



**ACCOUNTANCY
EUROPE.**

DEFINITION OF PUBLIC INTEREST ENTITIES IN EUROPE

State of play after the implementation of
the 2014 Audit Reform

Survey results

FACTS.

**AUDIT & ASSURANCE
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HIGHLIGHTS

What is the definition of Public Interest Entities (PIEs) across Europe and what has changed with the new EU rules on statutory audit that became applicable in June 2016?

This paper presents the results of a survey we carried out on this topic across Europe. It follows our previous survey from 2014 on the definitions of PIEs. We provide an overview of the PIE definitions applicable across European countries and the differences amongst them. In addition, we provide insight into the number of PIEs in each country.

The findings of this survey demonstrate that the Audit Reform has resulted in more harmonised and reduced definitions of PIEs. This has led to an overall decrease in the number of PIEs across Europe.

INTRODUCTION

The most recent definition of PIEs in the European Union (EU) is included in the Directives 2013/34/EU on accounting (the Accounting Directive) and 2014/56/EU on statutory audits (the Audit Directive)¹. The definition is stated as follows:

“(a) entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC;

*(b) credit institutions as defined in point 1 of Article 3(1) of Directive 2013/36/EU of the European Parliament and of the Council (**), other than those referred to in Article 2 of that Directive;*

(c) insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC;
or

(d) entities designated by Member States as public-interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees.”

This definition has not significantly changed as compared to the 2006 Statutory Audit Directive or the 2013 Accounting Directive. It is worth to note that the Member States option to exempt certain PIEs from the more demanding requirements has been removed from article 39 of the Audit Directive.

The identification of PIEs and therefore their definition is now crucial to determine which entities are within the scope of the Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of PIEs (the Audit Regulation)².

On 17 June 2016, new EU rules on statutory audit became applicable across the EU.³

This survey has been carried out by Accountancy Europe to understand the impact of these new rules on the PIE statutory audit market as compared to the situation before the Audit Reform, i.e. 2014 Audit Directive and Regulation.⁴ In the survey, we present an overview of the PIE definitions⁵ applicable in all 28 Member States, Iceland and Norway, and the existing differences. We also provide an insight into the number of PIEs in these countries.

¹ Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts; available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0056>

² Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC; available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0537>

³ The application date of the 2014 Audit Regulation and the transposition deadline of the 2014 Audit Directive have not yet been set for Iceland, Liechtenstein and Norway.

⁴ Definition of Public Interest Entities (PIEs) in Europe, (2014); available at <https://www.accountancyeurope.eu/publications/fee-survey-on-the-pie-definitions-applicable-in-european-countries/>

⁵ Please note that we update information on countries' definition of a PIE in this publication when we become aware of any changes in national laws. However, we have not updated the figures on the number of PIEs per country since the initial date of publishing the survey results, i.e. November 2017.

CURRENT DEFINITION OF PIEs

For comparison purposes, the definitions of PIEs have been classified depending on:

- **The application of the EU definition:** the left part of Table 1 is based on the EU definition as included in the 2014 Audit Directive. The categories marked with 'x' are explicitly defined as PIEs.
- **Other designated entities at national level:** the right part of Table 1 provides an insight regarding the other entities designated as PIEs as per the specific requirements put in place at national level.

TABLE 1: OVERVIEW OF THE DEFINITION OF PIEs ACROSS EU MEMBER STATES, ICELAND AND NORWAY⁶

| Country | Extent of the EU Definition | | | | Other designated entities at national level | | | | | | | |
|----------------|-----------------------------|---------------------|------------------------|---------------------------|---|-----------------------------|----------------|-----------------------|------------|----------------------------|-------------------------------|----------------|
| | Listed entities | Credit institutions | Insurance undertakings | Other designated entities | Pension funds | UCITS/ Investment companies | Size criterion | State owned companies | Government | Asset management companies | Electronic money institutions | Other |
| Austria | x | x | x | x ⁷ | | | | | | | | x ⁸ |
| Belgium | x | x | x | x | | | | | | | | x |
| Bulgaria | x | x | x | x | x | | x | x | | x | | x |
| Croatia | x | x | x | x | x | x | | x | | x | x | |
| Cyprus | x | x | x | x ⁹ | | | | | | | | |
| Czech Republic | x | x | x | x | x | x | | | | | | |
| Denmark | x | x | x | | | | | | | | | |
| Estonia | x | x | x | | | | | | | | | |
| Finland | x | x | x | | | | | | | | | |
| France | x | x | x | x | | | | | | | | x |
| Germany | x | x | x | | | | | | | | | |
| Greece | x | x | x | x ¹⁰ | | | | | | | | |
| Hungary | x | x | x | x | | | | | | x | | x |
| Iceland | x | x | x | x | x | | | | | | | |
| Ireland | x | x | x | | | | | | | | | |
| Italy | x | x | x | x | x | x | x | | | x | x | x |

⁶ In March 2019, we updated information on Slovenia in this table following Slovenia's full transposition of the EU Audit Reform in January 2019.

⁷ In Austria, some credit institutions and insurance companies not subject to the definition of points b) and c) of Art 2 (13) of the 2014 Audit Directive are designated as additional PIEs by national law, as well as the Austrian Stock Exchange.

⁸ In Austria, some credit institutions and insurance companies not subject to the definition of points b) and c) of Art 2 (13) of the 2014 Audit Directive are designated as additional PIEs by national law, as well as the Austrian Stock Exchange.

⁹ The option is available, but not used.

¹⁰ The option is available, but not used.

| Country | Extent of the EU Definition | | | | Other designated entities at national level | | | | | | | |
|---------------------|-----------------------------|---------------------|------------------------|---------------------------|---|-----------------------------|----------------|-----------------------|------------|----------------------------|-------------------------------|-------|
| | Listed entities | Credit institutions | Insurance undertakings | Other designated entities | Pension funds | UCITS/ Investment companies | Size criterion | State owned companies | Government | Asset management companies | Electronic money institutions | Other |
| Latvia | x | x | x | x | x | x | | | | x | | |
| Lithuania | x | x | x | x | x | x | x | x | x | x | | x |
| Luxembourg | x | x | x | | | | | | | | | |
| Malta | x | x | x | x ¹¹ | | | | | | | | |
| Netherlands | x | x | x | x ¹² | | | | | | | | |
| Norway | x | x | x | | | | | | | | | |
| Poland | x | x | x | x | x | x | | | | | x | x |
| Portugal | x | x | x | x | x | x | | x | | | | x |
| Romania | x | x | x | x | x | x | | x | x | | x | x |
| Slovakia | x | x | x | x | x | | x | | x | x | | x |
| Slovenia | x | x | x | | x | | | x | | | | |
| Spain ¹³ | x ¹⁴ | x | x | x | x ¹⁵ | x ¹⁶ | x | | | | x | x |
| Sweden | x | x | x | | | | | | | | | |
| UK | x | x | x | | | | | | | | | |

¹¹ Other entities as may be prescribed by the Minister.

¹² The option is available, but not used.

¹³ The Royal Decree changing the definition of a PIE in October 2015 entered into force in June 2016.

¹⁴ Including entities issuing securities listed on the alternative stock market belonging to the growth companies segment.

¹⁵ Including their managing entities, size criteria applicable. See appendix for more information.

¹⁶ Including their managing entities, size criteria applicable. See appendix for more information.

NUMBER OF PIEs

The number of entities designated as PIEs per country is highly variable across Europe.

Table 2 illustrates the number of PIEs and listed entities in EU Member States, Iceland and Norway.

These data have been gathered after the implementation of the Audit Reform¹⁷. They have been provided by Accountancy Europe Member Bodies and may represent an estimation only.

TABLE 2: NUMBER OF PIEs AND LISTED ENTITIES IN EU MEMBER STATES, ICELAND AND NORWAY¹⁸

| Country | Number of PIEs | Number of listed entities |
|-----------------------|-------------------|---------------------------|
| Austria | 239 ¹⁹ | 84 ²⁰ |
| Belgium | 342 | 152 |
| Bulgaria | 569 | 321 |
| Croatia | 500 | 127 |
| Cyprus | 118 | 76 |
| Czech Republic | 150 | 74 |
| Denmark | 360 | 200 |
| Estonia | 30 | 13 |
| Finland ²¹ | 469 | 136 |
| France | 1 796 | 483 |
| Germany | 1 150 | 800 |
| Greece | 325 | 233 |
| Hungary | 195 | 44 |
| Ireland | 1 200 | 54 |
| Italy | 917 | 233 |
| Latvia | 87 | 42 |

¹⁷ In the market monitoring report published by the European Commission on 7 September 2017, the figures do not reflect the Audit Reform as the reference years are 2014 and 2015. The report is available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017DC0464>

¹⁸ Please note that these data have been gathered from Accountancy Europe's Member Bodies after the implementation of the Audit Reform and have not been updated since publishing survey results in November 2017.

¹⁹ Refer to the 2016 market statistics of the Audit Oversight Body of Austria (APAB) available at <https://www.apab.gv.at/aufsicht/inspektionen>; excluding cooperatives and savings banks as PIEs which are not subject to public oversight of APAB according to Art 2 (3) of the 2014 Audit Regulation.

²⁰ Excluding double-counts for entities listed on both equity and bond market.

²¹ Based on the report of The Auditor Oversight Unit from 1 September 2016.

| Country | Number of PIEs | Number of listed entities |
|-------------------------------|-------------------|---------------------------|
| Lithuania | 150 | 20 |
| Luxembourg | 583 ²² | 180 ²³ |
| Malta | 91 | 43 |
| Netherlands | 725 | 125 |
| Poland | 2 000 | 450 |
| Portugal | 1 250 | 54 |
| Romania | 1 000 | 90 |
| Slovakia | 172 | 73 |
| Slovenia | 76 | 45 |
| Spain | 1 507 | 188 ²⁴ |
| Sweden | 621 | 350 |
| UK | 1 750 | 1 700 |
| TOTAL EU | 18 372 | 6 390 |
| Norway | 527 | 211 |
| Iceland | 175 | 18 |
| TOTAL EEA²⁵ | 19 074 | 6 619 |

²² Information was provided by the Financial Supervisory Commission, the public oversight body in Luxembourg, and is based on the latest available transparency reports.

²³ As of December 2016, based on the information available at <http://www.sseinitiative.org/fact-sheet/bourse-de-luxembourg/>

²⁴ Includes companies listed on the alternative stock market belonging to the growth companies segment (39) and those listed on the official secondary securities market (149) in 2016.

²⁵ European Economic Area. The figure includes 28 EU Member States, Iceland and Norway.

FINDINGS

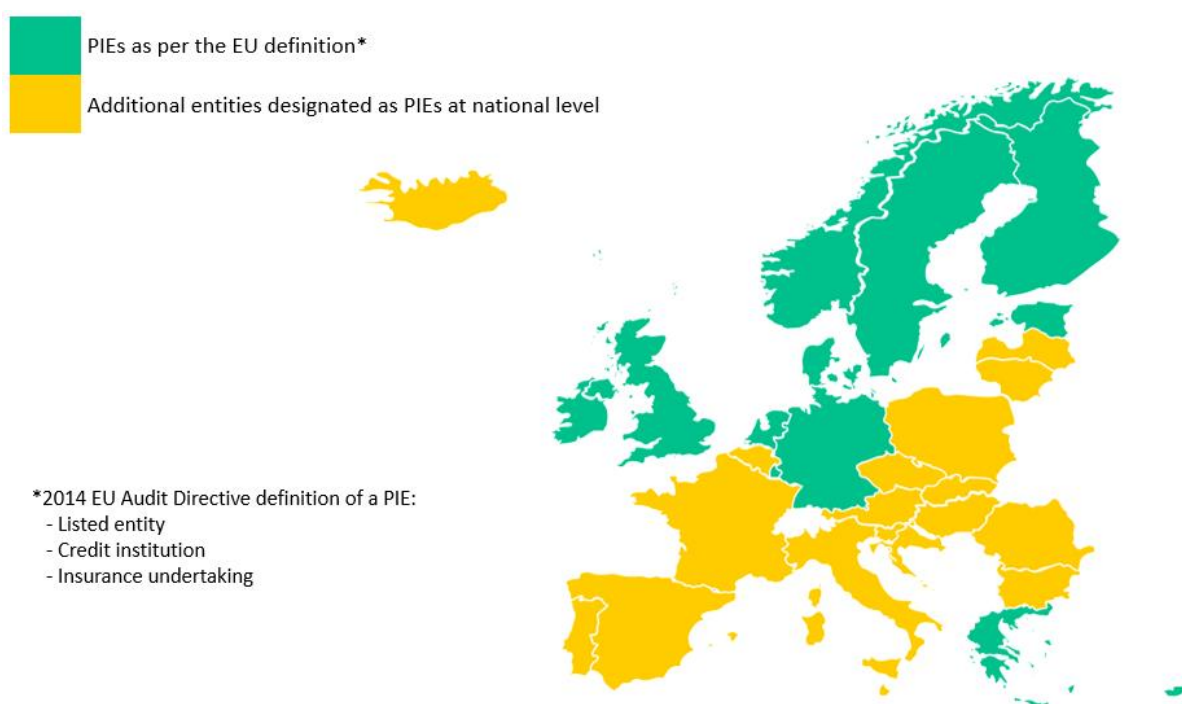
DEFINITION OF PIEs

The implementation of the new EU rules on statutory audit resulted in a revised definition of PIEs in most countries.

The most significant changes to the definition of PIEs at national level are as follows:

- To be aligned with the 2014 Audit Directive, the definition of PIEs has been extended in Germany, Slovenia, Sweden and the UK²⁶.
- In Lithuania, the definition of PIEs has been significantly expanded to include other designated entities.
- National definitions of PIEs have been considerably reduced in Croatia, the Czech Republic, Denmark, Estonia, Finland, France, Slovakia and Spain.

Overall, 12 European countries have adopted the EU definition of a PIE while 18 countries have adopted an extended national definition including other designated entities:



NUMBER OF PIEs

The most important findings can be summarised as follows:

- The number of PIEs per country is very variable. It depends on the size of each country's economy and on specific local factors.
- In 18 European countries, the number of PIEs has decreased compared to the numbers presented in our previous survey²⁷.
- The largest decrease in the number of PIEs has happened in Spain due to the implementation of a reduced definition.

²⁶ These countries made use of the option previously available in article 39 of the Audit Directive to exempt certain PIEs from the more demanding PIE requirements.

²⁷ *Definition of Public Interest Entities (PIEs) in Europe, (2014)*; available at <https://www.accountancyeurope.eu/publications/fee-survey-on-the-pie-definitions-applicable-in-european-countries/>

CONCLUSION

There is still a wide diversity of definitions of PIEs applicable across European countries.

Some countries have implemented the minimum EU requirements, but others have kept or even newly included additional entities to their national PIE definition, as specified in Table 1 and in the Appendix.

Nevertheless, the 2014 Audit Reform has resulted in more harmonised and reduced definitions of PIEs applicable across Europe. This has led to an overall decrease in the number of PIEs.

APPENDIX: DEFINITIONS OF PIEs PER COUNTRY

| Country | Definition of PIEs |
|-----------------|---|
| Austria | <ul style="list-style-type: none"> - Listed companies within the EU or the EEA - Credit institutions - Insurance companies - Entities designated as 'PIEs' by national law |
| Belgium | <ul style="list-style-type: none"> - Listed companies - Credit institutions - Credit and insurance companies - Reinsurance companies - Companies involved in settlements ('vereffeningsinstellingen' / 'organismes de liquidation') |
| Bulgaria | <ul style="list-style-type: none"> - Listed companies within the EEA - Credit institutions - Insurers, re-insurers - Pension insurance companies and funds managed thereby - Investments firms which are large entities under the Bulgarian Independent Financial Audit Act (BIFAA) - Collective investment schemes and management companies within the meaning of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings which are large entities under the BIFAA - Financial institutions within the meaning of the Credit Institutions Act which are large entities under the BIFAA - Holding Bulgarian State Railways EAD (BDZ EAD) and its subsidiaries; the National Railway Infrastructure Company; - Trade companies whose principal activity is the production and/or transmission and/or sale of electricity and/or thermal power and which are also large entities under the BIFAA; - Trade companies whose principal activity is the importation and/or transmission and/or distribution and/or transit of natural gas and which are also large entities under the BIFAA; - Trade companies whose principal activity is to provide water and sewerage services. |
| Croatia | <ul style="list-style-type: none"> - Listed companies - Credit institutions, insurance undertakings - Electronic money institutions - Leasing companies - UCITS - Investment fund management companies - Pension funds - Pension fund management companies - Pension insurance companies - Factoring companies - Investment firms - Stock exchange, MTP - Companies of special state strategic and public interest for the Republic of Croatia where it has less than 50% of registered capital |

| | |
|-----------------------|---|
| Cyprus | <ul style="list-style-type: none"> - Companies whose transferable deeds are traded in a regulated or organised market of any EU Member State - Credit institutions - Insurance and re-insurance undertakings - Entities that might be defined as such by a decision of the Council of Ministers, for instance an entity that is of a significant public relevance because of the nature of its business, its size or the number of its employees |
| Czech Republic | <ul style="list-style-type: none"> - Listed companies within the EEA - Banks, savings banks and credit cooperatives - Health insurance companies - Insurance or reinsurance undertakings - Pension funds |
| Denmark | <ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance undertakings |
| Estonia | <ul style="list-style-type: none"> - Listed companies - Credit institutions - Insurance companies |
| Finland | <ul style="list-style-type: none"> - Listed companies - Credit institutions - Insurance undertakings |
| France | <p>The definition of PIEs has been introduced in the Commercial Code in article L.821-1 when implementing the 2013 SAD. This definition comprises:</p> <ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance companies - Mutual insurance societies, provident institutions - Holding companies of credit institutions, insurance companies and listed entities - Certain specific pension funds |
| Germany | <ul style="list-style-type: none"> - Listed companies - Credit institutions - Credit and insurance companies |
| Greece | <ul style="list-style-type: none"> - Listed companies - Credit institutions - Credit and insurance companies - Other entities may be designated based on public relevance as per the corresponding decision of the public oversight body Hellenic Accounting and Auditing Standards Oversight Board |
| Hungary | <ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance companies (except for Small Insurance Companies and Small Insurance Companies Operating in the Form of Mutual Associations) - Asset management companies - only those investment fund managers qualifying as public-interest issuers in the meaning of the Act on the Capital Market - Investment service providers |

| | |
|----------------|--|
| Iceland | <ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance companies - Pension funds |
| Ireland | <ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance undertakings |
| Italy | <ul style="list-style-type: none"> - Listed entities - Banks, insurance and re-insurance companies - Entities subject to an ‘intermediate regulatory regime’²⁸: <ul style="list-style-type: none"> o Companies issuing financial instruments widely distributed among the public in a significant way, although not listed o Management companies of regulated markets o Companies that manage clearing and guarantee systems o Centralised financial instrument management companies o Asset management companies o Investment companies with variable capital o Payment institutions under EC Directive 2009/64 o Electronic money institutions o The financial intermediaries referred to in Article 106 of the Consolidated Law of Banking |
| Latvia | <ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance and reinsurance undertakings - Investment management companies, alternative investment fund managers - Branches of non-EU insurance companies, reinsurance companies and private pension funds which provide financial, insurance or reinsurance services |

²⁸ In Italy, the Legislation Decree 135/2016 implementing the 2014 Audit Directive introduced a new category of entities ‘Entity subject to an intermediate regulatory regime’. This category is subject to the same regime as for the PIE for auditor’s independence, but it is subject only to the following articles of the 2014 Audit Regulation: Art. 4, par. 1-2; Art. 5, par. 1-5; Art. 6, par. 1; Art.7 -8-12-17.

| | |
|--------------------|---|
| Lithuania | <ul style="list-style-type: none"> - Listed entities - Banks and the Central Credit Union - Brokerage houses - Investment companies with variable capital and closed-end investment funds whose property management has not been transferred to management firm - Firms of management of undertakings of collective investment and/or pension fund/funds - Insurance undertakings and reinsurance undertakings - Central securities depository of Lithuania and Vilnius Securities Exchange - Credit unions if their assets at the last day of the financial year exceed EUR 20 million for at least 2 consecutive fiscal years - State Enterprises, Municipal Companies, Joint Stock Companies, Limited Liability Companies, if shares or part of shares granting more than 1/2 of total voting rights in the General Meeting of these companies belong to State or Municipality and if these companies are considered large companies under the Law on Corporate Financial Statements of the Republic of Lithuania |
| Luxembourg | <ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance undertakings |
| Malta | <ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance undertakings - Other entities as may be prescribed by the Minister |
| Netherlands | <ul style="list-style-type: none"> - Listed entities - Banks - Central credit institutions - Insurers, not being an insurer with limited risk - An enterprise, institution or public body forming part of one of the categories designated pursuant to Section 2 of the Audit Firms Supervision Act that makes it possible for the legislator to expand the class of PIEs. Section 2 has not been 'used' to date. |
| Norway | <ul style="list-style-type: none"> - Listed entities - Banks and other credit institutions - Insurance undertakings |

| | |
|-----------------|---|
| Poland | <ul style="list-style-type: none"> - Listed entities - Domestic banks, divisions of credit institutions and branches of foreign banks - Credit unions (exceeding 2/3 criteria: assets PLN 85 million, turnover PLN 170 million, FTE 250) - Insurance companies and major divisions of insurance companies and reinsurance companies - Electronic money institutions - Open investment funds, specialist open investment funds and public closed investment funds - Investment companies (exceeding 2 criteria: assets PLN 10 billion, 30 000 investors) - Entities conducting brokerage activity excluding entities conducting operation solely within the scope of accepting and transferring instructions for purchase or sale of financial instruments or within the scope of investment counselling (exceeding 2 criteria: assets PLN 10 billion, 10 000 clients) |
| Portugal | <ul style="list-style-type: none"> - Listed entities - Credit institutions - Securities investment funds envisaged in the legal regime governing collective investment undertakings - The real-estate investment funds envisaged in the legal regime governing real-estate investment funds - Venture-capital companies and venture-capital funds - Debt-securitisation companies and debt-securitisation funds - Insurance and reinsurance companies - Investment holding companies, where the investments held, directly or indirectly, confer upon these companies the majority of the voting rights in the credit institutions referred to in paragraph b) - Investment holding companies in the insurance sector and the mixed-investment insurance holding companies - Pension funds - State-owned companies which, during two consecutive years, report a turnover of more than EUR 50 million or net total assets of more than EUR 300 million |

| | |
|-----------------|---|
| Romania | <ul style="list-style-type: none"> - Listed entities - Credit institutions - Non-banking financial institutions as registered in the 'General Register' - Insurance, insurance-reinsurance and reinsurance entities - Payment institutions and electronic money institutions that provide loans related to payment services and whose activity is limited to the provision of payment services, respectively issuing electronic money and provision of payment services - Entities that are authorized, regulated and supervised by the Private Pensions System Supervisory Commission - Financial investments services entities, investments management companies, collective investments bodies, central depositories, clearing houses and market/ system operators authorized/certified by the Financial Supervisory Authority - National / state owned companies - Companies that are majority owned by the state - Government business enterprises (Romanian 'regii autonome') - Legal entities with headquarters in Romania belonging to a group of companies that apply the International Financial Reporting Standards (IFRS) for consolidation purposes, according to the legal provisions in force - Non-profit organizations receiving funding from public funds |
| Slovakia | <ul style="list-style-type: none"> - Listed entities - Bank, branch of a foreign bank, Export-Import bank of the Slovak Republic - Insurance companies, branches of a foreign insurance companies, reinsurance companies, branches of a foreign reinsurance companies - Health insurance companies - Asset management companies, branch of a foreign asset management companies - Pension fund management companies, supplementary pension insurance companies - Stock exchanges - Railways of the Slovak Republic - Entities that prepare consolidated financial statements of central administration - The higher territorial units - The municipality, town or city under special regulations; which it complies with the following conditions: <ol style="list-style-type: none"> 1. total amount of its assets exceeds EUR 100 million, the amount of the asset being the amount recorded in the consolidated financial statements of the public administration entity 2. number of inhabitants exceeds 50 000 |

| | |
|-----------------|---|
| Slovenia | <ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance undertakings - Pension funds - Companies with direct or indirect state or municipal ownership |
| Spain | <ul style="list-style-type: none"> - Listed entities including those entities issuing securities listed on the alternative stock market belonging to the growth companies segment - Credit institutions and insurance undertakings under the supervision and control of the Bank of Spain, National Stock Exchange Commission and of the General Directorate of Insurance and pension funds as well as the autonomous bodies with supervisory responsibilities - Entities for collective investments which during two consecutive years and at the year-end date have a minimum of 5 000 shareholders or participants, their management entities as well as the investment services entities - Bank foundations, payment institutions and electronic money institutions - Pension funds, which during two consecutive years, at the year-end date of each one, have a minimum of 10 000 participants and their managing entities - Entities different from the ones above which revenue is higher than EUR 2 billion and have more than 4 000 employees for two consecutive financial years - The groups of entities where the parent company meet any of the above stated requirements. |
| Sweden | <ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance undertakings |
| UK | <ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance undertakings |



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