
DRAFT STATUTORY INSTRUMENTS

2018 No.

**The Statutory Auditors and Third Country Auditors
(Amendment) (EU Exit) Regulations 2018**

PART 2

Amendment of primary legislation

CHAPTER 3

Schedules 10, 11, 11A and 12 to the Companies Act 2006

Amendment of Schedule 10 to the Companies Act 2006

27. Part 2 (requirements for recognition of a supervisory body) of Schedule 10 (recognised supervisory bodies) to the Companies Act 2006 is amended in accordance with regulations 28 to 32.

28. In paragraph 6 (holding of appropriate qualification)—

(a) for sub-paragraph (1)(c)(1), substitute—

“(c) in the case of a firm which is an EEA auditor—

(i) each individual responsible for statutory audit work on behalf of the firm is eligible for appointment as a statutory auditor, and

(ii) the firm would be eligible—

(aa) for appointment as a statutory auditor if it were not an EEA auditor,
or

(bb) for a corresponding appointment as an auditor under the law of an EEA State or part of an EEA State, and the firm provides proof of its eligibility in the form of a certificate, dated not more than three months before it is provided as proof by the firm, from the EEA competent authority of the EEA State concerned.”;

(b) for sub-paragraph (1A)(2) substitute—

“(1A) The requirements of this sub-paragraph are that—

(a) the individual holds a professional qualification which covers all the subjects that are covered by a recognised professional qualification and that are subjects of which knowledge is essential for the pursuit of the profession of statutory auditor, or

(b) the individual—

(i) on or before 31 December 2020, holds a professional qualification which does not cover all those subjects and is in the process of seeking approval from the body, and

(1) Sub-paragraph (1)(c) was inserted by paragraph 57(4) of Schedule 3 to [S.I. 2016/649](#).

(2) Sub-paragraph (1A) was inserted by paragraph 57(5) of Schedule 3 to [S.I. 2016/649](#).

- (ii) has met whichever of the requirements of sub-paragraph (1B) is specified in the body's rules.”;
- (c) for sub-paragraph (1B)(3), substitute—
- “(1B) For the purposes of sub-paragraph (1A)(b)(ii), the body's rules must specify one of the following requirements—
- (a) a requirement to pass an aptitude test in accordance with sub-paragraph (2),
- (b) a requirement to complete an adaptation period in accordance with sub-paragraphs (2B) and (2C), or
- (c) a requirement either to pass an aptitude test in accordance with sub-paragraph (2) or to complete an adaptation period in accordance with sub-paragraphs (2B) and (2C), according to the choice of the individual.”;
- (d) in sub-paragraph (2C)(4), for “that the condition in sub-paragraph (1A)(b) can be satisfied by completing an adaptation period” substitute “a requirement that may or must be met by completing an adaptation period”;
- (e) after sub-paragraph (2C), insert—
- “(2D) Sub-paragraph (1)(c)(ii)(bb) ceases to apply on 1 January 2021.”.
- 29.** In paragraph 7 (holding of appropriate qualification)—
- (a) in sub-paragraphs (2)(a)(ii)(5) and (b)(ii)(6), omit “, other than the United Kingdom”;
- (b) after sub-paragraph (2), insert—
- “(2A) Sub-paragraph (2)(b)(ii) ceases to apply on 1 January 2021.”.
- 30.** In paragraph 13(5) (monitoring of audits)(7)—
- (a) in paragraph (b)(i), omit “or”;
- (b) for paragraph (b)(ii), substitute—
- “(ii) equivalent work, for the purposes of an appointment of a person to conduct inspections made prior to exit day, on the audit of accounts under the law of an EEA State, or part of an EEA State, or
- (iii) equivalent work, for the purpose of an appointment of a person to conduct inspections, on the audit of accounts under the law of—
- (aa) an equivalent third country or part of an equivalent third country, or
- (bb) a transitional third country or part of a transitional third country.”.
- 31.** In paragraph 16AA(b) (transfer to approved third country competent authority)(8), omit “in the case of an approved third country competent authority listed in section 1253D(2)(a), (b), (c), (d) or (e).”.
- 32.** In paragraph 20A (interpretation)(9)—
- (a) at the beginning, insert “(1)”;
- (b) after “In this Part of this Schedule—” insert—

(3) Sub-paragraph (1B) was inserted by paragraph 57(5) of Schedule 3 to S.I. 2016/649.

(4) Sub-paragraph (2C) was inserted by regulation 17(4) of S.I. 2007/3494, substituted by paragraph 57(7) of Schedule 3 to S.I. 2016/649, and amended by regulation 13(8)(a) of S.I. 2017/516.

(5) Sub-paragraph (2)(a)(ii) was amended by regulation 18(2) of S.I. 2007/3494.

(6) Sub-paragraph (2)(b)(ii) was amended by regulation 18(2) of S.I. 2007/3494.

(7) Paragraph 13 was substituted by paragraph 65 of Schedule 3 to S.I. 2016/649.

(8) Paragraph 16AA was inserted by regulation 5 of S.I. 2010/2537, and amended by regulation 13(8)(b) of S.I. 2017/516.

(9) Paragraph 20A was inserted by paragraph 71 of Schedule 3 to S.I. 2016/649.

“the Audit Directive” means [Directive 2006/43/EC](#) of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, amending Council Directives [78/660/EEC](#) and [83/349/EEC](#) and repealing Council [Directive 84/253/EEC](#)”;

(c) after the definition of “audit reporting requirements”, insert—

““EEA auditor” means an individual or firm approved in accordance with the Audit Directive by an EEA competent authority to carry out audits of annual accounts or consolidated accounts required by European Union law;

“EEA competent authority” means a competent authority within the meaning of Article 2(10) of the Audit Directive of an EEA State;”;

(d) in the definition of “public interest entity”—

(i) in paragraph (a), for “regulated market” substitute “UK regulated market”;

(ii) in paragraph (b), for “other than one listed in Article 2 of [Directive 2013/36/EU](#) of the European Parliament and of the Council on access to the activity of credit institutions and investment firms” substitute “which is a CRR firm within the meaning of Article 4(1)(2A) of that Regulation”;

(iii) for paragraph (c), substitute—

“(c) a person who would be an insurance undertaking as defined in Article 2(1) of Council [Directive 91/674/EEC](#) of 19 December 1991 of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings as that Article had effect immediately before exit day, were the United Kingdom a member State;”.

(e) omit the definition of “regulated market”;

(f) in the definition of “third country audit function”—

(i) for “UK-traded non-EEA company” substitute “UK-traded third country company”;

(ii) for “an equivalent body corporate” substitute “a body corporate”;

(iii) for “another EEA State” substitute “an equivalent third country or transitional third country;”;

(g) omit the definition of “transferable securities”(10);

(h) after the definition of “third country audit function” insert—

“(2) For the purposes of this Schedule, Gibraltar is to be treated as if it were an EEA State and subject to the Audit Directive.”.

Amendment of Schedules 11, 11A and 12 to the Companies Act 2006

33. Schedules 11, 11A and 12 to the Companies Act 2006 are amended in accordance with regulations 34 to 36.

34. In Schedule 11 (recognised professional qualifications), in paragraph 9 (practical training)—

(a) in sub-paragraph (4)(b), omit “other than the United Kingdom”;

(b) after sub-paragraph (4), insert—

“(5) For the purpose of sub-paragraph (4), Gibraltar is to be treated as if it were an EEA State.”.

(10) The definition of “transferable securities” was amended by paragraph 9(9) of Schedule 4 to [S.I. 2017/701](#).

35. In Schedule 11A (specified persons, descriptions, disclosures etc for the purposes of section 1224A)(**11**)—

- (a) in Part 2 (specified descriptions of disclosures), in paragraph 78(**12**), for “EU obligation” substitute “retained EU obligation”; and
- (b) in Part 3 (overseas regulatory bodies), in paragraph 79—
 - (i) for “EEA competent authority” substitute “approved third country competent authority”;
 - (ii) for “EEA competent authorities” substitute “approved third country competent authorities”.

36. In Schedule 12 (arrangements in which registered third country auditors are required to participate)—

- (a) in the italic cross-heading above paragraph 1(**13**), for “UK-traded non-EEA companies” substitute “UK-traded third country companies”;
- (b) in paragraph 1 (arrangements for independent monitoring of audits of UK-traded non-EEA companies), in sub-paragraph (1)(a)(**14**), for “UK-traded non-EEA companies” substitute “UK-traded third country companies”;
- (c) in paragraph 2(1)(a) (arrangements for independent investigations for disciplinary purposes)(**15**), for “UK-traded non-EEA companies” substitute “UK-traded third country companies”.

(11) Schedule 11A was inserted by regulation 8(2) and the Schedule to [S.I. 2007/3494](#). Paragraph 78 was amended by article 6(1) of [S.I. 2011/1043](#).

(12) Paragraph 78 was amended by article 6(1) of [S.I. 2011/1043](#).

(13) The cross-heading was amended by regulation 33(2) of [S.I. 2007/3494](#).

(14) Sub-paragraph (1)(a) was amended by regulation 33(3)(a) of [S.I. 2007/3494](#).

(15) Sub-paragraph (2)(1)(a) was substituted by regulation 17(2) of [S.I. 2013/1672](#).