EXPLANATORY MEMORANDUM TO

THE INTERNATIONAL ACCOUNTING STANDARDS AND EUROPEAN PUBLIC LIMITED-LIABILITY COMPANY (AMENDMENT ETC.) (EU EXIT) REGULATIONS 2019

2019 No. [XXXX]

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 Act.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 The purpose of this instrument is to address failures of retained EU law to operate effectively and other deficiencies arising from the withdrawal of the UK from the EU, in the field of accounts and reports of UK corporate bodies, to make some consequential amendments and transitional provision as a result of the European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2018 (SI 2018/1298), and to make minor corrections to two EU Exit statutory instruments.

Explanations

What did any relevant EU law do before exit day?

2.2 The IAS Regulation (Regulation EC No 1606/2002) sets out the requirements for the application of International Accounting Standards (IAS) in the EU. Publicly traded companies are required to apply a single set of high-quality IAS for the preparation of their consolidated financial accounts. EU member States may also either permit or require IAS for non-publicly traded companies to prepare their consolidated and/or annual accounts.

2.3 The IAS Regulation sets out the provisions for an endorsement process to adopt IAS for use in the EU. Article 2 of the IAS Regulation specifically includes International Financial Reporting Standards (IFRS) in its definition of IAS. IFRS are a set of IAS which is issued by the International Accounting Standards Board (IASB). The standards which are adopted are contained in Commission Regulation (EC) No. 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards (OJ No. L 320, 29.11.2008).

2.4 The effects of this Regulation were transposed into UK law in relation to companies by Part 15 of the Companies Act 2006 and regulations made under that Part (the Companies (Revision of Defective Accounts and Reports) Regulations 2008 (SI 2008/373), the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409) and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)). This legislation is mirrored in relation to some other corporate entities. Other relevant legislation includes: the Building Societies Act 1986 (c. 53), the Friendly Societies Act 1992 (c.

40), the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (SI 1994/1983), the Building Societies (Accounts and Related Provisions) Regulations 1998 (SI 1998/504), the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (SI 2008/1911), the Small Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1912), the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1913) and the Reports on Payments to Governments Regulations 2014 (SI 2014/3209).

2.5 The result is that publicly traded companies in the UK are required to apply IFRS as endorsed and adopted by the EU to their consolidated accounts. All other companies must either produce their accounts using IFRS or UK Generally Accepted Accounting Practices (UK GAAP) which is a UK specific set of accounting standards set by the Financial Reporting Council (FRC). Some companies do use IFRS on a voluntary basis.

Why is it being changed?

2.6 After the UK's exit from the EU, the EU acquis will be frozen in time and directly applicable EU law will become UK legislation, by virtue of provisions in the European Union (Withdrawal) Act 2018. This means that existing EU-adopted IFRS will be brought into UK law, but frozen as at exit day, and public companies listing in the UK will be required to produce their consolidated accounts in accordance with these standards. However, as the UK will no longer be a member of the EU, future adoptions, interpretations and amendments of IFRS by the EU will no longer apply in the UK. This means, to maintain up-to-date usage of IFRS, the UK requires a national framework to adopt new standards and/or changes to existing standards.

2.7 It is in the UK's interest to maintain convergence with IFRS after EU Exit. The standards are used as the basis for preparing company accounts globally, in over 140 jurisdictions including 15 out of the 20 G20 countries, providing comparability and transparency to investors in capital markets. The instrument is therefore consistent with the UK Government's policy that, after departure from the EU, the UK will retain its reputation as a global hub for business, while avoiding costs from unnecessary disruption.

What will it now do?

2.8 This instrument provides for a national framework for endorsement and adoption of IFRS after departure from the EU.

2.9 The Secretary of State is provided with delegated powers to adopt and endorse IFRS for use in the UK. To achieve this, the instrument establishes a process which the Secretary of State must follow; this includes consultation and publication of final decisions, and assessment criteria which the Secretary of State must apply, in order to endorse and adopt IFRS.

2.10 The instrument also provides the Secretary of State with power to sub-delegate the decision-making function to another body. The policy intent is that there will be a subsequent instrument that will delegate this function to a UK IFRS Endorsement Board, shortly after exit day. The FRC is setting up a subsidiary to host the Endorsement Board. That Board will then be given the responsibility for the adoption of IFRS for use in the UK. It will also be charged with influencing the development of IFRS by the IASB. The FRC is working alongside the Secretary of State to develop

appropriate constitutional arrangements for the subsidiary and the Endorsement Board.

2.11 In transferring these functions from the European Commission to the Secretary of State, as much of the instrument as possible simply replicates existing EU powers. However, EU institutions and legislative frameworks differ from those in the UK and it is not possible (or appropriate) to attempt to completely replicate the EU endorsement and adoption process.

2.12 The international accounting standards in the United Kingdom on exit day will be those which were contained in Commission Regulation (EC) No. 1126/2008, as it had effect immediately before exit day. The Regulation itself however is being revoked. Adoption of IFRS will in future be by way of Secretary of State decision. Details of the decisions, and the text of any standard adopted, will be published on a publicly accessible website.

2.13 This instrument also includes provisions relating to European Public Limited-Liability Companies (also known as Societas Europaea or SEs). The European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2018 (2018 No. 1298) amend retained EU law on SEs to automatically convert any SEs registered in the UK on exit day to a new UK corporate form, UK Societas; the new framework retains as much of the existing SE framework as is possible. Amendments to the employee involvement regulations allow the employee rights where possible and practicable to be maintained.

2.14 The provisions within this instrument relating to SEs will do three things: make modifications for the application of the Overseas Companies Regulations 2009 to SEs registered in other Member States; provide transitional arrangements to preserve a particular employee involvement provision; and make a number of consequential amendments relating to the European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2018.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 This instrument corrects defects in two previous EU Exit instruments, the Competition (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/93) and the Accounts and Reports (Amendment) (EU Exit) Regulations 2019 (SI 2019/XXXX).

3.2 However, as the corrections are a very minor part of a statutory instrument that the Department was going to make in any event, the Department is not applying the free issue procedure to this instrument.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

3.3 The territorial application of this instrument includes Scotland and Northern Ireland.

4. Extent and Territorial Application

4.1 The territorial extent of this instrument is the United Kingdom.

4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

5.1 The Minister for Small Business, Consumers and Corporate Responsibility, Kelly Tolhurst, has made the following statement regarding Human Rights:

"In my view the provisions of the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 are compatible with the Convention rights."

6. Legislative Context

6.1 See the text under the heading of 'Explanations' in section 2 for details of what legislation is being amended and why.

6.2 Not all deficiencies as a result of the UK's withdrawal from the EU which relate to accounts are being addressed by this instrument. There is another draft instrument which has been laid before Parliament, entitled t*he Accounts and Reports (Amendment) (EU Exit) Regulations 2018*, which deals with reporting requirements and exemptions from those requirements for entities, their parents or subsidiaries registered in the European Economic Area (EEA), or for entities listed on markets in the EEA. This instrument has been approved by Parliament and will be made around the end of January 2019.

6.3 It is expected that in 2019, shortly after exit day, a further statutory instrument will be laid for debate by Parliament that will sub-delegate the function to adopt IFRS for use in the UK to another body (see paragraph 2.10 above).

7. Policy background

What is being done and why?

7.1 UK listed companies are currently required to prepare their group consolidated accounts in accordance with IFRS as endorsed and adopted for use in the EU by the European Commission. The current framework for adoption of IFRS is set out in the IAS Regulation and its requirements apply directly to EU listed companies producing group accounts, requiring no transposition in Member State legislation. The EU undertakes a rigorous endorsement process of new standards to ensure that they are fit for purpose. This allows some modification of the standards' scope or the removal of options, if necessary, to fit the needs of EU Member States.

7.2 It is in the UK's interest to maintain convergence with IFRS after EU Exit. The standards are used globally, by over 140 jurisdictions including 15 out of the 20 G20 countries. IFRS bring consistency to financial statements and are widely recognised by investors who value the transparency afforded in company reporting and the ability to compare the financial statements of companies in the world. The instrument is therefore consistent with the UK Government's policy that after departure from the EU, the UK will retain its reputation as a global hub for business. On-shoring (as far as possible) the endorsement and adoption of IFRS should also support consistency and avoid costs from unnecessary disruption.

7.3 Without a UK framework for endorsement and adoption, any future revisions to existing standards or the adoption of new standards will not be possible. This will mean that UK standards will quickly become out of date, thus losing our equivalent status with the likes of US, EU, Australia, Canada and further afield where IFRS are adopted for use. Therefore, dual listed companies will be required to produce multiple

sets of financial statements, leading to additional cost and effort for those companies. The combined effect is likely to be UK capital markets losing their attractiveness for multi-national companies looking to raise capital.

7.4 Chapter 2 of Part 2 of the instrument provides that the international accounting standards adopted for use within the UK on exit day are those which were contained in Commission Regulation (EC) No. 1126/2008, as it had effect immediately before exit day.

7.5 Chapter 3 of Part 2 of the instrument specifies the Secretary of State as the decision-maker with regard to adoption of IFRS, and Chapter 4 of Part 2 gives power to the Secretary of State to sub-delegate by affirmative statutory instrument the functions to a designated body to endorse and adopt IFRS. The policy intention is for the Secretary of State to delegate the function to an independent Endorsement Board, when it is constituted satisfactorily in 2019. The Endorsement Board is expected to be hosted by a subsidiary company of the FRC. The subsequent statutory instrument will set out the details for the transfer of the functions from the Secretary of State to the Board (see paragraph 2.10 above).

7.6 This approach is consistent with the current UK infrastructure for capital markets; the approach taken by HMT on adoption of technical standards (existing and those being on-shored for EU Exit); the delegation of the Secretary of State's audit-related functions to the FRC under Part 42 of the Companies Act 2006; and internationally tested models in Australia and Canada. This instrument enables the Secretary of State to revoke the delegation if he wishes, for example if the Endorsement Board was deemed not to be successful. The second statutory instrument that will sub-delegate the decision making powers to the Endorsement Board is expected to be laid after March 2019.

Detail on the provisions of the instrument.

7.7 This instrument achieves its intent by providing functions to the Secretary of State for the endorsement and adoption of IFRS. The instrument also provides that in exceptional circumstances and under tight constraints the Secretary of State may exercise the power to adopt IFRS "in part only" (ie disapply part of the standard/adopt the standard in part).

7.8 The Secretary of State's powers are qualified by a number of provisions to ensure the process retains the transparency and rigour of the EU framework. IFRS cannot be adopted for use in the UK if they are contrary to established principles for financial reporting: that the standards provide a "true and fair" view of undertakings financial position and are conducive to "long term public good".

7.9 The instrument places an obligation on the Secretary of State to consult those with an interest in the "quality and availability of accounts". The instrument also makes the Secretary of State responsible for publication of adopted IFRS, and certification of copies on request. The Secretary of State is obliged to carry out a review on the impact of the adoption of IFRS. The Secretary of State must report to Parliament on how the functions have been carried out annually.

Amendments relating to Societas Europea (SE).

7.10 Part 3 of, and Schedule 3 to, the instrument make consequential amendments and transitional provisions following on from the European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2018 (SI 2018/1298).

7.11 This instrument applies sections 1044 (definition of an overseas company) and 1050 (credit or financial institution incorporated outside of the UK) of the Companies Act 2006 and the Overseas Companies Regulations 2009 (2009/1801) to European Public Limited-Liability Companies or Societas Europaea (SE) registered in other member States.

7.12 The Overseas Companies Regulations 2009 (SI 2009/1801) require companies incorporated outside of the UK, with an establishment or branch in the UK, to register that establishment or branch on the Companies House register. They require certain ongoing filing obligations, such as updates to any company details and the filing of accounts and reports, and also impose certain trading disclosure obligations. Transitional provisions have been provided so that the small number of branches already in the UK which were previously not required to register will be treated as though they had opened those branches on exit day. They will not immediately be expected to meet the requirements; the normal periods of time for compliance will apply from exit day. However, given the slightly more onerous nature of a requirement to file accounts, we have provided an additional 3-month period to ensure the entities have time to obtain and file the necessary documents. The fees payable for filings are set out in the Registrar of Companies (Fees) (Companies, Overseas Companies and Limited Liability Partnerships) Regulations 2012 (SI 2012/1907) and section 1048 of the Companies Act 2006.

7.13 Transitional arrangements are also provided to preserve the provisions whereby UK Societates which were established less than four years before exit day can determine whether to open negotiations for an employee involvement agreement. There are also a number of consequentials relating to the European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2018. These make minor amendments to the following legislation to amend references where necessary to take into account the conversion of any Societas Europaea registered in the UK on exit day to a UK Societas: Companies Act 2006, Employment Rights Act 1996, Finance Act 1986, Finance Act 1999, Insolvency Act 1986, Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692), Companies (Disclosure of Address) Regulations 2009 (SI 2009/214) and Transnational Information and Consultation of Employees Regulations 1999 (SI 1999/3323).

Part 4 Miscellaneous amendments

7.14 Part 4 of the instrument contains a small number of miscellaneous amendments, correcting minor defects in two EU Exit instruments.

7.15 Regulation 22 makes minor amendments to paragraph 8 of Schedule 4 to the Competition (Amendment etc.) (EU Exit) Regulations 2019 (the Competition Regulations). The amendments clarify that the Competition and Markets Authority and sector regulators are only prevented from opening investigations into infringements of UK competition law after exit day where the EU Commission has made an infringement decision under Article 7 of Council Regulation (EC) No 1/2003 in relation to the same matter before EU exit. These amendments bring paragraph 8 of

Schedule 4 to the Competition Regulations into better alignment with the policy description set out in paragraph 7.4 of the Explanatory Memorandum to the Competition Regulations.

7.16 Regulation 23 makes amendments to the Accounts and Reports (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/XXXX) to correct the terminology used to refer to parts of the Financial Conduct Authority's Disclosure Rules and Transparency Rules Sourcebooks.

Northern Ireland

7.17 This instrument applies to company law which is a transferred matter for Northern Ireland under section 4 of the Northern Ireland Act 1998. The UK Government remains committed to restoring devolution in Northern Ireland. This is particularly important in the context of EU Exit where we want devolved Ministers to take the necessary actions to prepare Northern Ireland for exit. We have been considering how to ensure a functioning statute book across the UK including in Northern Ireland for exit day absent a Northern Ireland Executive. With exit day less than one year away, and in the continued absence of a Northern Ireland Executive, the window to prepare Northern Ireland's statute book for exit is narrowing. UK Government Ministers have therefore decided that in the interest of legal certainty in Northern Ireland, the UK Government will take through the necessary secondary legislation at Westminster for Northern Ireland, in close consultation with the Northern Ireland departments. This is one such instrument.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

8.1 This instrument is being made using the power in section 8 of the European Union (Withdrawal) Act 2018 in order to address failures of retained EU law to operate effectively or other deficiencies arising from the withdrawal of the United Kingdom from the European Union.

9. Consolidation

9.1 This is not a consolidation.

10. Consultation outcome

10.1 We have not been able to publicly consult in order to minimise sensitivities in advance of negotiations with the EU.

10.2 However, internal and external stakeholder groups were established to advise on the development of a future IFRS Framework after departure from the EU. Members included representatives from professional bodies and industry representative groups and accounting and audit professionals. Internal stakeholder included representatives from regulators and other government departments.

10.3 Many of these stakeholders were familiar with the EU adoption and endorsement process. As such they were well placed to advise on the development of a UK framework for future IFRS endorsement and adoption.

10.4 The majority of these stakeholders supported our recommended approach to the future endorsement and adoption of IFRS.

11. Guidance

11.1 Companies House will update their existing guidance to reflect the changes in reporting requirements for companies to be available when this instrument comes into force.

11.2 Information regarding the establishment of the UK Endorsement Board will be placed on the FRC's website to be available when this instrument comes into force.

12. Impact

12.1 The primary purpose of the instrument is continuity and avoidance of unnecessary disruption. It does not place any new reporting obligations on companies. Neither will it have an impact on charities or voluntary bodies.

12.2 It is anticipated that future endorsement and adoption of IFRS will be run on a cost recovery basis. Therefore, there should not be a significant impact on the public sector.

12.3 A de minimis impact assessment was produced and cleared in April 2018. It assessed that the direct and indirect costs to business (including familiarisation) would fall below the de minimis threshold of £5m per annum. Therefore, a full IA is not required.

12.4 We estimate that around 15,000 economically significant companies (both listed and unlisted) in the UK use IFRS, including those using them on a voluntary basis. IFRS are also relevant to a number of other entities and institutions, including: other (unlisted) UK companies (currently able to choose whether to use EU adopted IFRS when preparing their group/individual accounts); credit institutions, building societies and mutual insurance companies (all of which are permitted to use EU adopted IFRS to prepare group/individual account); the PRA, whose regulatory requirements for financial institutions are underpinned by EU adopted IFRS; and government departments.

12.5 Since this instrument does not require these stakeholders to change their financial reporting we do not expect it to have a significant impact.

13. Regulating small business

13.1 The IFRS framework will apply to listed companies presenting their group accounts. As such it is unlikely to have an impact on small businesses. Secondly, the primary purpose of the instrument is continuity and avoidance of unnecessary disruption. It does not place a new obligation on companies. Since we would expect most of these companies to be large, we do not expect the legislation to affect activities that are undertaken by small businesses.

14. Monitoring & review

14.1 As this instrument is made under the EU Withdrawal Act 2018, no review clause is required.

15. Contact

15.1 Seema Jamil-O'Neill at the Department for Business, Energy and Industrial Strategy Telephone: 020 7215 0352 or email: seema.jamil-oneill@beis.gov.uk can be contacted with any queries regarding the instrument.

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

15.3 The Minister for Small Business, Consumers and Corporate Responsibility Kelly Tolhurst at the Department for Business, Energy and Industrial Strategy can confirm that this Explanatory Memorandum meets the required standard.

Annex

Statements under the European Union (Withdrawal) Act 2018

Part 1

Table of Statements under the 2018 Act

This table sets out the statements that may be required under the 2018 Act.

Statement	Where the requirement sits	To whom it applies	What it requires
Sifting	Paragraphs 3(3), 3(7) and 17(3) and 17(7) of Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) to make a Negative SI	Explain why the instrument should be subject to the negative procedure and, if applicable, why they disagree with the recommendation(s) of the SLSC/Sifting Committees
Appropriate-ness	Sub-paragraph (2) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	A statement that the SI does no more than is appropriate.
Good Reasons	Sub-paragraph (3) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	Explain the good reasons for making the instrument and that what is being done is a reasonable course of action.
Equalities	Sub-paragraphs (4) and (5) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	Explain what, if any, amendment, repeals or revocations are being made to the Equalities Acts 2006 and 2010 and legislation made under them. State that the Minister has had due regard to the need to eliminate discrimination and other conduct prohibited under the Equality Act 2010.
Explanations	Sub-paragraph (6) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2 In addition to the statutory obligation the Government has made a political commitment to include these statements alongside all EUWA SIs	Explain the instrument, identify the relevant law before exit day, explain the instrument's effect on retained EU law and give information about the purpose of the instrument, e.g., whether minor or technical changes only are intended to the EU retained law.
Criminal offences	Sub-paragraphs (3) and (7) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9, and	Set out the 'good reasons' for creating a criminal offence, and the penalty attached.

		23(1) or jointly exercising powers in Schedule 2 to create a criminal offence	
Sub-delegation	Paragraph 30, Schedule 7	Ministers of the Crown exercising sections 10(1), 12 and part 1 of Schedule 4 to create a legislative power exercisable not by a Minister of the Crown or a Devolved Authority by Statutory Instrument.	State why it is appropriate to create such a sub-delegated power.
Urgency	Paragraph 34, Schedule 7	Ministers of the Crown using the urgent procedure in paragraphs 4 or 14, Schedule 7.	Statement of the reasons for the Minister's opinion that the SI is urgent.
Explanations where amending regulations under 2(2) ECA 1972	Paragraph 13, Schedule 8	Anybody making an SI after exit day under powers outside the European Union (Withdrawal) Act 2018 which modifies subordinate legislation made under s. 2(2) ECA	Statement explaining the good reasons for modifying the instrument made under s. 2(2) ECA, identifying the relevant law before exit day, and explaining the instrument's effect on retained EU law.
Scrutiny statement where amending regulations under 2(2) ECA 1972	Paragraph 16, Schedule 8	Anybody making an SI after exit day under powers outside the European Union (Withdrawal) Act 2018 which modifies subordinate legislation made under s. 2(2) ECA	Statement setting out: a) the steps which the relevant authority has taken to make the draft instrument published in accordance with paragraph 16(2), Schedule 8 available to each House of Parliament, b) containing information about the relevant authority's response to— (i) any recommendations made by a committee of either House of Parliament about the published draft instrument, and (ii) any other representations made to the relevant authority about the published draft instrument, and, c) containing any other information that the relevant authority considers appropriate in relation to the scrutiny of the instrument or draft instrument which is to be laid.

Part 2

Statements required when using enabling powers under the European Union (Withdrawal) 2018 Act

1. Appropriateness statement

1.1 The Minister for Small Business, Consumers and Corporate Responsibility, Kelly Tolhurst has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

"In my view the Adoption and Use of International Accounting Standards (Amendment etc.) (EU Exit) Regulations 2018 does no more than is appropriate".

1.2 This is the case because of the reasons given in sections 2 and 7 of this explanatory memorandum.

2. Good reasons

2.1 The Minister for Small Business, Consumers and Corporate Responsibility, Kelly Tolhurst has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

"In my view there are good reasons for the provisions in this instrument, and I have concluded they are a reasonable course of action".

2.2 These are detailed in sections 2 and 7 of this explanatory memorandum.

3. Equalities

3.1 The Minister for Small Business, Consumers and Corporate Responsibility, Kelly Tolhurst has made the following statement(s):

"The instrument does not amend, repeal or revoke a provision or provisions in the Equality Act 2006 or the Equality Act 2010 or subordinate legislation made under those Acts.

3.2 The Minister for Small Business, Consumers and Corporate Responsibility, Kelly Tolhurst has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

"In relation to the instrument, I, the Minister for Small Business, Consumers and Corporate Responsibility have had due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010."

3.3 This legislation complies with the requirements of the Public-Sector Equality Duty (PSED).

4. Explanations

4.1 The explanations statement has been made in section 2 of the main body of this explanatory memorandum.

5. Legislative sub-delegation

5.1 The Minister for Small Business, Consumers and Corporate Responsibility, Kelly Tolhurst has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

"In my view it is appropriate to create a relevant sub-delegated power in the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019."

5.2 This is appropriate because: it is appropriate to permit the Secretary of State to delegate the function of adopting IFRS for use in the UK to a body which is capable of undertaking this activity. There is no body currently in existence, but the Secretary of State is working with the FRC while the FRC sets up such a body, to ensure it will be fit for purpose. Delegation of functions is a tried and tested approach in this area (as evidenced by the power in section 1252 of Part 42 of the Companies Act 2006 whereby the Secretary of State has power to delegate his audit-related functions under that Part, and has done so, delegating his functions to the FRC).

5.3 Approval of the delegation of functions will be by way of affirmative instrument, so Parliament will have the ultimate say over whether the functions can be delegated or not.