

Mr. Jean-Paul Gauzès
President of the EFRAG Board
European Financial Reporting Advisory Group
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Ref: IASB Exposure Draft ED/2021/7 *Subsidiaries without Public Accountability: Disclosures*

Dear Jean-Paul,

In the present letter the Instituto de Contabilidad y Auditoría de Cuentas (ICAC) gives its view on EFRAG's position presented in your draft comment letter on the Exposure Draft ED/2021/7 *Subsidiaries without Public Accountability: Disclosures*, issued by the IASB on 26 July 2021 (the "ED").

We welcome the IASB's efforts in developing reduced disclosure requirements for subsidiaries without public accountability that report for consolidation purposes to a parent entity applying IFRS Standards, maintaining the usefulness of financial statements for users of those subsidiaries' financial statements. We believe that it is important to have an independent and stand-alone reduced-disclosure IFRS Standard that focuses on the disclosure needs of subsidiaries without public accountability.

In general, ICAC supports the responses given by EFRAG in its comment letter. However, we note that the ED does not provide a general description of the information that will be lost when applying the ED compared to full IFRS. Such a general description would be necessary to assess the significance of the loss of information. It is recommended to request the IASB to prepare a more in-depth impact assessment including a cost-benefit analysis.





Nevertheless, in Spain, according to Regulation (EC) No 1606/2002, the use of IFRS standards is allowed for the consolidated financial statements of non-publicly-traded companies, but the use of IFRS standards is not permitted in the individual financial statements, and no changes are expected in this regard. However, Spanish groups may elect to apply the ED (if approved) to the individual financial statements of their subsidiaries located in jurisdictions allowing or requiring the use of IFRS Standards in those financial statements.

Regarding Question 2 of the ED, whether the ED's proposed is appropriate, ICAC agrees with the scope proposed in the project and shares the IASB's view in the Basis for Conclusions that this new approach should be tested first in subsidiaries without public responsibility and later, after the implementation and application assess whether the scope should be expanded.

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

We do not have sufficient insight in the impact of extending the scope, then we suggest to consider the advantages and disadvantages of a broader scope in a later stage.

In particular, we acknowledge that IFRS 17 Insurance Contracts (IFRS 17) is a new standard and that the IASB has insufficient experience from its application to assess what disclosure requirements may be reduced. Then, perhaps the IASB could reconsider this area after sufficient experience with applying IFRS 17 has been gained and after undertaking further outreach with relevant stakeholders.

We also highlight that the IASB has undertaken, as part of its Disclosures Initiative project, several standard-setting projects to make financial information more useful and improve the financial information the users receive of IFRS financial statements.

In relation to Q3, we are aware that EU legislation contains different and specifically defined terms, such as admitted to trading on a regulated market of any Member State, credit institutions, insurance companies or investment services companies. To provide more legal





clarity and certainty, the scope should be defined by reference to definitions contained in EU legislation.

From the perspective of acceptance of this standard in the European Union, we recommend to evaluate whether the reduced disclosures are still at least equivalent to the disclosure requirements of the Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements

Please, don't hesitate to contact us if you would like to clarify any point of this letter.

Yours sincerely,

Santiago Durán Domínguez
Chairman of ICAC

Madrid, 26th January 2022

