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| Question ID | 2018_4156 |
| Status | Final Q&A |
| Legal act | Regulation (EU) No 575/2013 (CRR) as amended |
| Topic | Supervisory reporting - FINREP (incl. FB&NPE) |
| Article | 99 |
| Paragraph | - |
| Subparagraph | - |
| COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations | Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (as amended) |
| Article/Paragraph | Annex V Part 2, paragraphs 55,56 |
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| Disclose name of institution / entity | No |
| Type of submitter | Competent authority |
| Subject matter | Profit or loss on de-recognition of investment in subsidiaries, joint ventures and associates |
| Question | Under IFRS, where in table F02 should “the gains or losses on de-recognition of investment in subsidiaries, joint ventures and associates” be recorded when they are neither classified (prior to the selling) as “non-current assets and disposal groups classified as held for sale” nor their sale is considered a “discontinued operation” under IFRS5? |
| Background on the question | Annex V Part 2, paragraph 55 reads “55. ‘Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations’ shall include profit or loss generated by non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations.” At the same time Annex V Part 2, paragraph 56 reads “56.Under IFRS, the gains or losses on de-recognition of investments in subsidiaries, joint ventures and associates shall be reported within ‘Profit or (-) loss before tax from discontinued operations’ where they are considered discontinued operations under IFRS 5”. In addition, IFRS 5.32 defines a discontinued operation as “a component of an entity that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area |

of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale. Finally, according to Annex V Part 2 point 48, "Gain or losses on derecognition of non-financial assets shall include the gain or losses on derecognition of non-financial assets, except where classified as held for sale or as investment in subsidiaries, joint venture and associates" therefore these gains or losses cannot be included in this item. To conclude, investments in subsidiaries, joint ventures or associates are sometimes sold not being previously classified as "non-current assets and disposal groups classified as held for sale", and without complying with the definition of "discontinued operation". In those cases, Annex V does not indicate where the gains or losses should be registered.

EBA answer

According to Annex V Part 2 para. 56 of Regulation (EU) No 680/2014 (ITS on Supervisory Reporting): "Under IFRS, the gains or losses on derecognition of investments in subsidiaries, joint ventures and associates shall be reported within 'Profit or (-) loss before tax from discontinued operations' where they are considered discontinued operations under IFRS 5."

Under national GAAP based on BAD, these gains and losses shall be reported in 'Gains or (-) losses on derecognition of investments in subsidiaries, joint ventures and associates, net'.

Furthermore, according to Annex V, Part 2 para. 54 and 56 of the ITS on Supervisory Reporting, when investments in subsidiaries, joint ventures or associates are not considered as discontinued operations but they meet the criteria under IFRS5 to be classified as "held for sale", the gains or losses on derecognition of these investments shall be reported in template F 02.00, row 600 as "Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations".

When investments in subsidiaries, joint ventures or associates are derecognised without being previously classified as "held for sale" and without complying with the definition of "discontinued operation", in absence of an ad-hoc row in the current template, their profits or losses shall be reported in line with their presentation in the public financial statements. In FINREP version 3.0, the line item "gains or losses on derecognition of investments in subsidiaries, joint ventures and associates, net" will be open for IFRS reporters to report profits or losses on derecognition of investment in subsidiaries, joint ventures and associates when the latter are neither classified (prior to the selling) as "held for sale" nor their sale is considered as "a discontinued operation" under IFRS 5, regardless of the consolidation method used (equity method

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| | or fully or proportional consolidation). |
| Link | https://eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2018_4156 |

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