Commission Regulation (EU) No 1174/2013 of 20 November 2013 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards 10 and 12 and International Accounting Standard 27 (Text with EEA relevance)

COMMISSION REGULATION (EU) No 1174/2013

of 20 November 2013

amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards 10 and 12 and International Accounting Standard 27

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of the international accounting standards[(1)], and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1126/2008[(2)] certain international standards and interpretations that were in existence at 15 October 2008 were adopted.

(2) In October 2012, the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard (IFRS) 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and International Accounting Standard (IAS) 27 Separate Financial Statements. IFRS 10 has been amended in order to better reflect the business model of investment entities. It requires that investment entities measure their subsidiaries at fair value through profit or loss account rather than consolidate them. IFRS 12 has been amended in order to require specific disclosure about such subsidiaries of investment entities. The amendments to IAS 27 also removed the option for investment entities to measure investments in certain subsidiaries either at cost or at fair value in their separate financial statements. Amendments to IFRS 10, IFRS 12 and IAS 27 imply by way of consequence amendments to IFRS 1, IFRS 3, IFRS 7, IAS 7, IAS 12, IAS 24, IAS 32, IAS 34 and IAS 39 in order to ensure consistency between international accounting standards.

(3) The amendments to IFRS 10, IAS 27 and certain consequential amendments to other standards contain references to IFRS 9 Financial Instruments that at present cannot be applied as IFRS 9 has not been adopted by the Union. Therefore, any reference to IFRS 9 as laid down in the Annex to this Regulation should be read as a reference to IAS 39.

Changes to legislation: *There are outstanding changes not yet made to Commission Regulation (EU) No 1174/2013. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

(4) The consultation with the Technical Expert Group of the European Financial Reporting Advisory Group confirms that the amendments to IFRS 10, IFRS 12 and IAS 27 meet the technical criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(5) Regulation (EC) No 1126/2008 should therefore be amended accordingly.

(6) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

1 The Annex to Regulation (EC) No 1126/2008 is amended as follows:

a International Financial Reporting Standard (IFRS) 10 *Consolidated Financial Statements* is amended as set out in the Annex to this Regulation;

b IFRS 12 *Disclosure of Interests in Other Entities* is amended as set out in the Annex to this Regulation;

c International Accounting Standard (IAS) 27 *Separate Financial Statements* is amended as set out in the Annex to this Regulation;

d IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 3 *Business Combinations*, IFRS 7 *Financial Instruments: Disclosures*, IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 24 *Related Party Disclosures*, IAS 32 *Financial Instruments: Presentation*, IAS 34 *Interim Financial Reporting* and IAS 39 *Financial Instruments: Recognition and Measurement* are amended in accordance with the amendments to IFRS 10 as set out in the Annex to this Regulation.

2 Any reference to IFRS 9 *Financial Instruments* in the amendments referred to in paragraph 1 shall be read as a reference to IAS 39.

Article 2

Each company shall apply the amendments referred to in Article 1(1), at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014.

Article 3

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 20 November 2013.

For the Commission

The President

José Manuel BARROSO

***Changes to legislation:** There are outstanding changes not yet made to Commission Regulation (EU) No 1174/2013. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

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ANNEX

INTERNATIONAL ACCOUNTING STANDARDS

IFRS 10	**IFRS 10** ***Consolidated Financial Statements***
IFRS 12	**IFRS 12** ***Disclosure of Interests in Other Entities***
IAS 27	**IAS 27** ***Separate Financial Statements***

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Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
Amendments to IFRS 10 ***Consolidated Financial Statements***

Paragraphs 2 and 4 are amended.

2 To meet the objective in paragraph 1, this IFRS:

(a) …

(c) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee;

(d) sets out the accounting requirements for the preparation of consolidated financial statements; and

(e) defines an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity.

3 …

4 An entity that is a parent shall present consolidated financial statements. This IFRS applies to all entities, except as follows:

(a) …

(c) an investment entity need not present consolidated financial statements if it is required, in accordance with paragraph 31 of this IFRS, to measure all of its subsidiaries at fair value through profit or loss.

After paragraph 26, headings and paragraphs 27–33 are added.
DETERMINING WHETHER AN ENTITY IS AN INVESTMENT ENTITY

27 A parent shall determine whether it is an investment entity. An investment entity is an entity that:

(a) **obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;**

(b) **commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and**

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(c) **measures and evaluates the performance of substantially all of its investments on a fair value basis.**

Paragraphs B85A–B85M provide related application guidance.

28 In assessing whether it meets the definition described in paragraph 27, an entity shall consider whether it has the following typical characteristics of an investment entity:

(a) it has more than one investment (see paragraphs B85O–B85P);

(b) it has more than one investor (see paragraphs B85Q–B85S);

(c) it has investors that are not related parties of the entity (see paragraphs B85T–B85U); and

(d) it has ownership interests in the form of equity or similar interests (see paragraphs B85V–B85W).

The absence of any of these typical characteristics does not necessarily disqualify an entity from being classified as an investment entity. An investment entity that does not have all of these typical characteristics provides additional disclosure required by paragraph 9A of IFRS 12 *Disclosure of Interests in Other Entities*.

29 If facts and circumstances indicate that there are changes to one or more of the three elements that make up the definition of an investment entity, as described in paragraph 27, or the typical characteristics of an investment entity, as described in paragraph 28, a parent shall reassess whether it is an investment entity.

30 A parent that either ceases to be an investment entity or becomes an investment entity shall account for the change in its status prospectively from the date at which the change in status occurred (see paragraphs B100–B101).
INVESTMENT ENTITIES: EXCEPTION TO CONSOLIDATION

31 Except as described in paragraph 32, an investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9[(3)].

32 Notwithstanding the requirement in paragraph 31, if an investment entity has a subsidiary that provides services that relate to the investment entity's investment activities (see paragraphs B85C–B85E), it shall consolidate that subsidiary in accordance with paragraphs 19–26 of this IFRS and apply the requirements of IFRS 3 to the acquisition of any such subsidiary.

33 A parent of an investment entity shall consolidate all entities that it controls, including those controlled through an investment entity subsidiary, unless the parent itself is an investment entity.

In Appendix A, a new definition is added.

group	…
investment entity	An entity that:
	(a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;