



Federation of European Accountants
Fédération des Experts comptables Européens



Auditing and Assurance



Definition of Public Interest Entities (PIEs) in Europe

FEE Survey

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Standing for trust and integrity

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INTRODUCTION

The most recent definition of public-interest entities (PIEs) in the European Union is included in Article 2 point 13 of Directive 2014/56/EU¹ and is as follows:

“Public-interest entities’ means:

- (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 43(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) 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.”

In the legislative text, the definition of PIEs itself has not significantly changed as compared to the 2006/43/EC Statutory Audit Directive (2006 SAD) or the 2013/34/EU Accounting Directive. However, the identification of PIEs and thus their definition is now crucial to determine the entities that are within the scope of the Regulation (EU) No 537/2014² for the specific requirements regarding statutory audit of public-interest entities.

This survey has been carried out by FEE in order to obtain an overview of the PIE definitions applicable across Member States, Iceland and Norway, and the differences therein, to get some insight into the number of PIEs within the EU and to indicate any anticipated changes in the definition with the implementation of the new Audit or Accounting Directive.

¹ The audit Directive 2014/56/EU on statutory audit amending Directive 2006/43/EC and the Regulation (EU) No 537/2014 on specific requirements regarding statutory audits of public interest entities were published in the Official Journal of the EU on 27 May 2014 and entered into force on 16 June 2014. The Directive has to be transposed into national law of each Member State within two years. Most of the provisions in the Regulation are tied to the Directive and therefore are also applicable as of 17 June 2016.

² <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0537>

EXECUTIVE SUMMARY

Data have been collected from FEE Member Bodies from EU Member States, Iceland and Norway.

The findings can be summarised as follows:

- There is a wide diversity of definitions of PIEs applicable across European countries. Some countries have implemented the minimum requirements, but others, implicitly or explicitly, have included a number of other entities to their applicable PIE definition, such as investment companies, large non listed companies according to precise size criteria, state-owned companies, pension funds, etc. In some countries, there is no explicit definition of PIEs included in the local law: groupings of types of entities have been determined on which different requirements apply. This is the case for instance in France, Slovenia, Sweden and the UK.
- The number of PIEs per European country is very variable as it depends on specific local factors.
- The definitions of PIEs that are currently in place were, in most countries, introduced during the implementation of the 2006 SAD. No significant changes have been made since this implementation, except in Romania where the definition was significantly extended in 2011.
- At the time of writing, it appears that changes of the definitions are being discussed within the framework of the implementation of the 2013 Accounting Directive and 2014 Audit Directive, for example:
 - **Extension** of the definition will be necessary in some countries in order to comply with European legislative changes (Germany, Slovenia, Sweden and the UK). Possible extensions in other countries are still being discussed;
 - **Reduction** of the extent of the definition might be forthcoming in Spain, as well as a reduction in the scope of the definition in Denmark.

CURRENT DEFINITION OF PIEs

For comparison purposes, the definition of PIEs applicable in each country has been classified depending on:

- **The application of the EU definition:** the left-hand part of Table 1 is based on the definition included in the 2014 Directive. The categories marked with “x” are explicitly defined as PIEs.
- **Other designated entities at national level:** the right-hand part of Table 1 gives insight into the other entities designated as PIEs as per the specific requirements put in place in each country.

Table 1: Overview of the definition of PIEs across European Union (EU) Member States, Iceland and Norway

Country	Extent of the EU Definition				Other designated entities on 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 ³	x	x	x									
Belgium	x	x	x									
Bulgaria	x	x	x	x	x			x				x
Croatia	x	x	x	x	x	x	x	x		x	x	
Cyprus	x	x	x	x ⁴								
Czech Republic	x	x	x	x	x	x	x					
Denmark	x	x	x	x		x	x	x	x			
Estonia	x	x	x	x			x	x	x			
Finland	x	x	x	x	x	x						
France	x	x	x	x								x
Germany ⁵	x											
Greece	x	x	x	x ⁴								

³ With the option to only apply the more demanding PIE requirements on listed entities only (Article 39 of the 2006 SAD)

⁴ The option is available, but not used

⁵ No single definition has been put in place when implementing the 2006 SAD. With the option included in Article 39 of the 2006 SAD, the rules set for PIEs currently apply to listed entities only.

Country	Extent of the EU Definition				Other designated entities on 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
Hungary	X	X	X									
Iceland	X	X	X	X	X							
Ireland	X	X	X									
Italy	X	X	X	X	X	X	X			X	X	X
Latvia	X	X	X	X	X	X				X		
Lithuania	X	X	X	X	X	X						X
Luxembourg	X	X	X	X ⁶								
Malta	X	X	X	X ⁶								
Netherlands	X	X	X	X ⁶								
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		X
Slovenia ⁷	X											
Spain	X	X	X	X	X ⁸	X ⁸	X				X	X
Sweden ⁹	X											
UK ¹⁰	X											

⁶ The option is available, but not used

⁷ No single definition has been put in place when implementing the 2006 SAD. With the option included in Article 39 of the 2006 SAD, the rules set for PIEs currently apply to listed entities only.

⁸ Including their managing entities, size criteria applicable. See appendix for more information.

⁹ No single definition has been put in place when implementing the 2006 SAD. With the option included in Article 39 of the 2006 SAD, the rules set for PIEs currently apply to listed entities only.

¹⁰ The option to only impose the more demanding EU PIE requirements on listed entities (Article 39 of the 2006 SAD) is applied. Additional requirements similar to those placed upon PIEs under the 2006 SAD are applied on other entities (for instance credit and insurance companies) by respective national laws and regulations.

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 provided by the FEE Member Bodies and may represent only an approximate estimation.

The number of PIEs is equivalent to the number of listed entities in some countries (which is consistent with the definition set out in Table 1). The last column of Table 2 is included to illustrate the size of the economy in each country.

Table 2: Numbers of PIEs and listed entities in EU Member States, Iceland and Norway

Country	Number of PIEs	Number of listed entities	GDP 2013 [billion €]*
Austria	1,000	145	313
Belgium	221	102	383
Bulgaria	900	not available	40
Croatia	500	174	43
Cyprus	not available	104	17
Czech Republic	321	64	149
Denmark	900	200	249
Estonia	149	13	18
Finland	600	120	193
France	2,533	498	2,060
Germany	1,600	800	2,738
Greece	342	250	182
Hungary	102	55	98
Ireland	2,000	55	164
Italy	1,430	260	1,560
Latvia	75	33	23
Lithuania	154	20	35
Luxembourg	not available	23	45
Malta	94	22	7
Netherlands	1,200	125	603
Poland	500	450	390
Portugal	1,300	77	166
Romania	500	198	142
Slovakia	600	60	72

Country	Number of PIEs	Number of listed entities	GDP 2013 [billion €]*
Slovenia	70	70	35
Spain	8,000	150	1,023
Sweden	450 - 500	450 - 500	421
UK	2,300	2,300	1,899
TOTAL EU	27,866	6,843	13,068
Norway	414	218	386
Iceland	not available	not available	11
TOTAL EEA¹¹ (approx.)	28,280	7,061	13,465

* Measured by gross domestic product in current prices obtained from Eurostat, accessible online http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_gdp_c&lang=en

¹¹ European Economic Area (Iceland, Liechtenstein and Norway)

GRAPHICAL OVERVIEW

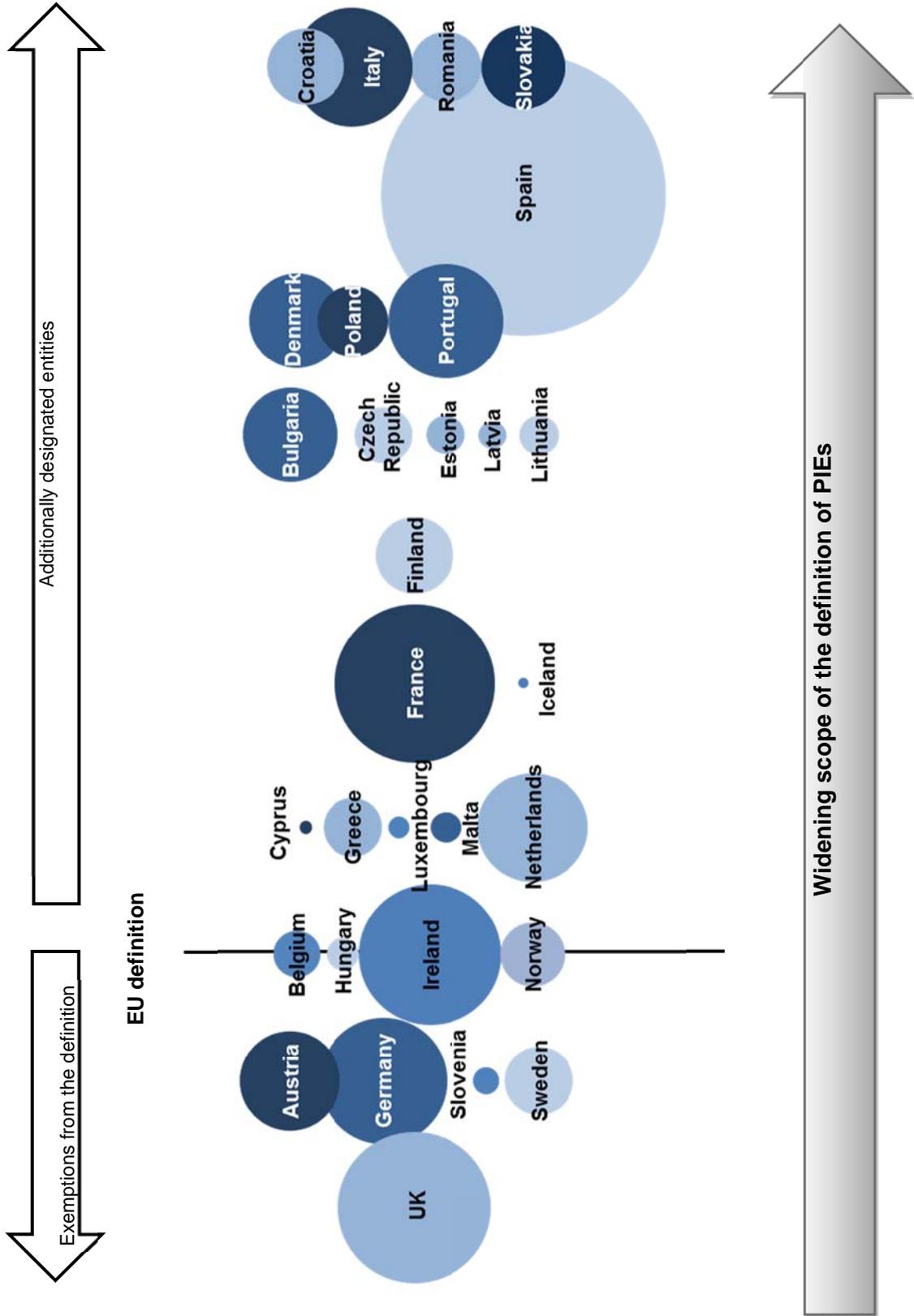
The classification included in Table 1, as well as the data included in Table 2 are illustrated graphically in Chart 1 below where countries further to the right have a larger PIE definition scope and where the size of the country bubble reflects the actual number of PIEs¹².

The chart illustrates that:

- The definition is less broad in the UK, Austria, Germany, Slovenia and Sweden;
- The rules are stricter in Croatia, Italy, Romania and Slovakia;
- The number of PIEs in Spain is by far the highest in the EU.

¹² For countries where the number of PIEs is not available, the country bubble reflects the GDP included in Table 2.

Chart 1: Overview of the definition of PIEs across Member States, Iceland and Norway reflecting the actual number of PIEs



CHANGES THAT CAN BE ANTICIPATED

The implementation phase of the audit reforms has just taken off and the debate on potential changes to the definition of PIEs is just starting in most countries. Even though the results of national discussions among relevant stakeholders involved in the implementation process are not yet finalised, possible developments already appear possible e.g. in some of the following countries:

- The definition is to be extended in some countries to be aligned with the new 2014 Audit Directive, which does not include the option to exclude unlisted credit institutions and unlisted insurance undertakings from the stricter requirements placed upon PIEs (as previously provided by Article 39 of the 2006 SAD). The extension is expected in Germany, Slovenia, Sweden and the UK. Some extensions are also expected in the Netherlands.
- The definition is to be revised in the Czech Republic and Slovakia. Supposedly, some entities currently designated as PIEs could be excluded from the definition, but some others may be added.
- A reduction in the scope of the definition may be negotiated in Spain. Reconsideration of the definition resulting in less strict criteria for PIEs is also discussed in Denmark, but the negotiations have not yet started. In France, some stricter rules apply to not for profit organisations raising funds from the public at large, which sometimes may be very small entities; the latter may therefore be excluded from the definition in the future.

In most countries, the situation will become clearer in the coming months and FEE will closely monitor these developments.

APPENDIX: DEFINITIONS OF PIEs PER COUNTRY

Country	Definition of PIE
Austria	<ul style="list-style-type: none"> - Listed companies within the OECD full member countries - Credit institutions - Credit and insurance companies
Belgium	<ul style="list-style-type: none"> - Listed companies - Credit institutions - Credit and insurance companies
Bulgaria	<ul style="list-style-type: none"> - Listed companies within EEA¹³ - Credit institutions - Insurers, re-insurers - Pension insurance companies - Trade companies producing, importing, transporting or selling electric and heat power, natural gas or telecommunication services - Bulgarian State Railroad EAD and its subordinate units
Croatia	<ul style="list-style-type: none"> - Listed companies - Large enterprises (*) - Companies of special state interest, the registered capital of which exceeds HRK 300 million <p>(*) Large enterprises exceeding two of the following conditions: total assets of HRK 130 million, revenue of HRK 260 million and average number of employees during the year of 250. In addition, large firms include also banks, savings banks, building societies, electronic money institutions, insurance companies, leasing companies, investment fund management companies, mandatory and voluntary pension funds and pension insurance companies.</p>
Cyprus	<ul style="list-style-type: none"> - Listed companies - Credit institutions, 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 EEA - Banks, insurance and reinsurance companies - Health insurance companies, pension funds, pension companies, credit unions - Securities brokers, central depository, investment companies and investment funds - A commercial company or cooperative or consolidating entity, if the average number of employees of the company or cooperative or consolidated group for the immediately preceding accounting period exceeded 4,000 employees

¹³ European Economic Area

Country	Definition of PIE
Denmark	<ul style="list-style-type: none"> - Listed entities (stocks, bonds) - State owned corporations - Municipalities - The five health regions - Entities owned by more than one municipality - Entities monitored by the financial oversight body like banks and insurance companies, but not limited to those. However, Investment advisers and insurance brokers are not PIEs - Companies exceeding 2 out of three limits: 2,500 employees, assets of DKR 5 billion. or revenue of DKR 5 billion
Estonia	<ul style="list-style-type: none"> - Listed companies - Credit institutions - Insurance companies - A local government in the administrative territory of which more than 10,000 people live as at the balance sheet date or the total assets of which indicated in the annual accounts or in the annual accounts of the consolidation group as at the balance sheet date exceed EUR 20 million - A ministry as a state accounting entity within the meaning of the Accounting Act - Companies exceeding two of the following conditions: sales revenue or income EUR 66 million, assets as of the balance sheet date EUR 33 million, average number of employees of 1,000 persons - A company, foundation, non-profit association or other person, which has a majority holding or which is under the dominant influence of the public sector entity exceeding the following conditions: sales revenue or income EUR 14 million, assets as of the balance sheet date EUR 7 million, average number of employees 200 persons, number of members of the supervisory board 8 persons
Finland	<ul style="list-style-type: none"> - Listed companies - Credit institutions (including investment firms) - Insurance undertakings (including pension foundations, pension funds and other entities that arrange employment pensions)
France	<p>No single definition has been put in place when implementing the 2006 SAD, but different rules apply to different categories of entities:</p> <ul style="list-style-type: none"> - Listed entities (internal rotation, audit inspection every 3 years, transparency report, audit committee) - Credit institutions (audit inspection every 3 years, transparency report, audit committee) - Insurance companies (audit inspection every 3 years, audit committee) - Social security institutions (audit inspection every 3 years) - Mutual society, provident institutions or employee benefits institutions (audit inspection every 3 years, audit committee) - Not for profit organization raising funds from the public at large (internal rotation, audit inspection every 3 years)
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

Country	Definition of PIE
Hungary	<ul style="list-style-type: none"> - Listed entities - Public-interest credit institutions that operate in the form of a public limited company and any credit institution whose balance sheet total for the preceding financial year exceeded EUR 1.6 billion - Insurance companies that operate in the form of a public limited company and any insurance company whose annual gross premium revenue for the preceding financial year reached EUR 4.8 million
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 - Companies issuing financial instruments widely distributed among the public in a significant way, although not listed - Management companies of regulated markets - Companies that manage clearing and guarantee systems - Centralised financial instrument management companies - Securities trading companies - Asset management companies - Investment companies with variable capital - Payment institutions under EC Directive 2009/64 - Electronic money institutions - The financial intermediaries referred to in Article 107 of the Consolidated Law on Banking
Latvia	<ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance and reinsurance undertakings - Asset management companies, alternative investment fund managers - Non-EU insurance company's branches and non-EU reinsurer's branches or private pension funds, which provide financial, insurance or reinsurance services
Lithuania	<ul style="list-style-type: none"> - Listed entities - The bank 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 undertaking and reinsurance undertaking - Central securities depository of Lithuania and Vilnius Securities Exchange
Luxembourg	<ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance undertakings

Country	Definition of PIE
Malta	<ul style="list-style-type: none"> - Listed entities - Credit institutions - Insurance undertakings - Other entities as may be prescribed by the Board
Netherlands	<ul style="list-style-type: none"> - Listed entities - Credit institutions - Central credit institutions - Reinsurers, life insurers or non-life insurers - 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 - Insurance companies and major divisions of insurance companies and reinsurance companies - Electronic money institutions - Open pension funds and general pension societies - Open investment funds, specialist open investment funds and closed-end investment funds whose public investment certificates were not admitted to trading at the regulated market - 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
Portugal	<ul style="list-style-type: none"> - Listed entities - The credit institutions whose accounts are subject to statutory audit - The 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 a net total assets of more than EUR 300 million

Country	Definition of PIE
<p>Romania</p>	<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
<p>Slovakia</p>	<ul style="list-style-type: none"> - Listed entities - National Bank of Slovakia, 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 management companies, supplementary pension insurance companies - Stock exchanges, The Central Securities Depository of the Slovak Republic - Railways of the Slovak Republic - Commercial companies meeting two of the following criteria: EUR 170 million net turnover, EUR 170 million gross assets, 2,000 employees - Entities that prepare consolidated financial statements - Security trading companies and branch of foreign securities trading companies if they decide to prepare financial statements in accordance with IFRS as adopted by the EU
<p>Slovenia</p>	<p>No single definition has been put in place when implementing the 2006 SAD. With the option in Article 39 included in the 2006 SAD, the rules set for PIEs currently apply to:</p> <ul style="list-style-type: none"> - Listed entities

Country	Definition of PIE
Spain	<ul style="list-style-type: none"> - Listed entities - 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 150 shareholders or participants, their management entities as well as the investment services entities - Mutual guaranty entities, 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 500 participants and their managing entities - Entities different from the ones above which revenue is higher than EUR 200 million or have more than 1,000 employees for two consecutive financial years - The groups of entities to which any of the entities of paragraphs above belong
Sweden	<p>No single definition has been put in place when implementing the 2006 SAD. With the option available in Article 39 of the 2006 SAD, the rules set for PIEs currently apply to:</p> <ul style="list-style-type: none"> - Listed entities
UK	<ul style="list-style-type: none"> - Listed entities (Article 39 of the 2006 SAD) <p>Additional requirements similar to those placed upon PIEs under the 2006 SAD are applied on other entities (for instance credit and insurance companies) by relevant national laws and regulations.</p>

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