Staff paper

Agenda reference: 32

IASB® meeting

Date	**January 2025**
Project	**Updating IFRS 19 *Subsidiaries without Public Accountability: Disclosures***
Topic	**Summary of Feedback**
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Purpose of this paper

1. This paper summarises the feedback in comment letters and from outreach events on the Exposure Draft *Amendments to IFRS 19* Subsidiaries without Public Accountability: Disclosures (Exposure Draft). The Exposure Draft, which was published in July 2024, proposed amendments to IFRS 19 for new or amended IFRS Accounting Standards issued between February 2021 and May 2024.

2. The IASB is not asked to make any decisions relating to this paper.

Structure of the paper

3. The paper is structured as follows:

   (a) project background (paragraphs 4–7);

   (b) terms used in analysis of feedback (paragraphs 8–11);

   (c) overall feedback (paragraphs 12–14);

   (d) comment letter feedback:

(e) IFRS 18 *Presentation and Disclosure in Financial Statements*, including those relating to management-defined performance measures, covering Question 1 in the Invitation to Comment (paragraphs 15–24);

(f) supplier finance arrangements, covering Question 2 in the Invitation to Comment (paragraphs 25–33);

(g) Pillar Two model rules, covering Question 3 in the Invitation to Comment (paragraphs 34–39);

(h) lack of exchangeability, covering Question 4 in the Invitation to Comment (paragraphs 40–42);

classification and measurement of financial instruments, covering Question 5 in the Invitation to Comment (paragraphs 43–47);

(i) responses about rate-regulated activities, covering Question 6 in the Invitation to Comment (paragraphs 48–51); and

(j) other comments (paragraphs 52–60);

(k) summary of meetings with stakeholders (paragraphs 61–62);

(l) next steps (paragraph 63–65);

(m) question for the IASB; and

(n) appendices to this paper:

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

    (ii) Appendix B—Summaries of feedback from outreach events.

Project background

4. In May 2024 the IASB issued the new standard IFRS 19 *Subsidiaries without Public Accountability: Disclosures,* a voluntary IFRS Accounting Standard which permits eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements.[1]

5. IFRS 19 provides reduced disclosure requirements for IFRS Accounting Standards issued as at 28 February 2021. For new and amended IFRS Accounting Standards issued after that date, the disclosure requirements were included in full—given they had not been part of the exposure draft leading to the issue of IFRS 19.

6. The Exposure Draft proposed reductions of disclosure requirements for new and amended IFRS Accounting Standards issued after 28 February 2021. The IASB used the same principles to identify which disclosure requirements to reduce as it used in developing IFRS 19.

7. The IASB intends that the amendments arising from the Exposure Draft will be finalised this year. This will enable eligible subsidiaries applying IFRS 19 from its effective date of 1 January 2027 and those applying the Standard early to benefit from the reduced disclosure requirements.

[1] A subsidiary is eligible if (i) it does not have public accountability and (ii) it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

Terms used in the analysis of feedback

8. The IASB received 33 comment letters, and IASB members and staff participated in four outreach events with various types of stakeholders. This paper uses the following terms to give a broad indication of the views in the comment letters and from outreach events:

Term	*Extent of response among respondents*
Almost all	all except a very small minority
Most	a large majority, with more than a few exceptions
Many	a small majority or large minority
Some	a small minority, but more than a few
A few	a very small minority

9. In determining which term to use, the staff considered not just the number of responses in question, but also other factors, such as whether a response reports the views of a single individual or the views of a broader group.

10. In addition, the staff assessed whether comments appeared to be concentrated in specific geographical areas or among particular types of respondents.

11. When summarising the feedback, the staff have also considered the nature of the comments and whether they are qualitatively significant irrespective of the number of respondents who shared such views.

Overall feedback

12. Much of the feedback in comment letters and in outreach meetings agreed with the IASB's proposals in the Exposure Draft. However as discussed in paragraphs 53–54, some respondents questioned the extent of the reductions in disclosure requirements for eligible subsidiaries when applying IFRS 19. They suggested that while individual proposals appeared reasonable, the overall result might be disproportionate in that the disclosure requirements from IFRS Accounting Standards issued after

28 February 2021 have not been reduced to the same extent as the disclosure requirements in IFRS Accounting Standards issued before 28 February 2021. This feedback was expressed mainly by national standard-setters.

13. Some respondents asked the IASB to discuss in the Basis for Conclusions on IFRS 19 those areas where the requirements differ from disclosure requirements in the third edition of the *IFRS for SMEs* Accounting Standard.

14. Most respondents agreed with the proposed removal of disclosure objectives, and many agreed with removing paragraphs identified as providing guidance. However, others said that such guidance was helpful.

Comment letter feedback

Disclosure requirements from IFRS 18

15. The IASB proposed to retain the disclosure requirements in IFRS 19 relating to IFRS 18 *Presentation and Disclosure in Financial Statements* (many of which are carried forward from IAS 1 *Presentation of Financial Statements* and had already been reduced and therefore were not reviewed again by the IASB for the purposes of the Exposure Draft). The only substantial change proposed is to remove from IFRS 19 the requirements relating to management-defined performance measures. Instead, an eligible subsidiary that discloses management-defined performance measures as defined in IFRS 18 would be required to apply the related disclosure requirements in IFRS 18.

16. The IASB also proposed to remove the disclosure objective in paragraph 137 of IFRS 19 relating to non-current liabilities with covenants.

Question 1—Presentation and disclosure in financial statements

Do you agree with the proposal to remove from IFRS 19 the requirements for management-defined performance measures and to require an eligible subsidiary to disclose information about these measures if it uses them? If you disagree with this proposal, please explain your reasons.

Are there any other disclosure requirements in IFRS 18 that, in your view, are not applicable to eligible subsidiaries and should therefore be removed from IFRS 19? If so, please specify the disclosure requirements and explain your reasons.

Do you agree that following the removal of the disclosure objective in paragraph 137 of IFRS 19, the remaining requirements relating to non-current liabilities with covenants are sufficient and clear?

Disclosure requirements related to management-defined performance measures

17. Most respondents that commented on removing the disclosure requirements for management-defined performance measures agreed with the IASB's proposal to remove the requirements from IFRS 19 and to require entities making use of management-defined performance measures to comply with the requirements in IFRS 18.

18. The Accounting Standards Committee of the Accounting and Corporate Regulatory Authority (ACRA) of Singapore expressed similar views to many respondents:

> We agree with the IASB's decision to remove from IFRS 19 the requirements pertaining to management-defined performance measures (MPMs) and to require an eligible subsidiary using MPMs, as defined in IFRS 18 *Presentation and Disclosure in Financial Statements*, to refer to and apply the related disclosure requirements in IFRS 18. We are of the view that most subsidiaries without public accountability would not use MPMs, therefore retaining paragraphs 142 to 159 of IFRS 19 relating to MPMs would add significant length to the standard without much benefit overall.

19. Some respondents disagreed with the IASB's proposal and suggested that disclosure requirements relating to management-defined performance measures should not be required *at all* for eligible subsidiaries applying IFRS 19. For example the UK's Financial Reporting Council said:

> … considering the costs and benefits associated with the proposal, we question whether subsidiaries without public accountability should be required to adopt the requirements in IFRS 18 in relation to management-defined performance measures…
>
> Given [paragraph BC12 of the Basis for Conclusions on the Exposure Draft], if it is unlikely that eligible subsidiaries are using management-defined performance measures, it appears that the cost of each eligible subsidiary considering whether it has management-defined performance measures, would not outweigh the benefits. As such, we believe an exemption from these requirements would be appropriate.

20. A few respondents that disagreed with the IASB's proposal said instead that the requirements about management-defined performance measures should remain in IFRS 19. For example Deloitte Touche Tohmatsu said:

> However, we do not agree that the disclosure requirements on management-defined performance measures should be deleted from IFRS 19 and incorporated by reference to IFRS 18. We note that IFRS 19:163 already incorporates several disclosure requirements by reference to IFRS 18. We find that this approach makes the standard difficult to apply. We suggest that to the extent possible IFRS 19 should be complete and directly include all disclosure requirements and relevant guidance an entity needs to consider when applying the standard.

Disclosure objective in paragraph 137

21. Most respondents agreed with the proposal to remove the disclosure objective that an entity discloses information that enables users of financial statements to understand the risk that the liabilities could become repayable within 12 months after the reporting period (paragraph 137 of IFRS 19). Only two respondents suggested it should be retained. ACCA said:

> In this situation, the disclosure objective is imperative to understanding the specific requirement for information in paragraph 137. The remainder of paragraph 137 requires disclosing information that would help users understand the uncertainties

> around specific liabilities that could become repayable within 12 months after the reporting period. If the disclosure objective is removed, the purpose of providing this information would be unclear to preparers (eligible subsidiaries).

22. Respondents that agreed with removing the objective generally referred to consistency with the approach taken in the development of IFRS 19, for example the UK Endorsement Board said:

> Removal of the disclosure objective in paragraph 137 of IFRS 19 relating to non-current liabilities with covenants is consistent with the IASB's previous decision not to include disclosure objectives in IFRS 19 and we support the reasoning behind this decision.

23. One respondent argued that paragraph 137 is not a genuine disclosure objective and hence could be reworded to retain the requirement while avoiding the word 'objective'.

Other disclosure requirements

24. In response to the question about whether there were other disclosure requirements that should be removed, there were only a small number of suggestions, which will be discussed with the IASB at a future meeting.

Supplier finance arrangements

25. The IASB proposed to delete the disclosure objective in IFRS 19 relating to supplier finance arrangements that an entity discloses information that enables users of financial statements to assess the effects of supplier finance arrangements (paragraph 167 of IFRS 19). It also proposed:
    - (a) to add a new paragraph, paragraph 167A, which would include the description of supplier finance arrangements from paragraph 44G of IAS 7; and
    - (b) to amend paragraph 168 of IFRS 19 to remove the reference to the disclosure objective.

Question 2—Supplier finance arrangements

Do you agree that including explanatory text in paragraph 167A would be helpful to eligible subsidiaries that elect to apply IFRS 19? Please explain your reasons.

Are there any other disclosure requirements that should be removed from IFRS 19? Please explain your reasons.

Description of supplier finance arrangements (proposed paragraph 167A)

26. Respondents who commented on Question 2 expressed mixed views, with an approximately equal split between those who supported including the explanatory text in paragraph 167A and those who disagreed with it.

27. The Saudi Organization for Chartered and Professional Accountants (SOCPA) agreed with the proposal:

> SOCPA agrees that adding explanatory text in paragraph 167A, which includes a description of supplier finance arrangements from IAS 7 (paragraph 44G), would be helpful for eligible subsidiaries applying IFRS 19. The inclusion of this description provides clarity on what constitutes a supplier finance arrangement, especially since these arrangements can vary across entities and industries.

28. Deloitte agreed with the proposal, in the context of its assertion that inclusion of guidance is generally helpful:

> We agree that it would be helpful to include paragraph 167A in IFRS 19. This constitutes guidance necessary to the appropriate application of the disclosure requirements on supplier finance arrangements. As noted in our response to Question 1, we believe that IFRS 19 should be complete and directly include the disclosure requirements and relevant guidance an entity needs to consider when applying the standard.

29. ACCA agreed with including the definition and suggested further clarification:

> We agree with including explanatory text in paragraph 167A that describe the general characteristics of supplier finance arrangements. We suggest clarifying in this paragraph that a key feature of supplier finance arrangement is the entity would be paying a finance provider rather than the original supplier.

30. Respondents that disagreed said that retaining paragraph 167A is inconsistent with the IASB's general principle of not including guidance in IFRS 19. This principle is described in paragraph BC53 of the Basis for Conclusions on IFRS 19. This position was explained in detail by the Singapore Accounting Standards Committee (of the ACRA):

> … we suggest that the IASB reconsiders its proposal to add a new paragraph in IFRS 19 that provides the description of supplier finance arrangements from paragraph 44G of IAS 7 Statement of Cash Flows. While we can appreciate the IASB's intention to provide context to the relevant disclosure requirements, we view that IFRS 19, being a standalone standard for reduced disclosure requirements, should not reproduce descriptions or definitions of terms from other IFRS Accounting Standards. This is generally the case for other IFRS Accounting Standards in IFRS 19, for example, 'share-based payment arrangements' in IFRS 2 Share-based Payment and 'business combination' in IFRS 3 Business Combinations. This is also the case for other terms that are defined in IAS 7 and used in IFRS 19, specifically 'investing activities', 'financing activities', and 'cash and cash equivalents'. Therefore, our view is that adding the description of supplier finance arrangements is not necessary and could result in inconsistency in the manner how terms or descriptions are used within IFRS 19.

Other comments

31. All respondents that commented agreed with the IASB's proposal to remove the disclosure objective, see paragraph 25 of this paper.

32. Many respondents had suggestions for further disclosure reductions, including removing the requirement in paragraph 168(b)(ii) to disclose the carrying amount of liabilities from supplier finance arrangements at the beginning and end of the period, on the grounds that obtaining the information could be challenging. One respondent also suggested removing paragraphs 168(b)(iii) and 168(c) (range of payment due dates, and type and effect of non-cash changes in the carrying amounts of liabilities relating to supplier finance arrangements). These suggestions will be discussed with the IASB at a future meeting.

33. Some respondents questioned the differences in disclosure requirements between those proposed for IFRS 19 and those that will be included in the third edition of the *IFRS for SMEs* Accounting Standard. Of these, some suggested that the two standards should be aligned, and others suggested that if they are to have different disclosure requirements, this should be explained in the Basis for Conclusions on IFRS 19.

Pillar Two model rules

34. The IASB proposed to retain the disclosure requirements in IFRS 19 relating to the amendments to IAS 12 that introduced:

    (a) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and

    (b) targeted disclosure requirements for affected entities.

35. The IASB proposed to remove the requirement that an entity discloses known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation, in paragraph 198 of IFRS 19, and the reference to a disclosure objective in paragraph 199 of IFRS 19.

> ***Question 3—International tax reform—Pillar Two model rules***
>
> *Do you agree that following the removal of reference to the disclosure objective, the disclosure requirements in paragraphs 196–199 of IFRS 19 are sufficient and clear? Please explain your reasons.*

36. Most respondents that commented on Question 3 agreed with the IASB's proposal to remove the disclosure objective, and also said the remaining disclosure requirements were sufficient and clear.

37. A few respondents disagreed with the proposal. For example, Forvis Mazars questioned whether Pillar Two disclosure requirements should be included at all:

> Pillar Two model rules relate to income taxes in a group situation, and we are not convinced that the impact of the Pillar Two taxes will constitute income tax for the subsidiaries within these groups. In particular, an eligible subsidiary might have to pay a Pillar Two top up tax relating to one of its subsidiary in a low tax rate jurisdiction, which would not meet the definition of an income tax for the purpose of the separate financial statements of the eligible subsidiary.
>
> The Pillar Two taxes are already effective, and we are not convinced that including temporary exemptions for a tax that is already effective is appropriate. We would rather suggest allowing exemptions for entities in countries where Pillar Two taxes are not yet effective.

Other comments

38. Some respondents suggested IFRS 19 should include the illustrative examples in paragraphs 88C-88D of IAS 12. Others asked for paragraph 199 of IFRS 19 to be amended to remove the reference to 'qualitative and quantitative information' and one respondent asked that the phrase 'known or reasonably estimable' was included before 'qualitative and quantitative information', on the grounds that this phrase was included in the disclosure objective which the IASB proposed to remove.

39. The Financial Reporting Council suggested a change to align IFRS 19 more closely with its reduced disclosure standard FRS 101 *Reduced Disclosure Framework*:

> FRS 101 contains an exemption for qualifying entities from the requirements of paragraphs 88C and 88D of IAS 12 *Income Taxes* (i.e. paragraphs 198 and 199 of IFRS 19 prior to this Exposure Draft), provided that equivalent disclosures are included in the consolidated financial statements in which the entity is included. This approach was taken since top-up taxes in scope of these requirements are determined on a group basis and therefore users of financial statements will be able to obtain useful information about exposure to paying top-up taxes from the consolidated financial statements of the group in which the entity is included.
>
> An IFRS 19 preparer is, by definition, a member of a group for which consolidated financial statements will be prepared in accordance with IFRS Accounting Standards. Therefore, the conditional exemptions in FRS 101 and FRS 102 would be comparable to IFRS 19 omitting the Pillar Two disclosure requirements. As a result, the proposed level of disclosure under IFRS 19 will be greater than under FRS 101 or FRS 102. In

our view the IASB should consider requiring less disclosure on this topic, to aid preparers.

Lack of exchangeability

40. The IASB proposed to retain the disclosure requirements in IFRS 19 relating to the amendments for lack of exchangeability issued in August 2023. The IASB amended IAS 21 *The Effects of Changes in Foreign Exchange Rates* to require an entity to apply a consistent approach:

(a) to assessing whether a currency is exchangeable into another currency; and

(b) to determining the exchange rate to use and the disclosures to provide if a currency is not exchangeable.

The IASB proposed to remove from IFRS 19 the disclosure objective and the reference to the amount of detail necessary to satisfy that objective.

Question 4—Lack of exchangeability

Do you agree that following the removal of reference to the disclosure objective, the disclosure requirements in paragraphs 221–223 of IFRS 19 are sufficient and clear?

Are there any other disclosure requirements that should be removed from IFRS 19? Please explain your reasons.

41. Almost all respondents that commented on Question 4 agreed with removing the disclosure objective and said that the remaining requirements were sufficient and clear.

42. A few respondents expressed alternative views:

(a) one respondent asked that the IASB provide more detail in the Basis for Conclusions on its rationale for including the requirements in paragraph 224 relating to providing more detail of an entity's foreign operations with a functional currency that is not exchangeable into the entity's presentation currency.

(b) two respondents asked that the IASB also consider amending IFRS 19 for the amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* that were made at the same time as the lack of exchangeability amendments.

(c) four respondents asked the IASB to consider removing the disclosure requirement in paragraph 223(f) relating to disclosure of qualitative information about each type of risk that the entity is exposed to because the currency is not exchangeable into another currency, and the nature and carrying amount of assets and liabilities exposed to each type of risk.

Financial instruments classification and measurement

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

44. The amendments to IFRS 19 were made without reducing the disclosure requirements. The IASB did not propose to reduce the disclosure requirements because they provide users of eligible subsidiaries' financial statements with information about short-term cash flows and obligations, as well as solvency and liquidity.

> ***Question 5—Financial instruments classification and measurement***
>
> *Do you have comments or suggestions on the proposal not to reduce the disclosure requirements introduced by the amendments to IFRS 7 issued in May 2024? Please explain your reasons.*

45. Most respondents who commented on Question 5 supported the IASB's proposal not to reduce the disclosure requirements introduced by the IFRS 7 *Financial Instruments: Disclosures* amendments.

46. A few respondents expressed other views:

    (a) two respondents argued that paragraph 56A is in the nature of a disclosure objective and should, for consistency, be removed.

    (b) one respondent (ICAEW) suggested that IFRS 19 be amended so that a subsidiary would be exempt from the disclosure requirements of IFRS 7 if equivalent disclosures are included in the consolidated financial statements of the group in which the subsidiary is consolidated.

47. ACCA expressed concerns about the detail of the disclosure requirements:

> We have reservations about adding paragraphs 56A – 56C of IFRS 19 as currently drafted. We note these paragraphs 56A and 56B are similar to paragraphs 20B and 20C in the *Amendments to the Classification and Measurement of Financial Instruments* ED, whereas paragraph 56C is an example that's been added subsequently.
>
> We would like to draw your attention to our comment letter dated 13 July 2023 for that ED. With reference to our comments to question 6 in that ED, we raised concerns about the overly wide scope in paragraph 20B. The scope needs to be clarified to avoid getting all contingent events specific to the debtor to fall within the ambit of paragraph 20B (now, paragraph 56A of IFRS 19), which may be onerous for eligible subsidiaries to report on.
>
> With regard to financial liabilities, the proposed disclosures required in paragraph 20B appear to overlap with the existing paragraph B10A of IFRS 7 which already requires an entity to provide quantitative information that enable users of its financial statements to evaluate the extent of the risk of cash outflows that could either occur significantly earlier, or of significantly different amounts from the contractual maturity analyses disclosed in accordance with paragraph 39 of IFRS 7. Therefore, we suggest excluding financial liabilities from the requirements of the proposed paragraphs 20B and 20C (now paragraphs 56A and 56B).
>
> Though the IASB did not consult on reduced disclosure requirements for eligible subsidiaries at that time, we believe the abovementioned concerns would be applicable to creating disclosure requirements that are proportionate for eligible subsidiaries.

Rate regulated activities

48. The IASB proposed an entity that applies IFRS 19 and the forthcoming Regulatory Assets and Regulatory Liabilities (RARL) Standard will be required to apply the disclosure requirements in the forthcoming RARL Standard. The IASB proposed only to remove the disclosure requirements relating to IFRS 14, included in IFRS 19, when the forthcoming RARL Standard is issued, as consequential amendments to IFRS 19.

49. Table 1 in the Exposure Draft illustrates the requirements that might be reduced if the IASB were to apply its principles for developing reduced disclosure requirements for entities applying IFRS 19.

> ***Question 6—Regulatory assets and regulatory liabilities***
>
> *Are you aware of entities that have regulatory assets and regulatory liabilities within the scope of the IASB's project on rate-regulated activities that would be eligible to apply IFRS 19?*
>
> *Do you agree that an entity applying IFRS 19 and the prospective RARL Standard should be required to apply all the disclosure requirements in the prospective RARL Standard illustrated in Table 1? If you disagree, please suggest the disclosure requirements in Table 1 that an eligible subsidiary applying IFRS 19 should not be required to apply. Please explain your reasons.*

50. Views were mixed from respondents who commented on this question. Themes from respondents include:

    (a) it is too early to propose reductions in disclosure requirements for eligible subsidiaries applying IFRS 19. In the first instance such entities should be required to provide all the disclosures required by the forthcoming RARL Standard;

    (b) the IASB should further consult on reduced disclosure requirements through a separate exposure draft after the forthcoming RARL Standard is issued;

(c) some suggestions for individual reductions in the expected disclosure requirements that had been shown in the Exposure Draft; and

(d) some respondents said there were entities in their jurisdictions that would be in the scope of both IFRS 19 and the forthcoming RARL Standard, and others said they were not aware of any such entities in their jurisdictions.

51. KPMG explained circumstances in which an entity might be subject to both standards:

> In the past, some entities falling under the anticipated scope of the forthcoming RARL Standard may have met part (a) of the definition [of public accountability] above because they were listed entities. However, it has become increasingly common for rate-regulated entities to be acquired by private owners such as infrastructure funds and private equity funds. As a result, many such entities de-list, and therefore are no longer publicly accountable in the context of part (a) of the definition above. Accordingly, they may qualify for reduced disclosures under the requirements of IFRS 19 if the other eligibility criteria in that Accounting Standard are met.
>
> Furthermore, a common model in some parts of the world is for a listed parent entity, that is not itself a rate-regulated entity, to own 100 percent of one or more subsidiaries that are rate-regulated. The rationale for this is to enable the rate-regulated subsidiaries to be transferred in their entirety to another entity should the parent company fail, or upon the occurrence of another event entailing the transfer of the licence relating to the rate-regulated business. Indeed, in some cases there may be a licence condition that all of the assets and liabilities necessary to operate the rate-regulated business be held in a separate corporate entity to ring-fence those operations.
>
> Finally, in some countries rate-regulated entities may be subsidiaries of governmental entities that are required or have chosen to prepare their financial statements under IFRS Accounting Standards. This is another example of when a subsidiary might be required to apply the forthcoming RARL Standard and also be eligible for the reduced disclosures requirements of IFRS 19.

Other comments

52. Some respondents expressed views on other aspects of the Exposure Draft and IFRS 19 including:

    (a) extent of reduction in the disclosure requirements proposed in the Exposure Draft (paragraphs 53–55);

    (b) principles for reducing disclosure requirements (paragraph 56);

    (c) consistency of the disclosure requirements between IFRS 19 and the *IFRS for SMEs* Accounting Standard (paragraphs 57–58);

    (d) timing (paragraph 59); and

    (e) scope of IFRS 19 (paragraph 60).

Extent of reduction in the disclosure requirements proposed in the Exposure Draft

53. Some respondents commented on the granularity and extent of proposed disclosure reductions in the Exposure Draft. These respondents expressed that given IFRS 19 is a voluntary Standard, the limited scope of the reductions could affect the attractiveness of applying it.

54. Accounting Standards Committee of Germany (ASCG) expressed concerns about whether the proposed reductions go far enough:

> Notwithstanding our general support, we note that, as a result, a significant number of disclosure requirements were retained in IFRS 19, resulting in extensive disclosures for subsidiaries without public accountability. Given that the objective of IFRS 19 is to save costs for preparers because subsidiaries could provide reduced disclosures while still applying the same recognition and measurement requirements when producing their financial statements that their parent applied for its consolidated financial statements, we are concerned that IFRS 19 will be somewhat diluted, as the extent of disclosures increases towards the amount of disclosures in “full” IFRS Accounting Standards. As a result, applying IFRS 19 might become less attractive for

> eligible subsidiaries. We therefore encourage the IASB to provide more relief for subsidiaries when developing disclosure requirements.
>
> In this context, we have rediscussed the strengths and weaknesses of the IASB's approach to maintaining IFRS 19. The proposals of the ED clearly depict the weaknesses of the IASB's approach to developing the proposed disclosure requirements. While we broadly agree with the principles for developing disclosure requirements for subsidiaries (as set out in paragraph BC2 of the Basis for Conclusions on the ED), in applying the principles on the ED's proposals, we found that the principles are quite comprehensive and, hence, cover a wide range of information that would need to be disclosed. Therefore, we believe that the IASB should adopt an approach more tailored to the specific information needs of users of a subsidiary's financial statements when developing the reduced disclosure requirements.

55. Other more far reaching suggestions related to disclosure requirements from IAS 1 that were carried forward into IFRS 18. Although some of the disclosure requirements were reduced they were not reconsidered by the IASB in making the proposals in the Exposure Draft.

Principles for reducing disclosure requirements

56. Some respondents suggested that the IASB revisit or clarify the principles used in developing the reduced disclosure requirements. These respondents expressed the view that these principles are too broad, so applying them to disclosure requirements that were subject of the Exposure Draft only resulted in few reductions that were disproportionate to the disclosures that would continue to be required. For example, UKEB said:

> … the broad nature of these principles means that IFRS 19 and the Amendments offer relatively few reductions in required disclosures. In line with our comments on the development of IFRS 19, to maintain the attractiveness of the standard and to meet the objective of a reduced disclosure framework, we encourage the IASB to give greater consideration to proportionality to ensure that the disclosure requirements are not excessive for subsidiaries that are not publicly accountable.

Consistency of the disclosure requirements between IFRS 19 and the IFRS for SMEs *Accounting Standard*

57. A few respondents commented on the inconsistency with the disclosures that would be required in IFRS 19 when compared with the *IFRS for SMEs* Accounting Standard. These respondents expressed the view that because the nature of entities eligible to use those standards are similar (that is, those entities that do not have public accountability) and the principles used in developing their disclosure requirements were the same then the resulting disclosure requirements should also be the same.

58. EY asked about the differences between disclosure requirements proposed for subsidiaries applying IFRS 19 and entities applying the *IFRS for SMEs* Accounting Standard:

> While we agree that the six principles described in IFRS 19.BC33 are useful in providing a framework in which new disclosures can be considered, we find it difficult to comment on the appropriateness of the proposed disclosures brought into IFRS 19, as the Basis for Conclusions to the ED does not always articulate how the IASB has applied the criteria in IFRS 19.BC33 to the proposed disclosures. For example, liquidity risk disclosures are included within IFRS 19, but the same disclosures have not been incorporated into the *IFRS for SMEs* accounting standard (*IFRS for SMEs*). IFRS 19.BC33 notes that users of the financial statements of eligible subsidiaries are particularly interested in information about liquidity and solvency. However, it is unclear how this disclosure would be more applicable to the user needs in relation to the financial statements of an entity that applies IFRS 19 than it would be to the needs of users of financial statements prepared under *IFRS for SMEs*. Similar concerns apply to credit risk and IFRS 12 disclosures that are not included / proposed for *IFRS for SMEs*.
>
> Entities that are eligible to apply IFRS 19 are a subset of those entities eligible to apply *IFRS for SMEs*, and so naturally have a smaller 'pool' of users. Eligible entities report to a parent entity and possibly non-controlling shareholders, while SMEs applying *IFRS for SMEs* are potentially stand-alone entities with a wider range of users that rely on the general purpose financial statements for their information needs. We would therefore expect that, in applying IFRS 19.BC33, the disclosure requirements for eligible entities with a smaller base of users would result in the

same, or reduced, disclosures compared to those for an entity applying *IFRS for SMEs*.

Timing

59. A few respondents commented on the timing of the finalisation of the proposals as this will affect their respective endorsement process. For instance, the ASCG commented specifically on the timing of the amendments:

> We welcome and support the IASB's efforts to update the disclosure requirements in IFRS 19 as regards new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024 in a timely manner. We appreciate that eligible subsidiaries would benefit from reduced disclosure requirements of new and amended disclosure requirements from the outset of applying IFRS 19.

Scope of IFRS 19

60. A few respondents commented on the scope of IFRS 19:

    (a) Some respondents suggested that the IASB permit an entity to apply reduced disclosure requirements in some areas where IFRS 19 does not reduce the disclosure requirements, subject to the condition that equivalent disclosures are included in publicly available consolidated financial statements that include the entity. This approach is applied to some of the disclosure reductions in FRS 101. IFRS 19 does not, at present, have any similar 'equivalent disclosures' requirement.

    (b) A respondent recommended that all entities without public accountability, not just subsidiaries, should be eligible to apply the Standard. Another respondent suggested clarifying what 'fiduciary capacity' is, and suggested that subsidiaries that issue insurance contracts within the scope of IFRS 17 should be eligible to apply IFRS 19. In this regard ACCA said:

    > …the IASB should also evaluate, at a suitable time in the future, the granularity of disclosures and whether the disclosure requirements in IFRS 19 can be further reduced to remove disclosures that go beyond the information needs of users of those subsidiaries' financial statements. For that, we suggest the IASB continue

monitoring the market's reception of IFRS 19 through the number of eligible subsidiaries that adopt this standard. We would like to reiterate a comment in our January 2022 letter to consider extending the scope of IFRS 19 to other entities without public accountability in helping to reduce the effort of gathering, publishing and auditing the full disclosures required by the IFRS Accounting Standards. This may encourage further adoption of IFRS Accounting Standards where this is an option.

Summary of meetings with stakeholders

61. IASB members and staff held outreach meetings with the SME Implementation Group (SMEIG), Capital Markets Advisory Committee (CMAC), Global Preparers Forum (GPF), Accounting Standards Advisory Forum (ASAF) and Emerging Economies Group (EEG). The summaries from the meetings are included in Appendix B.

62. Feedback in stakeholder meetings was mixed:

(a) Stakeholders generally understood why the Exposure Draft was necessary and were supportive of the IASB making the amendments as soon as possible.

(b) Many stakeholders emphasised that the amendments needed to be in place before the effective date of IFRS 19, and observed that for jurisdictions with an endorsement process, this endorsement would only take place after the amendments have been issued, so delays in this part of the project might delay endorsement.

(c) Some stakeholders, mainly national standard-setters, expressed general discomfort with the limited nature of the reductions proposed in the Exposure Draft. They asked that the IASB consider carefully whether the proposals are proportionate compared to reductions made to disclosure requirements in developing IFRS 19. They highlighted the risk that given that IFRS 19 is voluntary, it will not be attractive to preparers if there is a perception that when new standards or amendments are issued, their disclosure requirements are not substantially reduced.

Next steps

63. The staff intend to bring to the IASB analysis of the feedback together with recommended amendments to the proposals in the Exposure Draft.

64. Given the feedback to finalise the amendments as soon as possible (see paragraph 58), the staff is working on a plan that aims to finalise the amendments to IFRS 19 in Q3 2025.

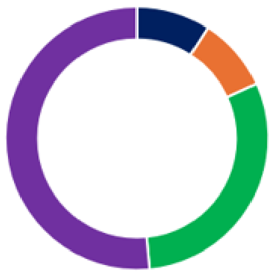
65. The new RARL standard is expected to be issued at the end of 2025. Therefore, the course of action for rate regulated activities will be discussed with the IASB separately by the rate regulated activities team in a future meeting.

Question for the IASB

Question for the IASB
Does the IASB have any questions or comments on: (a) the feedback discussed in this paper; or (b) the staff's intention to bring detailed recommendations to the IASB in a future meeting?

Appendix A—Analysis of comment letter respondents

Diagram 1—Analysis of comment letter respondents by type



Type of respondents	Respondents Number	Respondents Percentage
Africa	3	9%
Americas	3	9%
Asia-Oceania	10	30%
Europe	17	52%
Total	**33**	**100%**

Diagram 2—Analysis by geographical distribution

Geographical region	Respondents Number	Respondents Percentage
Accounting bodies	8	24%
Auditors	6	18%
Individual	2	6%
Preparers	2	6%
Standard-setters	15	46%
Total	**33**	**100%**

Table 1—Number of respondents commenting on each question

Question	Number of Respondents
Q1—Presentation and disclosure	29/33 respondents
Q2—Supplier finance arrangements	27/33 respondents
Q3—International tax reform—Pillar Two model rules	27/33 respondents
Q4—Lack of exchangeability	27/33 respondents
Q5—Financial instruments classification and measurement	31/33 respondents
Q6—Regulatory assets and regulatory liabilities	29/33 respondents

Appendix B—Outreach meetings with stakeholders

B1. Staff sought the views of the SME Implementation Group (SMEIG) in September 2024. Extract from the meeting summary included the following texts:

…

Overview of the IFRS 19 'catch-up' Exposure Draft

12. SMEIG members were provided with an overview of the proposed amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures* in the IFRS 19 'catch-up' Exposure Draft and asked for their views on those proposals.

13. Comments made by SMEIG members:

    (a) a SMEIG member observed that the financial statements of subsidiaries eligible to apply IFRS 19 have similar users as the financial statements of SMEs. This SMEIG member said that although there are many similarities, there are some differences between the proposed reduced disclosures in IFRS 19 and the proposed disclosure requirements in the Addendum Exposure Draft. For example, the disclosure requirement relating to the risks to which the entity is exposed because the currency is not exchangeable is not proposed in the Addendum Exposure Draft[2]. This SMEIG member also said that market risk disclosures related to financial instruments are generally not required in IFRS 19 and asked for clarification on the reason for retaining this disclosure in IFRS 19.

    (b) a SMEIG member asked for clarification on how the definition of and disclosures required for management-defined performance measures in IFRS 18 *Presentation and Disclosure in Financial Statements* apply to subsidiaries applying IFRS 19.

[2] Addendum to the Exposure Draft *Third Edition of the* IFRS for SMEs *Accounting Standard*.

(c) a few SMEIG members asked for clarification on whether the IASB is proposing to reduce the disclosure requirements related to changes in contractual cash flows.

B2. Staff consulted with CMAC-GPF at their joint meeting in June 2024 (shortly before the publication of the Exposure Draft). Extract from the meeting summary included the following texts:

…

Updating IFRS 19 Subsidiaries without Public Accountability: Disclosures

28. The purpose of the session was to give GPF and CMAC members an overview of:

(a) IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, issued in May 2024; and

(b) the proposals in the forthcoming Exposure Draft *Amendments to IFRS 19* Subsidiaries without Public Accountability: Disclosures (the IFRS 19 catchup exposure draft).

29. A GPF member said that he welcomed the new Standard because the simplifications in it will reduce the costs of preparing subsidiaries' financial statements.

30. GPF and CMAC members asked some questions, including: (a) how IFRS 19 will be updated and maintained; and (b) how a subsidiary will apply IFRS 19 if it applies the Standard before IFRS 18.

31. The staff answered the question, explaining that paragraphs BC108 to BC113 of the Basis of Conclusion on IFRS 19 explain how the IASB will maintain the Standard going forward.

32. The staff also clarifying that an entity applying IFRS 19 before IFRS 18 applies the disclosures in Appendix B of the IFRS 19, Appendix B also sets out the disclosures in IFRS 19 an entity is not required to apply.

B3. The December 2024 meeting summary for the ASAF is not yet published, but the text below is from the draft meeting summary:

Updating IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Purpose of the session

1. The purpose of this session was:
   (a) to ask ASAF members for their views on the proposals in Exposure Draft Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures* published in July 2024; and
   (b) to provide ASAF members an overview of feedback on the Exposure Draft.

Summary of the feedback

2. ASAF members generally agreed with the proposals in the Exposure Draft.
3. Although they generally agreed with proposals in the Exposure Draft, representatives of UKEB, GLASS, PAFA and AcSB recommended that the IASB consider whether the proposed reduced disclosure requirements as a whole are proportionate, considering that subsidiaries eligible to apply IFRS 19 do not have public accountability.
4. ASAF members' views on the proposals in the Exposure Draft relating to regulatory assets and regulatory liabilities diverged. Representatives of EFRAG and ANC agreed with the IASB's proposal to develop no reduced disclosure requirements relating to regulatory assets and regulatory liabilities at this stage. Representatives of UKEB, AcSB and AOSSG expressed concerns about the proposal. These representatives said that reducing disclosures in the future rather than now could create a precedent for disclosure requirements relating to any new accounting model. Allowing reductions only after a period of requiring full disclosures might not be acceptable to users of financial statements who would have become accustomed to receiving information from all disclosure requirements.

5. Other comments related to the Exposure Draft included:

   (a) ARD representative suggested including in IFRS 19 examples illustrating the disclosure requirements related to Pillar Two model rules in IAS 12 *Income Taxes*;

   (b) AOSSG representative disagreed with the proposal to include the description of supplier finance arrangements from paragraph 44G of IAS 7 *Statement of Cash Flows*; and

   (c) representatives of EFRAG and UKEB asked that the IASB finalise the amendments as soon as possible, taking into account their endorsement processes and the effective date of IFRS 19.

6. A few ASAF members commented on other aspects of IFRS 19:

   (a) the GLASS representative suggested the IASB widen the scope of the Standard so that more entities are eligible to apply it.

   (b) the EFRAG representative suggested the IASB consider reducing disclosure requirements in the Standard for IFRS 18 *Presentation and Disclosure in Financial Statements* and supplier finance arrangements at a later stage.

   (c) representatives of EFRAG and AcSB suggested the creation of a dedicated consultative group. An IASB member and a technical staff member responded that the IASB has made use of the SME Implementation Group and the Global Preparers Forum in developing the Standard and the Exposure Draft.

B4. Also, in December 2024 the staff spoke to the Emerging Economies Group; again meeting notes are not yet published but the draft notes summarise the discussion:

Updating IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Purpose of the session

1. The purpose of this session was:

   (a) to ask EEG members for their views on the proposals in the Exposure Draft *Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures* published in July 2024; and

   (b) to provide EEG members with an oral update of feedback on the Exposure Draft.

Summary of feedback

2. Some EEG members commented on specific aspects of the proposals in the Exposure Draft.

   (a) ICAI representative agreed with the proposals in the Exposure Draft.

   (b) CINIF representative asked why the IASB proposed to remove disclosure objectives in the Exposure Draft.

   (c) Representatives from CPC, MASB and SAICA commented on proposals related to supplier finance arrangements.

      (i) CPC representative suggested that the IASB consider reducing the disclosure requirements because they are complex.

      (ii) MASB representative suggested that the description of supplier finance arrangements should not be added to IFRS 19 because it is not a disclosure requirement and it is inconsistent with how the IASB designed the Standard. MASB representative also said that this could create a precedent that other descriptions will be added in the Standard.

(iii) SAICA representative suggested that the IASB consider aligning the disclosure requirements in the Standard with what would be required in the *IFRS for SMEs* Accounting Standard because the nature of entities applying the standards are similar (that is, they do not have public accountability).

3. Representatives from FACPCE and SOCPA commented on aspects related to applying IFRS 19:

   (a) FACPCE representative asked whether the IASB has supporting materials that illustrate the extent of reductions of disclosure requirements offered by IFRS 19. The IASB technical staff shared that the Effects Analysis of IFRS 19 includes some case studies that illustrate how subsidiaries and groups they belong to would benefit from applying IFRS 19. The staff also shared that an IFRS 19 disclosure tracker is available on the IASB's website that maps the disclosure requirements in other IFRS Accounting Standards against their equivalents in IFRS 19, which will help in analysing such reductions.

   (b) SOCPA representative asked if IFRS 19 could be applied before its effective date and, if so, how the Standard would be applied before IFRS 18 *Presentation and Disclosure in Financial Statements*. The IASB technical staff affirmed that the Standard can be applied before its effective date and that if the Standard is applied before the subsidiary applies IFRS 18, disclosure requirements related to IAS 1 *Presentation of Financial Statements* would instead apply which are set out in Appendix B of the Standard.

4. Representatives from ICAI, KASB and SAICA shared the status of adopting IFRS 19 in their jurisdiction.

   (a) the ICAI representative said that they are considering adopting IFRS 19 but with a wider scope.

(b) the KASB representative said that they are observing how other jurisdictions will adopt and apply IFRS 19 before considering whether to adopt the Standard.

(c) the SAICA representative said that in their jurisdiction, stakeholders are assessing whether to apply the Standard while also considering the changes that would be introduced by IFRS 18.