EXPLANATORY MEMORANDUM TO

THE ACCOUNTING STANDARDS (PRESCRIBED BODIES) (UNITED STATES OF AMERICA AND JAPAN) (AMENDMENT) REGULATIONS 2022

2022 No. 943

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Business, Energy and Industrial Strategy and is laid before Parliament by Command of His Majesty.

2. Purpose of the instrument

2.1 This instrument amends the Accounting Standards (Prescribed Bodies) (United States of America and Japan) Regulations 2015 in order to extend those Regulations for a year, to expire on 30th September 2023.

2.2 This instrument also amends the 2015 Regulations by inserting a new date by which the Secretary of State must complete a review of the 2015 Regulations and compile a report setting out the conclusion of the review. The Secretary of State must then publish the report in accordance with regulation 9 of the 2015 Regulations.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Extent and Territorial Application

4.1 The territorial extent of this instrument is England, Wales and Scotland. It will also extend by agreement to Northern Ireland.

4.2 The UK Government is responsible for the operation and regulation of company law in England and Wales, and in Scotland. The Northern Ireland administration has agreed that, while the operation and regulation of companies remains a transferred matter within the legislative competence of the Northern Ireland Assembly, amendments to the Companies Act 2006 and legislation regulating business entities should be made in the same terms for the whole of the United Kingdom.

5. European Convention on Human Rights

5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

6. Legislative Context

6.1 The Regulations amend regulation 1 of the Accounting Standards (Prescribed Bodies) (United States of America and Japan) Regulations 2015, extending the date of expiry from 30th September 2022 to 30th September 2023.

6.2 The Regulations also amend regulation 8 of the Accounting Standards (Prescribed Bodies) (United States of America and Japan) Regulations 2015, extending the date

by which a review of the 2015 regulations should be completed, including publication of a report, from 1st October 2020 to 14th July 2023.

6.3 The Accounting Standards (Prescribed Bodies) (United States of America and Japan) Regulations 2015 allow parent companies listed on US and Japanese stock exchanges domiciled in the UK to prepare their accounts using US or Japanese Generally Accepted Accounting Principles (GAAP) while transitioning to UK GAAP or International Accounting Standards. The Regulations are intended to reduce costs associated with switching to UK GAAP and were intended to support the policy of encouraging inward investment and to improve productivity, competition and innovation in the UK economy. The 2015 Regulations expired on 30th September 2022.

7. Policy background

What is being done and why?

7.1 A post-implementation review of the 2015 Regulations was carried out and published in 2020, fulfilling the statutory review clause in the 2015 Regulations to do so. The post-implementation review recommended that the department would "use 2021 to gather stakeholder views on the effectiveness of the regulations" and on the basis of that evidence reach a decision about the desirability of extending the regulations further. However, while limited evidence gathering was carried out, it was insufficient on which to base an informed decision. Consequently, these Regulations extend the 2015 Regulations in order to allow sufficient evidence to be gathered on which a decision can be reached.

8. European Union Withdrawal and Future Relationship

8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

9.1 The Department does not intend to consolidate this instrument into the relevant legislation.

10. Consultation outcome

10.1 No consultation has been carried out in respect of this instrument.

11. Guidance

11.1 No guidance is being provided in respect of this instrument.

12. Impact

12.1 There is no, or no significant, impact on business, charities or voluntary bodies.

12.2 There is no, or no significant, impact on the public sector.

12.3 A full Impact Assessment has not been prepared for this instrument because this measure is zero net cost. The 2012 regulations, subsequently extended by the 2015 regulations, were scored as a regulatory benefit under the EANDCB methodology. So, the benefits of a further one-year extension are already accounted for under the better regulation framework. During the one-year extension period we will review the

regulations and survey companies that benefit, or have benefitted, from the regulation to assess whether the regulation has met its objectives or not.

13. Regulating small business

13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

14.1 A statutory review clause is included in the 2015 Regulations. This instrument amends those Regulations by inserting a new date by which the Secretary of State must complete the review.

15. Contact

15.1 Edward Greatrex at the Department for Business, Energy and Industrial Strategy, Telephone: 020 7215 1698 or email: Edward.greatrex@beis.gov.uk, can be contacted with any queries regarding the instrument.

15.2 Andrew Death, Deputy Director for Corporate Reporting, at the Department for Business, Energy and Industrial Strategy can confirm that this Explanatory Memorandum meets the required standard.

15.3 Lord Callanan at the Department for Business, Energy and Industrial Strategy can confirm that this Explanatory Memorandum meets the required standard.