
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations are made in exercise of the powers conferred by section 8 of the European Union (Withdrawal) Act 2018 (c. 16) in order to address failures of retained EU law to operate effectively and other deficiencies arising from the withdrawal of the United Kingdom from the European Union. In particular, these Regulations address deficiencies under paragraphs (b), (d) and (g) of section 8(2) of the Act and transfer functions under section 8(6) of the Act. The Regulations make provision in the field of the adoption and use of international accounting standards.

Part 2 of these Regulations makes provision for a new domestic regime for the adoption of international accounting standards for use within the United Kingdom. Regulation 4 sets out what the international accounting standards adopted for use within the United Kingdom are on exit day. Regulation 6 gives power to the Secretary of State to adopt international accounting standards for use within the United Kingdom after exit day, in whole or in part, and also where there is an option available as part of the standard, to make provision in the standard to extend the scope of undertakings eligible to use that option, subject to an undertaking meeting criteria specified by the Secretary of State. Chapter 4 of Part 2 enables the Secretary of State to sub-delegate the function to adopt international accounting standards (and other functions under Chapter 3 of Part 2) to an existing body.

Schedule 1 to these Regulations amends domestic primary legislation (see Chapter 1), subordinate legislation (see Chapter 2) and EU Regulations (see Chapter 3), in consequence of Part 2 of the instrument. In particular, paragraph 63 repeals all but Article 2 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (which contains the definition of “international accounting standard”).

Paragraph 10(a) inserts into section 403(1) of the Companies Act 2006 (c. 46) an obligation on certain UK parent companies to prepare their group accounts in accordance with UK-adopted international accounting standards (which is now defined in section 474(1) of that Act, see paragraph 21), which is a restatement with appropriate amendments of the obligation in Article 4 of Regulation (EC) No. 1606/2002.

Schedule 2 contains revocations of EU tertiary legislation. Regulation 20(2) contains transitional provision relating to the international accounting standards adopted under regulation 4, and applies any application provisions in the legislation that Schedule 2 has revoked to those standards.

Part 3 introduces Schedule 3. From exit day, a European Public Limited-Liability Company or Societas Europaea (SE) is an overseas company within the meaning of the Companies Act 2006 and is subject to the Overseas Companies Regulations 2009. Part 1 of the Schedule makes provision in relation to the application of the Overseas Companies Regulations 2009 to SEs which establish, before exit day or subsequently, a branch in the UK.

Fees are payable in accordance with the Registrar of Companies (Fees) (Companies, Overseas Companies and Limited Liability Partnerships) Regulations 2012 (S.I. 2012/1907), pursuant to regulation 3 and Schedule 1 in respect of registration under the Overseas Companies Regulations 2009 and a change of name under section 1048 Companies Act 2006, and pursuant to regulation 6 and Schedule 3 in relation to the protected information regime.

Part 2 of Schedule 3 makes transitional arrangements to apply paragraph 5 of the Schedule to the European Public Limited-Liability Company (Employee Involvement) (Great Britain) Regulations 2009 (S.I. 2009/2401) and the European Public Limited-Liability Company (Employee Involvement) (Northern Ireland) Regulations 2009 (S.I. 2009/2402). These arrangements preserve the provision in paragraph 5 of the Schedule so that UK Societates have the benefit of those

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provisions in order to determine whether to open negotiations for an employee involvement agreement.

Part 3 of Schedule 3 makes consequential amendments following changes to the formation and operation of European Public Limited-Liability Companies, or “Societas Europaea” (made by the European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2018, S.I. 2018/1298). On exit day, European Public Limited-Liability Companies that are registered in the United Kingdom immediately before that day are to be converted into “United Kingdom Societas” or “UK Societas”. These amendments remove references to Societas Europaea which are no longer required; and where appropriate, apply existing legislation to the new entity, UK Societas.

Part 4 of these Regulations makes various corrections to two earlier instruments made in exercise of the powers conferred by section 8 of the European Union (Withdrawal) Act 2018. Regulation 22 amends the Competition (Amendment etc.) (EU Exit) Regulations 2019 (S.I. 2019/93) to ensure that the Competition and Markets Authority is only prevented from opening investigations into infringements of UK competition law after exit where the EU Commission has made an infringement decision in relation to the matter before exit. Regulation 23 makes amendments to the Accounts and Reports (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/145) to correct the terminology used to refer to parts of the Financial Conduct Authority's Disclosure Rules and Transparency Rules Sourcebooks.

The Disclosure Rules and Transparency Rules Sourcebooks made by the Financial Conduct Authority under the Financial Services and Markets Act 2000 are available on <https://www.handbook.fca.org.uk/handbook> and copies of the rules referred to can be obtained from the Financial Conduct Authority, 12 Endeavour Square, London E20 1JN, where they are also available for inspection.

A full impact assessment has not been produced for this instrument as no, or no significant, impact on the private, voluntary or public sector is foreseen.

Changes to legislation:

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