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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Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (repealed)
Article/Paragraph	FINREP Table 31 Related parties, Annex V Part 2.122
Date of submission	25/03/2014
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Disclose name of institution / entity	No
Type of submitter	Consultancy firm
Subject matter	FINREP Table 31 - Related parties - derecognition of non-financial assets
Question	<p>In Annex V in paragraph 2.122 it is stated that "this item should include the gains and losses on derecognition of non-financial assets, which have been generated by transactions with related parties". Further on it is stated in 2.122 a) that "gains or losses on derecognition of investments in subsidiaries, joint ventures and associates" should be included in this line item. (r070 in table 31.2). My question is therefore: If a financial institution sells a part of its shares (equity investemet) in a associate to a third party, is this considered as a non-financial asset, and hence a non-financial derecognition in the balance sheet?</p>
Background on the question	<p>Our initial thought was that investements in subsidiaries and associates would be categorized as financial investments instead of non-financial investments, but by reading Annex V this would not be the case.</p>
Final answer	<p>Paragraph 122 of Annex V (FINREP) of Regulation (EU) No 680/2014 13 ITS on Supervisory Reporting of institutions (ITS) gives further guidance and asks to include those items in template F 31.00 (F 31.01 + F 31.02) which cover the gains and losses on derecognition of non-financial assets, which have been generated by transactions with related parties and that are part of</p>

a designated list of line items of the "Statement of profit or loss", among which is line "Gains or losses on derecognition of investments in subsidiaries, joint ventures and associates".

In the published version of FINREP there is no exact corresponding item "gains or losses on derecognition of investments in subsidiaries, joint ventures and associates" but an item "gains or (-) losses on derecognition of non-financial assets, net". In order to find a definition for "non-financial" the balance sheet items are consulted: FINREP **template F 01.01** on balance sheet assets holds a line for investments in subsidiaries, joint ventures and associates in row r260 making reference to IAS 1.54 (e) investments accounting for using the at equity method. "An entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the equity method except when that investment qualifies for exemption in accordance with paragraphs 17-19" of IAS 28. Accordingly, IAS 28 is the relevant standard for this kind of investments; IAS 39 of the future IFRS 9 financial instruments will thus not be applicable for this kind of positions. As a result, the investments in associates and joint ventures which are included in r260 of the balance sheet assets have to be reported accordingly in the statement of profit and loss. As investments in associates and joint ventures for which IAS 28 is applicable are excluded from the standard applying for financial instruments and are thus to be considered as non-financial assets in the context of this information, the gains or losses from those assets have to be included in **template F 02.00** r330 of the statement of profit and loss for non-financial instruments. It follows from this that those gains and losses in r330 of template F 02.00 shall be further broken down in **template F 31.00**, e.g. template F 31.02 row 070.

Before entering into the thrust of the question, it is important to refer to paragraphs 119 and 120 of Annex V of the ITS on supervisory reporting, which sets the scope of the information to be reported in templates F 31.01 and F 31.02. In other words, not all the transactions with related parties are to be reported there, since the consolidation process may remove some of them.

To come back to the question asked:

- If a financial institution sells a part of its equity investment in a associate under {F 01.01, r260} to a third party (i.e., a non-related party), nothing shall be reported in F 31.02.
- When the counterparty is a related party and there are pending amounts not fully eliminated in the consolidation process, the respective amount should be reported in {F 31.02, r070}. These amounts are reported in {F 02.00, r 330, c010} "gains or (-) losses on derecognition of non-financial assets, net" in the statement of profit or loss.

Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2014_992
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European Banking Authority, 29/05/2023

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