to remove disclosure requirements that are deemed not applicable for eligible subsidiaries (top-down approach), rather than starting with the *IFRS for SMEs* Accounting Standard (bottom-up approach).

Agreement with the IASB's approach

33. Of those who agreed with the IASB's approach to developing the proposed disclosure requirements:

(a) some said the IASB's approach strikes the right balance considering the information needs of users of subsidiaries' financial statements and the work that stakeholders and the IASB would need to do in developing and finalising the draft Standard;

(b) a few said the IASB's approach recognises that the eligible subsidiaries are also eligible to apply the *IFRS for SMEs* Accounting Standard, and that the

[1] See paragraphs BC40–BC52 of the Basis for Conclusions on the Exposure Draft *Subsidiaries without Public Accountability: Disclosures.*

disclosure requirements of the *IFRS for SMEs* Accounting Standard remain suitable for entities without public accountability; and

(c) a few said that the IASB's approach is similar to the approach adopted in developing the mandatory reduced disclosure regimes in Australia and New Zealand.

34. The Financial Reporting Council (FRC) said:

> …We agree with the logical steps applied in developing the proposed disclosure requirements…
>
> The disclosure requirements of the *IFRS for SMEs* Standard have already been assessed by the IASB as suitable for entities without public accountability, and therefore are appropriate when recognition and measurement requirements are the same in both IFRS Standards and the *IFRS for SMEs* Standard. When the recognition and measurement requirements differ between IFRS Standards and the *IFRS for SMEs* Standard, we agree that tailoring the disclosure requirements is the correct way to deal with these differences.

Disagreement—proposal for an alternative approach

35. Of those who disagreed with IASB's approach to developing the disclosure requirements and suggested following a top-down approach, some gave the following reasons:

(a) users of an eligible subsidiary's financial statements typically have different information needs to users of financial statements of other entities that do not have public accountability (ie that are not part of a group). The IASB's approach leads, in some instances, to disclosures that go beyond the information needs of users of eligible subsidiaries' financial statements.

(b) some eligible subsidiaries are already using, and are more familiar with IFRS Accounting Standards, and do not have a working knowledge of the *IFRS for SMEs* Accounting Standard.

(c) a top-down approach may be better, for example, this was used to develop FRS 101 *Reduced Disclosure Framework* issued by the FRC and adopted in the United Kingdom and the Republic of Ireland.

(d) the approach applied by the IASB could be burdensome in the future for both standard-setting and application because there is an inevitable disconnect between IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard, and this would outweigh the benefits of the proposals.

36. BlackRock said:

> …Some disclosures which are deemed 'useful' for a stand-alone entity's users may not be 'useful' for a subsidiary entity's users. It is also difficult to identify users of subsidiary financial statements, and we believe that the number of users and their needs are limited, this is particularly the case where there are no minority interests and when funding is from within the group rather than external sources…

Other comments on the IASB's approach

37. In addition, some respondents suggested the IASB to consider:

(a) the cost–benefit trade off—it is important to consider whether, in all cases, the IASB's approach meets the objective of the draft Standard (see paragraph 12).

(b) the timing difference between IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard—users of subsidiaries' financial statements should not be denied access to improvements made in IFRS Accounting Standards that have not yet been considered in the *IFRS for SMEs* Accounting Standard. Some of this information is already provided by subsidiaries to their parents for group reporting purposes.

(c) interaction with the *Disclosure Initiative—Targeted Standards-level Review of Disclosure* (TSLR) project—whether the disclosure requirements in IFRS Accounting Standards should be principle-based rather than prescribing specific disclosure requirements. If the current proposals in the TSLR project are finalised, the IASB should consider aligning the approach in the draft Standard to a more principle-based approach (see paragraph 78).

38. EFRAG said:

> … EFRAG considers that the key principles proposed by the IASB in paragraph BC33 of the Basis for Conclusions should encompass cost-benefit considerations, including reduction of costs for preparers, which is one of the main objectives of the project. The IASB already refers to this in paragraph BC29 of the Basis for Conclusions about "*users' needs and cost–benefits*".

This should be better reflected in the principles used by the IASB's when the recognition and measurement requirements differ between the *IFRS for SMEs* Standard and IFRS Standards.

39. A few respondents said that the best approach to developing the disclosure requirements depends on the scope of the draft Standard. If:

    (a) the scope is retained, a top-down approach would be preferable.

    (b) the scope is widened to include other entities without public accountability, the proposed approach is suitable.

Question 4—Exceptions to the approach
(a) Do you agree with the exceptions? Why or why not? If not, which exceptions do you disagree with and why? Do you have suggestions for any other exceptions? If so, what suggestions do you have and why should those exceptions be made?

40. Respondents generally agreed with the exceptions and noted that they are necessary given the approach used by the IASB in developing the disclosure requirements in the draft Standard.

41. Most respondents commented only on specific exceptions. Concerns mainly related to:

    (a) disclosure objectives—the IASB should consider the interaction of the proposals in the draft Standard with the proposals in the TSLR project (see paragraph 78);

    (b) investment entities—requiring disclosure requirements for investment entities might be unnecessary because investment entities are unlikely to be eligible to apply the draft Standard; and

    (c) defined benefit obligations—the information needs of users of eligible subsidiaries' financial statements should be the same as for users of other SMEs' financial statements and therefore additional disclosures to those required in the *IFRS for SMEs* Accounting Standard is not useful to those users.

42. A few respondents disagreed with all of the exceptions and said:

    (a) eliminating exceptions will enhance understandability of the draft Standard.

(b) subsidiaries eligible to apply the draft Standard are also eligible to apply the *IFRS for SMEs* Accounting Standard. As such, the draft Standard should not require additional or different disclosure requirements compared to the *IFRS for SMEs* Accounting Standard when there is no recognition or measurement difference.

43. A few respondents noted that the IASB's rational for the exceptions should be better explained. For example, these respondents asked the IASB to clarify whether the exceptions are exceptions to the principles in paragraph BC157 of the Basis for Conclusions of the *IFRS for SMEs* Accounting Standard, or exceptions based on some other principle.

Question 4—Exceptions to the approach (changes in liabilities from financing activities)

(b) Paragraph 130 of the draft Standard proposes that entities disclose a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The proposed requirement is a simplified version of the requirements in paragraphs 44A–44E of IAS 7 Statement of Cash Flows*.*

(i) Would the information an eligible subsidiary reports in its financial statements applying paragraph 130 of the draft Standard differ from information it reports to its parent (as required by paragraphs 44A–44E of IFRS 7) so that its parent can prepare consolidated financial statements? If so, in what respect?

(ii) In your experience, to satisfy paragraphs 44A–44E of IAS 7, do consolidated financial statements regularly include a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities?

44. Most respondents, who commented on Question 4(b)(i), said that the information an eligible subsidiary would report in its financial statements applying paragraph 130 of the draft Standard would *not* differ from the information it reports to its parent for the parent's consolidated financial statements.

45. A few respondents, notably from the European region, were of the view that the information an eligible subsidiary would report applying paragraph 130 of the draft Standard would differ from the information it reports to its parent. These respondents attributed the difference in information to:

(a) movements in intra-group balances (which may reflect adjustments to equity or accretion of interest arising from transactions not at arm's length).

(b) the subsidiary may not have its own financing function because this function is managed at the group level. Therefore, the financing cash flows of the subsidiary could differ significantly from the group's financing cash flows.

46. The Austrian Financial Reporting and Auditing Committee said:

> Since the relevant information about the financing activities is frequently available in the group, many subsidiaries do not need to report such information to the parent and, therefore, may need to collect this information only for the purpose of their own financial statements. In addition, under these circumstances, the reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities may only have a limited benefit for users…we propose that such a reconciliation should not be required by the draft Standard.

47. Almost all respondents, who commented on Question 4(b)(ii), said consolidated financial statements regularly include a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Proposed disclosure requirements in the draft Standard

48. The draft Standard sets out the proposed disclosure requirements by IFRS Accounting Standard. In addition, the draft Standard proposes that disclosure requirements specified in an IFRS Accounting Standard or an amendment to an IFRS Accounting Standard about the eligible subsidiary's transition to that Standard or amended Standard remain applicable.

> ***Question 5—Disclosure requirements about transition to other IFRS Accounting Standards***
>
> *Do you agree with this proposal? Why or why not? If not, what approach would you suggest and why?*

49. Almost all respondents agreed that the disclosure requirements about transition to a new or amended IFRS Accounting Standards should remain applicable to an eligible

subsidiary. Those who agreed said the disclosure requirements about transition provide:

(a) useful information to users of eligible subsidiaries' financial statements without imposing significant costs on those subsidiaries given that these are one-off disclosures.

(b) key information and are expected to be material, particularly if they are about accounting policies, practical expedients and judgements.

50. A few suggested the IASB considers:

(a) including disclosure requirements about transition if, and only if, they are relevant considering the users of eligible subsidiary's financial statements.

(b) whether the disclosure requirements about transition can be simplified. Such simplifications could be considered on a case-by-case basis to reduce the costs of eligible subsidiaries' preparation of financial statements.

Question 6—Disclosure requirements about insurance contracts

(a) Do you agree that the draft Standard should not include reduced disclosure requirements for insurance contracts within the scope of IFRS 17? Why or why not? If you disagree, from which of the disclosure requirements in IFRS 17 should an entity that applies the Standard be exempt? Please explain why an entity applying the Standard should be exempt from the suggested disclosure requirements.

51. Respondents expressed mixed views on the proposal not to include reduced disclosure requirements for insurance contracts within the scope of IFRS 17. Many respondents (a small majority) agreed with the proposals.

(a) Some supported the IASB's view that IFRS 17 introduces a new model for insurance contracts supported by its disclosure requirements. Such disclosures facilitate users' understanding of this new model.

(b) Some said that reducing the disclosures in IFRS 17 would only result in limited benefits and could be detrimental to users of subsidiaries' financial statements.

(c) A few said that most, if not all, subsidiaries who issue insurance contracts within the scope of IFRS 17 are likely to be considered as having public accountability and therefore not eligible to apply the draft Standard.

52. Some respondents who agreed with the proposals suggest that the IASB could consider reducing disclosures after implementation experience of IFRS 17 has been assessed.

53. Many respondents (a large minority) disagreed with the proposals.

    (a) Some said that IFRS 17 should be treated like other IFRS Accounting Standards.

    (b) Some said that IFRS 17 is a complex Standard, and it would be burdensome for eligible subsidiaries to apply all of the disclosure requirements.

    (c) Some said that not all of the disclosure requirements in IFRS 17 are useful for users of eligible subsidiaries' financial statements but did not specify from which disclosure requirements eligible subsidiaries should be exempt.

    (d) A few disagreed with the IASB's observation in paragraph BC64(d) of the Basis for Conclusions of the Exposure Draft that IFRS 17 may help insurance regulators in undertaking enforcement activity. These respondents said insurance regulators could perform their functions without significant reliance on IFRS 17 and that their information needs are satisfied through required regulatory reports (for example, solvency reports).

> ***Question 6—Disclosure requirements about insurance contracts***
>
> *(b) Are you aware of entities that issue insurance contracts within the scope of IFRS 17 and are eligible to apply the draft Standard? If so, please say whether such entities are common in your jurisdiction, and why they are not considered to be publicly accountable.*

54. Some respondents observed that they consider some eligible subsidiaries that issue insurance contracts do not have public accountability, including captive insurers, credit guarantee insurers and P&C insurers.

55. Some respondents based in Europe considered unlisted life insurance entities are eligible to apply the draft Standard. These respondents asserted that premiums received are invested at the insurers' own risk with the aim to ensure that the customers' contractual obligations are met whenever specified insured events occur. These respondents observed that this does not mean that insurance entities are holding assets in a fiduciary capacity for their customers.

56. As noted in paragraph 51(c), a few respondents said most, if not all, subsidiaries issuing insurance contracts within the scope of IFRS 17 are likely to be considered as having public accountability and therefore not eligible to apply the draft Standard.

57. Some respondents said that in order to express a view they would need to perform further research to assess whether there are eligible subsidiaries that issue insurance contracts within the scope of IFRS 17.

Question 7—Interaction with IFRS 1

(a) Do you agree with including reduced disclosure requirements for IFRS 1 in the draft Standard rather than leaving the disclosure requirements in IFRS 1?

58. Most respondents agreed with including reduced disclosure requirements for IFRS 1 *First-time Adoption of International Financial Reporting Standards* in the draft Standard rather than leaving the disclosure requirements in IFRS 1. Of those who agreed:

    (a) some said this is consistent with how the draft Standard would interact with other IFRS Accounting Standards (that is, it is consistent with the objective of the draft Standard).

    (b) a few said that the reduced disclosures are sufficient to meet users' information needs.

    (c) a few said it would encourage adoption of the draft Standard.

59. A few respondents disagreed and suggested leaving the disclosure requirements in IFRS 1 without any reduction. They asserted that the disclosure requirements in IFRS 1 are essential to help users understand how transition to IFRS Accounting Standards impacted an entity's financial position and performance.

Question 7—Interaction with IFRS 1

(b) Do you agree with the proposals in paragraphs 12–14 of the draft Standard? Why or why not? If not, what suggestions do you have and why?

60. Almost all respondents agreed with the IASB's proposal in paragraphs 12–14 of the draft Standard on how the draft Standard interacts with IFRS 1.

Question 8—The proposed disclosure requirements

Paragraphs 22–213 of the draft Standard set out the proposed disclosure requirements.

(a) Do you agree with those proposals? Why or why not? If not, which proposals do you disagree with and why?

(b) Do you recommend any further reduction in the disclosure requirements for an entity that applies the Standard? If so, which of the proposed disclosure requirements should be excluded from the Standard and why?

(c) Do you recommend any additional disclosure requirements for an entity that applies the Standard? If so, which disclosure requirements from other IFRS Standards should be included in the Standard and why?

61. Many respondents commented on the proposed disclosure requirements in the draft Standard. Comments were diverse and covered many different disclosure requirements in the draft Standard. The staff will present detailed analyses of the comments received at future meetings. Some common themes observed:

(a) many respondents suggested reducing the disclosure requirements further:

(i) many respondents specified which disclosure requirements to exclude. In most instances, a rationale was provided. The disclosure requirements from IFRS 7 and IAS 19 receive the most suggestions for reductions. For example, some respondents suggested excluding disclosure requirements proposed for credit risk management practices under IFRS 7 and defined benefit plans under IAS 19.

(ii) some respondents did not refer to specific disclosure requirements but rather suggested making an overall reduction for particular IFRS Accounting Standards. IFRS 7 received the most comments. For example, some of these respondents noted that eligible subsidiaries would not usually have extensive hedging activities and so the proposed disclosure requirements for hedge accounting in paragraphs 55–58 of the draft Standard are excessive.

(iii) some respondents suggested excluding the entire section containing disclosure requirements from IAS 34 *Interim Financial Reporting* because an eligible subsidiary would not usually prepare interim financial statements. These respondents noted that, if the subsidiary did, it could apply IAS 34 rather than the draft Standard. This suggestion is similar to the approach in IFRS 8 *Operating Segments* and IAS 33 *Earnings per Share* for entities not required to apply those Standards (see paragraph 4 of the draft Standard).

(b) some respondents suggested additional disclosure requirements, considering these disclosures to be useful to users of eligible subsidiaries' financial statements. In most instances, a rational was provided. Disclosure requirements in IFRS 7 and IFRS 12 received the most comments. For example, disclosure requirements about the maturity analysis for non-derivative financial liabilities applying IFRS 7 and composition of the group when consolidated financial statements are prepared applying IFRS 12.

(c) some respondents asked for guidance on application of the proposed disclosure requirements. The most common request was for guidance on applying paragraph 16 of the draft Standard that specifies when an eligible subsidiary provides disclosures in addition to those required by the draft Standard.

Question 9—Structure of the draft Standard

Do you agree with the structure of the draft Standard, including Appendix A which lists disclosure requirements in other IFRS Standards replaced by the disclosure requirements in the draft Standard? Why or why not? If not, what alternative would you suggest and why?

62. Feedback on the structure of the draft Standard include respondent's views on:

(a) organisation by IFRS Accounting Standard (see paragraph 63);

(b) footnotes (see paragraphs 64–68);

(c) Appendix A of the draft Standard (see paragraphs 69–72);

(d) a separate IFRS Accounting Standard (see paragraphs 73–74); and

(e) content of the draft Standard (see paragraphs 75–76).

Organisation by IFRS Accounting Standards

63. Almost all respondents who commented supported organising the disclosure requirements in the draft Standard by IFRS Accounting Standard. These respondents agreed with the IASB's reasoning that this approach avoids the need to reproduce the scope of each IFRS Accounting Standard within the draft Standard.

Footnotes

64. Respondents who commented on the footnotes expressed mixed views.

65. Some respondents agreed with identifying the disclosure requirements in other IFRS Accounting Standards that remain applicable in footnotes. One respondent suggested providing an appendix summarising all the disclosure requirements referred in the footnotes to facilitate application of the footnotes in the draft Standard.

66. Most respondents disagreed with the use of footnotes because some preparers and auditors might:

    (a) view the footnotes as unimportant, which could lead to unintended omission of the disclosure requirements in the footnotes;

    (b) find it challenging to navigate the three separate sections (the main body of the draft Standard, footnotes and Appendix A) within the draft Standard as well as referring to other IFRS Accounting Standards in determining the disclosure requirements; and

    (c) be confused by the proposed use of footnotes as it would be a departure from the usual format in IFRS Accounting Standards.

67. The Institute of Chartered Accountants in England and Wales said:

> In our view, for the draft Standard to be user-friendly and comprehensible there should be a full list of all required disclosures within the body of the Standard. The use of footnotes to reference disclosure requirements in other Standards makes it difficult to use as the disclosure requirements for an individual topic might be spread across multiple locations. …

68. Alternatively, many respondents suggested the IASB either list or reproduce the disclosures requirements in the footnotes in the main body of the draft Standard under the subheading of the relevant IFRS Accounting Standard. They noted this would facilitate application of the draft Standard for both preparers and auditors.

Appendix A of the draft Standard

69. Respondents who commented on Appendix A expressed mixed views.

70. Some respondents supported retaining Appendix A when the draft Standard is finalised and said Appendix A provides a useful list of disclosure requirements that are not required when applying the draft Standard.

71. Some respondents said the disclosure requirements listed in Appendix A should be incorporated into the main body of the draft Standard within the subheading of the IFRS Accounting Standard to which they relate. Respondents who hold this view said that such an approach would:

    (a) improve usability of the draft Standard, rather than requiring a subsidiary to navigate three separate sections of the draft Standard (the main body of the draft Standard, footnotes and Appendix A); and

    (b) clearly identify disclosure requirements that do and do not apply to eligible subsidiaries applying the draft Standard.

72. Some respondents did not support retaining Appendix A if the draft Standard is finalised. Respondents holding this view noted that disclosure requirements listed in Appendix A could be confusing to preparers because they are requirements that need not be applied.

Separate IFRS Accounting Standard

73. Many respondents supported the IASB's proposal for the draft Standard to be a separate Standard within the IFRS Accounting Standards. However, a few respondents were of the view that the draft Standard should be developed as a separate stand-alone framework (like the *IFRS for SMEs* Accounting Standard) that includes recognition, measurement and presentation requirements because the issuance of a single comprehensive document would:

    (a) facilitate application of the draft Standard as eligible subsidiaries would only need to refer to 'one place' when preparing their financial statements;

    (b) avoid confusion about the basis of preparation and statement of compliance (see paragraph 83);

(c) provide users of eligible subsidiary's financial statements with clarity about the financial reporting framework applied; and

(d) ensure that it stands on its own as a complete Standard.

74. Of those who disagreed with the draft Standard being a separate IFRS Accounting Standard, a few respondents suggested the IASB incorporate the proposed disclosure requirements in IFRS Accounting Standards on a Standard-by-Standard basis.

Content of the draft Standard

75. A few European respondents were of the view that it would be more useful if the IASB provided a list of disclosure requirements from each IFRS Accounting Standard that an eligible subsidiary would not be required to apply, like the structure used in FRS 101 *Reduced Disclosure Framework*. According to these respondents, the approach in the draft Standard (listing the required disclosure requirements in the body of the draft Standard and those not required in an appendix), the potential cost savings from applying the draft Standard might be offset by the increased time and cost to understand which disclosures can be omitted.

76. The Financial Reporting Technical Committee of Chartered Accountants Ireland said:

> … we feel a better approach would be to draft a list of disclosures, from full IFRS, that are not required when applying this proposed standard. We believe that such an approach would be better for preparers as they already prepare information for IFRS compliant disclosures which they report to their parent company. Extracting disclosures from information that has already been prepared, as opposed to drafting a set of new disclosures to meet the disclosure requirements in the ED, would also be less costly for preparers. …

Other comments

77. Respondents provided the following comments on topics for which questions were not asked in the Invitation to Comment:

(a) interaction of the draft Standard with other IASB projects (see paragraphs 78–79);

(b) maintenance of the draft Standard (see paragraph 80);

(c) application of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to the election to apply the draft Standard (see paragraph 81); and

(d) statement of compliance with IFRS Accounting Standards (see paragraphs 82–83).

78. As noted in paragraph 41(a), some respondents observed that the proposals in the draft Standard and in the TSLR project, if finalised, will be part of IFRS Accounting Standards but the approaches in the two projects appear to conflict—the draft Standard's approach is prescriptive whereas the TSLR project is objective-based. It was unclear to these respondents how future amendments to disclosures in IFRS Accounting Standards could be tailored for inclusion in the draft Standard if the IASB proceeds with the approach in the TSLR project.

79. Some respondents noted that both the draft Standard and the *IFRS for SMEs* Accounting Standard are applicable to entities without public accountability and so are interrelated. These respondents commented that the IASB should consider whether the disclosures proposed in the draft Standard that are not in the *IFRS for SMEs* Accounting Standard should be introduced into the *IFRS for SMEs* Accounting Standard.

80. Most respondents who commented on the IASB's plan to maintain the draft Standard agreed with the IASB's decision to consider amendments to the draft Standard when it publishes an exposure draft of a new or amended IFRS Accounting Standard (paragraph BC91 of the Basis for Conclusions on the Exposure Draft). Respondents noted this would save time and resources.

81. Most respondents who commented on application of IAS 8 when electing (or revoking the election) to apply the draft Standard agreed with the IASB's view that a third statement of financial position would not be required at the beginning of the comparative period (paragraph BC83 of the Basis for Conclusions on the Exposure Draft). However, these respondents suggested clarification that a third statement of financial position is not required should be added to the body of the draft Standard.

82. Some respondents supported paragraph 22 of the draft Standard that requires a subsidiary to disclose that it has applied the draft Standard together with the statement of compliance required by paragraph 110 of the draft Standard. These respondents noted that this provides useful information to users and provides comfort that

recognition and measurement requirements of IFRS Accounting Standards have been applied with reduced disclosures.

83. However, some respondents disagreed and noted that the requirements in paragraphs 22 and 110 of the draft Standard could be confusing or even conflicting. These respondents said:

(a) the requirement in paragraph 110 of the draft Standard could create confusion because:

(i) the subsidiary would not in fact apply the 'full' disclosure requirements in IFRS Accounting Standards.

(ii) it might imply that the same overall disclosure objectives could be met in different ways either through reduced or full disclosures. Therefore, the draft Standard should be a separate reporting framework (see paragraphs 73–74).

(b) consideration is needed on how the draft Standard would be referred to in audit reports.

Question for the IASB

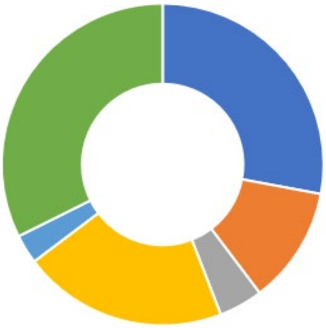
Question for the IASB
Does the IASB have any questions or comments on the feedback discussed in this paper?

Appendix—Analysis of respondents

Diagram 1—Analysis of respondents by geographical distribution

	Respondents	
Geographical Region	Number	Percentage
Africa	4	6%
Americas	10	15%
Asia and Oceania	20	29%
Europe	26	38%
Global	8	12%
Total	**68**	**100%**

Diagram 2—Analysis of respondents by type



	Respondents	
Type of respondents	Number	Percentage
Accounting bodies	19	28%
Auditors	8	12%
Individual	3	4%
Preparer	14	21%
Regulator	2	3%
Standard-setter	22	32%
Total	**68**	**100%**

Table 1—Number of respondents commenting on each question

Question	Number of Respondents
Q1—Objective	63/68 respondents
Q2—Scope	63/68 respondents
Q3—Approach to developing the proposed disclosure requirements	52/68 respondents
Q4(a)—Exceptions to the approach	47/68 respondents
Q4(b)(i)—Information reported by the subsidiary applying paragraph 130 of the draft Standard and information it reports to its parent for consolidation purposes	34/68 respondents
Q4(b)(ii)—Reconciliation of liabilities arising from financing liabilities in the consolidated financial statements	30/68 respondents
Q5—Disclosure requirements about transition to other IFRS Accounting Standards	45/68 respondents
Q6(a)—Disclosure requirements about insurance contracts	47/68 respondents
Q6(b)—Eligible subsidiaries that issue insurance contracts within the scope of IFRS 17	43/68 respondents
Q7(a)—Including reduced disclosure requirements for IFRS 1	43/68 respondents
Q7(b)—Interaction of the draft Standard with IFRS 1	39/68 respondents
Q8—Proposed disclosure requirements	38/68 respondents
Q9—Structure of the draft Standard	49/68 respondents