Single Rulebook Q&A

Question ID	2013_340
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
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
Date of submission	04/10/2013
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Reporting of investments in subsidiaries that are not included in the prudential scope consolidation.
Question	Annex V states that dividend income from subsidiaries, associates and joint ventures which are outside the scope of consolidation shall be reported within "Share of profit or (-) loss of investments in subsidiaries, joint ventures and associates". Based on this statement we need clarification regarding the line in which the investments in subsidiaries that are not included in the prudential scope of consolidated should be reported in the balance sheet. Annex V p1.12 states with regard to accounting portfolios that "these aggregations do not include investments in subsidiaries, joint ventures and associates [...]." Example: A subsidiary is not included in the prudential scope of consolidation and should therefore be included in the IAS category "Available for sale". Should the carrying amount of this investment be reported in line item F 01.01, r140, c010 or in line item F 01.01, r260, c010? If it needs to be included in line item F 01.01, r260, c010: How should those investments be measured according to IFRS at the reporting date (at cost vs. at fair value)?
Background on the question	Information required in order to properly classify and measure investments in subsidiaries that are not included in the prudential scope of consolidation.

Final answer	The general provisions of Annex V (Part 1, section 4.1, paragraph 12) clearly state that the investments in subsidiaries, joint ventures and associates should not be included in any "accounting portfolio". From this starting point, associates as well as subsidiaries and joint ventures which are not included in the prudential scope of consolidation should be included in {F 01.01, r260, c010}. As stated in Article 18(5) of the Regulation (EU) No. 575/2013 (CRR), the competent authorities shall determine how these investments should be measured, being the equity method an option or a requirement and without it constituting the inclusion of the undertaking concerned in supervision on a consolidated basis. If the equity method is followed for their measurement: • As stated in IAS 28.1, the investment is recognised at cost on initial recognition, and the carrying amount increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The carrying amount of investments accounted for using the equity method includes related goodwill according to ITS. Annex V. Part 2. paragraph 4. • In addition, IAS 28.10 states that: "...Distributions received from an investee reduce the carrying amount of the investment...". In order to be consistent with this provision, the instruction relating to the statement of profit or loss in Annex V (paragraph 28, Part 2 of the ITS) should be modified as following: "Dividend income from subsidiaries, associates and joint ventures which are outside the scope of consolidation shall be reported within "Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates" **and, according to IAS 28.10, the carrying amount of the investment shall be reduced for those accounted for under the equity method"**.
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