



International Practices Task Force Highlights

CAQ

Joint Meeting with SEC Staff

May 22, 2025

NOTICE:

The Center for Audit Quality (CAQ) SEC Regulations Committee and its International Practices Task Force (the Task Force or IPTF) meet periodically with the staff of the SEC (the SEC staff or staff) to discuss emerging financial reporting issues relating to SEC rules and regulations. The purpose of the following highlights is to summarize the issues discussed at the meetings. These highlights have not been considered or acted on by senior technical committees of the AICPA and do not represent an official position of the AICPA or the CAQ. As with all other documents issued by the CAQ, these highlights are not authoritative and users are urged to refer directly to applicable authoritative pronouncements for the text of the technical literature. These highlights do not purport to be applicable or sufficient to the circumstances of any work performed by practitioners. They are not intended to be a substitute for professional judgment applied by practitioners.

These highlights were prepared by a representative of the CAQ who attended the meeting and do not purport to be a transcript of the matters discussed. The views attributed to the SEC staff are informal views of one or more of the staff members present, do not constitute an official statement of the views of the Commission or of the staff of the Commission and should not be relied upon as authoritative. Users are urged to refer directly to applicable authoritative pronouncements for the text of the technical literature.

As available on this website, highlights of Joint Meetings of the SEC Regulations Committee and its International Practices Task Force and the SEC staff are not updated for the subsequent issuance of technical pronouncements or positions taken by the SEC staff, nor are they deleted when they are superseded by the issuance of subsequent highlights or authoritative accounting or auditing literature. As a result, the information, commentary or guidance contained herein may not be current or accurate and the CAQ is under no obligation to update such information. Readers are therefore urged to refer to current authoritative or source material.

I. Attendance

Task Force Members	Observers
Adam Dufour, Chair (EY) Kathleen Malone, Vice-Chair (Deloitte) Michael Corvari (KPMG) Regina Croucher (KPMG)	SEC staff from the Division of Corporation Finance and Office of the Chief Accountant Mark Mahar, EY Annette Schumacher Barr (CAQ staff) Erin Cromwell (CAQ staff)



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Task Force Members	Observers
Rich Davisson (RSM-US) Rohit Elhance (GT) Patrick Higgins (PwC) Mark Kronforst (EY) Grace Li (BDO) Erin McCloskey (KPMG) Ignacio Perez Zaldivar (Deloitte) Guilaine Saroul (PwC) Sergey Starysh (BDO) Cindy Williams (GT)	

II. IFRS 18 – Non-GAAP Considerations for MPMs

The staff discussed the SEC’s non-GAAP rules and regulations in the context of the requirement to disclose management-defined performance measures after an entity’s adoption of IFRS 18.

Management-defined performance measures (MPMs) are subtotals of income and expenses that an entity uses in public communications outside of its financial statements to communicate management’s view of an aspect of the financial performance of the entity as a whole. Entities that report using IFRS as issued by the IASB (IFRS) will be required to include MPMs in a single note to their consolidated financial statements upon adoption of IFRS 18.

In the November 2024 IPTF Meeting, the Task Force asked the staff for their expectations related to the disclosure of MPMs under IFRS 18 in a foreign private issuer’s (FPI’s) SEC filings that are communicated in the FPI’s local market in reliance on the limited exception in Regulation G. The discussion of the interaction between the SEC’s non-GAAP rules in Regulation G and Item 10(e) of Regulation S-K with the IFRS 18 requirement to disclose MPMs continued in the May 2025 IPTF Meeting.

To meet the IFRS 18 definition of an MPM, a subtotal of income and expenses must first be used in an entity’s public communications (e.g., management commentary, press releases, and investor presentations). The staff noted that because IFRS 18 requires a measure to first be used outside the financial statements to be an MPM, such measures are subject to the applicable non-GAAP rules in an FPI’s public communications in the same manner that they are today (i.e.,



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consideration must be given to how Regulation G and Item 10(e) of Regulation S-K apply to an FPI's non-GAAP measures, even if those measures are separately identified as MPMs).

The staff explained that the first step for an FPI to consider is whether Regulation G applies to the non-GAAP measures it publicly discloses.

When Regulation G Does Not Apply to a Non-GAAP Measure

As discussed in the November 2024 IPTF Meeting, the staff reiterated that Regulation G does not apply to non-GAAP measures presented by an FPI in publicly disclosed information provided the conditions per Rule 100(c) of Regulation G are met. For example, Regulation G likely does not apply to a non-GAAP measure such as Adjusted Gross Profit disclosed by an FPI that is dual-listed and reports using IFRS. If the conditions for the limited exception from Regulation G are satisfied and Adjusted Gross Profit meets the IFRS 18 definition of an MPM, Adjusted Gross Profit will be disclosed in a note to the FPI's financial statements as an MPM after IFRS 18 is adopted.

When Regulation G Applies to a Non-GAAP Measure

The public disclosure of misleading non-GAAP measures is prohibited by Rule 100(b) of Regulation G. As such, FPIs subject to Regulation G may not publicly disclose misleading non-GAAP measures. For example, an FPI that is only listed in the United States and reports using IFRS may not publicly disclose a non-GAAP measure such as Adjusted Gross Profit if it includes an adjustment that causes the measure to be misleading. Because it is prohibited by Regulation G, Adjusted Gross Profit in this example will not meet the IFRS 18 definition of an MPM as it would not be used in the FPI's public communications. However, a non-GAAP measure that complies with Regulation G and meets the IFRS 18 definition of an MPM will be disclosed as such by an FPI that reports using IFRS in a note to the financial statements after it adopts IFRS 18.

Compliance with Item 10(e) of Regulation S-K

The staff also noted that FPIs need to determine how Item 10(e) of Regulation S-K applies to non-GAAP measures that are disclosed in its SEC filings, including non-GAAP measures that are also identified as MPMs. For example, a non-GAAP measure such as Adjusted Gross Profit that is presented outside the financial statements as part of a filing on Form 20-F must comply with Item 10(e) of Regulation S-K, even if the measure is also disclosed in the notes to the financial statements as an MPM. However, if Adjusted Gross Profit is an MPM, it would be excluded from the definition of a non-GAAP measure within the notes to the financial statements pursuant to Item 10(e)(5) of Regulation S-K because the disclosure of MPMs is required by IFRS 18.



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Regarding disclosures, the staff observed that, where there are similarities, FPIs should consider whether the IFRS 18 disclosure requirements for MPMs also meet the SEC's disclosure requirements for non-GAAP measures as there may not be a need to repeat these disclosures in separate sections of an SEC filing.

Other Considerations

In determining how to apply the SEC's non-GAAP rules and regulations, the staff cautioned that analogizing the guidance for MPMs to other GAAP requirements (e.g., the disclosure of measures of segment profit or loss) may not be appropriate.

The Task Force raised other questions regarding the presentation and disclosure requirements for MPMs introduced by IFRS 18 which the staff intends to respond to at a future meeting.

III. Public Communications under IFRS 18

To meet the IFRS 18 definition of an MPM, a measure must be used in an entity's public communications outside its financial statements.

The Task Force shared certain situations in which a measure meets the criteria per IFRS 18 to be an MPM except it is unclear whether the measure has been used in an FPI's public communications. For example, a subtotal of income and expenses presented in the forepart of a Form F-1 confidentially submitted for an FPI's initial public offering to communicate management's view of the financial performance of the entity as a whole to financial statement users (i.e., the measure is not otherwise publicly communicated). The staff agreed to further discuss these types of situations at a future meeting.

IV. Columnar Presentation within the Statement of Financial Performance Presented Under IFRS 18

The Task Force also discussed the potential use of a columnar presentation (i.e., a multi-column presentation of results for a single period) in the statement of financial performance required by IFRS 18 in a SEC filing. The Task Force acknowledged that while the Staff has historically objected to the use of this



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type of presentation, they have observed that some preparers interpret paragraph B10¹ of IFRS 18 to indicate that it is permissible to use a columnar presentation in the statement of financial performance required by IFRS 18 in an SEC filing, provided that the financial statements are clearly distinguished and appropriately tagged or labeled.

During the meeting the Task Force presented the following examples of possible scenarios in which the columnar presentation may be considered under IFRS 18 and inquired as to the staff's views of the permissibility of such presentations in an SEC filing subsequent to the adoption of IFRS 18:

Scenario 1

Income statement column results are segregated based on business activities (e.g., auto sales and finance entity are presented in separate columns).

Scenario 2

Income statement column results are segregated by recurring and nonrecurring items (e.g., gains/loss, impairments).

Subsequent to the meeting, the Staff indicated, for FPIs that have adopted IFRS 18, it does not intend to reconsider the permissibility of using supplemental columns as part of the statement of financial performance in an SEC filing because paragraph B10 of IFRS 18 appears to be substantively similar to paragraph 52 of IAS 1 (i.e., IFRS 18 does not suggest a change from existing guidance related to the use of a multi-column presentation of results for a single period).

V. Requirement to File Form 12b-25 in a Voluntary Transition Year from FPI to U.S. Domestic Registrant

The Task Force and staff discussed a scenario in which an existing registrant qualifying as an FPI reports under IFRS and files an annual report on Form 20-F in 20XX. The registrant intends to voluntarily transition to US GAAP and file U.S. domestic forms (i.e., Form 10-K) the next fiscal year 20XX+1. The registrant is

¹ Paragraph B10 of IFRS 18 states: Paragraph 25 requires an entity to clearly identify the financial statements and distinguish them from other information in the same published document. An entity meets these requirements by providing appropriate headings for pages, statements, notes, columns, and the like. Judgement is required in determining the best way of providing such information. For example, if an entity provides the financial statements electronically, an entity considers other ways to meet the requirements — for example, by appropriate digital tagging of information provided in the financial statements."



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unable to file its Form 10-K on time, even though the Form 10-K is being filed on a voluntary basis and the company remains eligible to file a Form 20-F under the FPI rules.

Question for the Staff:

In a year when an FPI plans to transition to voluntarily file on Form 10-K, is it required to file a Form 12b-25 in the year of transition if it anticipates filing a Form 10-K after its due date?

Under these facts, the staff indicated that a Form 12b-25 would be required. Exchange Act Rule 13a-1 states a Section 12 registered issuer “shall” file an annual report in accordance with the authorized form and within the period specified in the appropriate form. General Instruction A to Form 10-K states that Form 10-K “shall” be used for annual reports, and General Instruction A to Form 20-F states that an FPI “may” use Form 20-F for an annual report.

Taken together, the staff indicated a registrant must file a Form 10-K by the Form 10-K deadline, but an FPI can choose to file a Form 20-F by the Form 20-F deadline. The staff also indicated that, in this scenario, the company is choosing not to file a Form 20-F, so it is required to file the Form 10-K by the Form 10-K deadline. The staff further indicated that, because the issuer has voluntarily chosen to file under the domestic issuer reporting regime, it is required to follow the requirements of that regime which would require a Form 12b-25 if the Form 10-K is not timely filed. However, if the company missed the Form 10-K deadline and chooses to timely file a Form 20-F (thus abandoning the plan to transition to domestic forms in the current year), then a Form 12b-25 would not be required.

VI. Reorganization During the IPO Process

In preparing for and during the process of an IPO a company will often restructure their businesses by creating a holding company to be the registrant and hold the operating entities. While sometimes the reorganization occurs prior to the registrant making an initial submission, often it occurs during the process or immediately prior to requesting effectiveness of the registration statement.

Generally, consistent with the guidance provided in FRM 13410.1, a registrant would not be able to retrospectively reflect the reorganization, which is most commonly reflected as a form of recapitalization, until financial statements for the period during which the reorganization occurs are issued. However, historically in an IPO the staff has not objected to a company reflecting the reorganization in the registration statement throughout the filing process provided that it will occur prior to effectiveness of the registration statement.

FRM 4710 specifically addresses this scenario by permitting the use of a “to-be-issued” audit opinion on the financial statements in this situation:



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“reorganizations, in which the entities comprising an IPO registrant will not be legally transferred to the registrant until immediately before effectiveness”

The committee shared that questions continue to arise related to the timing of the reorganization at various points during the filing process and how to present the financial statements, also considering that different structures for going public have emerged (e.g., a double dummy de-SPAC).

The Task Force presented the scenarios below and asked the staff to consider:

1. The financial statement presentation that the staff will accept
2. The applicability of such presentation across a variety of forms used for the ‘going public’ registration statement (e.g., Form F-1, F-4, or 20-F)

The Task Force noted that in all scenarios the company would be able to provide combined or carve out financial statements (assuming appropriate under the relevant accounting principles) and a separate financial statement(s) (i.e., “seed money” balance sheet most commonly) of the List Co.

This discussion is intended to be GAAP agnostic and is predicated on a company and their auditors first concluding that recasting the financial statements to reflect the reorganization is appropriate under the relevant accounting standards and related guidance.

Scenarios

Company R (“R”) is the List Co. The reorganization event is the one which R goes over the top of a number of entities in a transaction that might be described as either a recapitalization or a reorganization of entities under common control. The key point is that the reorganization event does not result in the application of acquisition accounting.

Scenario A

1. Latest financials in the submission are for YE Dec 31, 20x0.
2. Reorganization event takes place April 20x1, which is prior to the issuance of the financial statements
3. Company R formed prior to Dec 31, 20x0.
4. Confidential submission May 20x1.



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In the first confidential submission, would the company be able to present consolidated financial statements of R in a manner akin to a pooling as if group structure had existed in prior periods without the inclusion of a “to-be-issued” opinion since the reorganization has already occurred?

The Task Force noted that this approach has been commonly applied in practice and wanted to confirm whether the staff continues to consider this to be an acceptable approach. While Section 13410.3 of the Staff FRM indicates that companies may request a pre-clearance when the reorganization occurs at or after effectiveness but no later than closing of an IPO, in practice the Task Force noted that pre-clearance is often not done when the reorganization occurs before the initial submission or filing of the registration statement.

In response to Scenario A, the staff indicated that they would not object to a consolidated financial statement presentation, without the use of a “to-be-issued” opinion, when the reorganization has occurred before the initial submission or filing of the registration statement.

Scenario B

1. Latest financials in the submission are for YE Dec 31, 20x0.
2. Reorganization event takes place June 20x1 which is after the financial statements are issued.
3. Company R formed prior to Dec 31, 20x0.
4. Confidential submission May 20x1.

In the first confidential submission would the company be able to present either of the following?

- a) consolidated financial statements of R in a manner akin to a pooling as if group structure had existed in prior periods with a “to-be-issued” opinion because the reorganization event has not taken place
- b) combined financial statement of all entities (including R)

The staff indicated that when the reorganization event is to occur before effectiveness of the registration statement, they would not object if consolidated financial statements are presented with a “to-be-issued” opinion in the registration statement based on the facts and circumstances in Scenario B.

In addition, the staff would not object to the presentation of combined financial statements without a “to-be-issued” opinion.

Consistent with the guidance in FRM 13410.3, if a registrant consummates a reorganization upon or after effectiveness but no later than closing of the IPO, the staff indicated it will consider requests to present



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consolidated or combined financial statements (in lieu of the separate financial statements of the registrant and of the entities to be reorganized) based on the particular facts and circumstances.

Scenario C

1. Latest financials in the submission are for YE Dec 31, 20X0.
 2. Reorg event takes place April 20X1, which is before the financial statements are issued
 3. Company R formed in March, 20X1.
 4. Confidential submission May 20x1.
- a) Would the company be precluded from presenting the financial statements for Dec 31, 20X0 in a manner akin to a pooling as if group structure had existed in prior periods since R had not been formed as of that date?

The staff noted their view that the company would be precluded from presenting the financial statements for Dec 31, 20X0 on a consolidated basis because Company R was formed after the reporting period.

- b) Assuming the answer to the previous question is yes, in a subsequent submission which include the historical financial statements for March 31, 20x1 could the financial statements be revised to follow the approach in scenario A?

The staff indicated that they would not object to application of the approach in Scenario A when the registration statement is amended to include updated financial statements for a reporting period after Company R is formed, where the facts would now match those in Scenario A.

VII. Application of Reg S-K 5-12(a)(4) to Foreign Targets in a De-SPAC Transaction

The staff noted questions received recently on whether Regulation S-K Item 512(a)(4) applies to a foreign target's financial statements in connection with a de-SPAC transaction.

The rule requires an FPI to file a post-effective amendment to its registration statement to include any financial statements required by Item 8.A of Form 20-F at the start of a delayed offering or throughout a continuous offering under Rule 415. Delayed or continuous offerings include exchange



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offers, and takedowns from effective shelf registration statements, and merger and acquisition transactions registered on Form F-4 or Form S-4.

The staff confirmed that this requirement applies to de-SPAC transactions where the target is an FPI and effectively requires financial statements to remain current in a merger or acquisition transaction until shareholder approval has occurred. As an example, a calendar year end registrant files a Form F-4 or Form S-4 that goes effective before March 31 with financial statements provided under Item 8.A of Form 20-F but does not include annual financial statements for the most recently completed fiscal year. The registrant is required to file a post-effective amendment that includes updated annual financial statements (i.e., those for the most recently completed fiscal year) before the shareholder approval date if shareholder approval occurs after March 31. Similarly, interim financial statements would need to be filed in a post-effective amendment once the nine-month staleness date is reached.

VIII. Next Meeting

The Task Force and staff will meet next on November 6, 2025.