EXPLANATORY MEMORANDUM TO

THE SHORT SELLING (AMENDMENT) (EU EXIT) REGULATIONS

2018 No. [XXXX]

1. Introduction

1.1 This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Act.

2. Purpose of the instrument

2.1 This instrument is being made in order to address deficiencies in retained EU law in relation to short selling – the selling of securities that are either borrowed or not owned by the seller – arising from the withdrawal of the United Kingdom (UK) from the European Union (EU), ensuring the legislation continues to operate effectively at the point at which the UK leaves the EU.

Explanations

What did any relevant EU law do before exit day?

2.2 The regulation on short selling and certain aspects of credit default swaps (Council Regulation (EU) 236/2012) ("the SSR"), applies to financial instruments admitted to trading or traded on an EEA trading venue (unless they are primarily traded on a third country venue). It also applies to debt instruments issued by EU sovereign issuers and related credit default swaps (CDS). The SSR requires holders of significant net short positions in shares or sovereign debt to make notifications of their positions to their national competent authority (NCA) once certain thresholds have been breached. It sets restrictions on investors entering into uncovered short positions in shares or sovereign debt except in those cases where the SSR provides for an exemption (where the principal trading venue is in a third country, and for market making activities and primary market operations). This means that certain market makers (individuals or companies that provide liquidity to the market by selling and buying securities) do not have to disclose net short positions or comply with the restrictions on uncovered short selling.

2.3 The SSR sets out the measures which NCAs may take where there is a serious threat to financial stability or to market confidence in a Member State, or where the price of a financial instrument has fallen significantly during a single trading day, enabling the NCA to tackle the downward spiral in the prices of shares (such as shares in financial institutions), which could otherwise threaten their viability and create systemic risks during times of market stress.

2.4 Commission Delegated Regulation 918/2012/EU is made by the Commission under the SSR. It supplements the SSR by:

- making provisions defining "ownership" and "short sale" for the purposes of the SSR;
- making additional provision for the calculation of net short provisions and when sovereign credit default swaps are not to be considered uncovered positions;
- setting out notification thresholds and the liquidity thresholds for suspending restrictions;

- identifying when there is a significant fall in value for financial instruments other than liquid shares and when there is considered to be a serious threat to financial stability.

2.5 Part 8A of the Financial Services and Markets Act 2000 (c.8) ("FSMA") (as amended by the Financial Services and Markets Act 2000 (Short Selling) Regulations 2012/1759) sets out the powers the Financial Conduct Authority ("FCA") has for the purpose of exercising its functions under the SSR.

Why is it being changed?

2.6 This instrument is being made in order to address deficiencies in retained EU law in relation to short selling arising from the withdrawal of the UK from the EU, ensuring the legislation continues to operate effectively at the point at which the UK leaves the EU.

2.7 The SSR at present covers certain instruments traded anywhere in the EU and supervision consists of several components – from reporting of data by those in short positions, to intervention powers. After Exit, certain EU instruments traded in the UK would not be covered by a short selling regime, and certain UK instruments traded in the EU would not be subject to any short selling supervision if this instrument was not in place.

2.8 If this instrument was not in place by exit day, financial instruments admitted to trading on UK venues only, UK sovereign debt and UK sovereign Credit Default Swaps would not be subject to regulation in the UK.

What will it now do?

2.9 This instrument makes technical amendments to existing UK legislation that are required to ensure that SSR continues to operate effectively in a no deal scenario after exit day. It will also amend Part 8A of FSMA, which implemented parts of SSR.

2.10 Key amendments include:

- amending Part 8A of FSMA to ensure that the FCA is able to respond to requests for information from overseas regulators, including EEA competent authorities;
- amending Article 8 of Commission Delegated Regulation 918/2012 to delete conditions for correlation to sovereign debt and providing HM Treasury with the power to set these;
- replacing references to the Union with references to the United Kingdom, and references to EU legislation which are no longer appropriate with references to UK legislation;
- amending the scope of the SSR to relate to instruments admitted to trading on UK venues and UK sovereign debt only, so that this instrument will not capture instruments traded on an EEA trading venue;
- transferring functions of the Commission to the Treasury;
- transferring a number of powers to make technical standards from EU supervisory bodies to UK regulators;
- enabling the FCA to take action on all instruments admitted to trading on a UK venue, not just those for which the UK is the most liquid market;
- omitting provisions to facilitate cooperation and coordination across the EU which are no longer appropriate;

- and allowing market participants to use UK sovereign CDS to hedge correlated assets or liabilities located anywhere in the world, rather than just in the EU.

2.11 This instrument fixes the deficiencies to make clear that financial instruments admitted to trading on UK venues, UK sovereign debt and UK sovereign CDS would be subject to the retained short selling regulation. Financial instruments admitted to trading on EU venues will no longer be in scope of UK regulation, in line with the current treatment of third country instruments.

2.12 The instrument will allow market participants to use UK sovereign CDS to hedge correlated assets or liabilities located anywhere in the world, rather than just in the EU. This will ensure UK firms can continue to use UK sovereign CDS to hedge correlated assets or liabilities issued by issuers located outside the UK (expanding the current ability from the EU to the whole world), provided the correlation test in Article 18 of Commission Delegated Regulation 918/2012 is met.

2.13 The instrument also transfers many functions, from EU supervisory bodies, to the FCA. It will also transfer the power to set notification thresholds for short selling positions, from the EU Commission to the Treasury.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

Matters of relevant to Standing Orders No.83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws

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

3.3 It is an amending instrument which has the same territorial application as the legislation being amended, which extends to England and Wales, Scotland and Northern Ireland.

4. Extent and Territorial Application

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

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

5. European Convention on Human Rights

5.1 The Economic Secretary to the Treasury, (John Glen) has made the following statement regarding Human Rights:

"In my view the provisions of the Short Selling (Amendment) (EU Exit) Regulations 2018 are compatible with the Convention rights."

6. Legislative Context

6.1 This instrument amends the retained regulation on short selling and certain aspects of credit default swaps (Council Regulation (EU) 236/2012), Commission Delegated Regulation (EU) No 918/2012 supplementing Regulation (EU) No 236/2012 on short selling and certain aspects of credit default swaps with regard to definitions, the calculation of net short positions, covered sovereign default swaps, notification thresholds, liquidity thresholds for suspending restrictions, significant falls in the

value of financial instruments and adverse events and Part 8A of the Financial Services and Markets Act 2000 to address deficiencies arising from the UK's exit from the European Union. The instrument makes technical amendments to address these deficiencies.

7. Policy background

What is being done and why?

7.1 The UK will leave the EU on 29 March 2019. The UK and the EU have agreed the terms of an implementation period that will start on 29 March 2019 and last until 31 December 2020. This will provide time to introduce the new arrangements that will underpin the UK-EU future relationship, and provide valuable certainty for businesses and individuals. During the implementation period, common rules will continue to apply. The UK will continue to implement new EU law that comes into effect and the UK will continue to be treated as part of the EU's single market in financial services. This will mean that access to each other's markets will continue on current terms and businesses, including financial services firms, will be able to trade on the same terms as now until 31 December 2020. UK firms will need to comply with any new EU legislation that becomes applicable during the implementation period.

7.2 The government is seeking a deep and special future partnership with the EU, which should be greater in scope and ambition than any such agreement before and encompass financial services. Given the highly regulated nature of financial services, the volume of trade between UK and EU markets, and a shared desire to manage financial stability risks, the UK proposes a new economic and regulatory arrangement that will preserve mutually beneficial cross-border business models and economic integration for the benefit of businesses and consumers. Decisions on market access would be autonomous in our proposed model, but would be underpinned by stable institutional processes in a bilateral agreement and continued close regulatory and supervisory cooperation.

7.3 While the government has every confidence that a deal will be reached and the implementation period will be in place, it has a duty to plan for all eventualities, including a 'no deal' scenario. The government is clear that this scenario is in neither the UK's nor the EU's interest, and the government does not anticipate it arising. To prepare for this unlikely eventuality, HM Treasury intends to use powers in the European Union (Withdrawal) Act 2018 (EUWA) to ensure that the UK continues to have a functioning financial services regulatory regime in all scenarios.

7.4 The EUWA repeals the European Communities Act 1972 (c.68) and converts into UK law the existing body of directly applicable EU law (including EU Regulations). It also preserves UK laws relating to EU membership – e.g. legislation implementing EU Directives. This body of law is referred to as "retained EU law". The EUWA also gives ministers a power to prevent, remedy or mitigate any failure of EU law to operate effectively, or any other deficiency in retained EU law, through SIs. These contingency preparations for financial services legislation are sometimes referred to as 'onshoring'. These instruments are not intended to make policy changes, other than to reflect the UK's new position outside the EU, and to smooth the transition to this situation. The scope of the power is drafted to reflect this purpose and is subject to further restrictions, such as the inability to use the power to impose or increase taxation, or establish a public authority. The power is also time-limited and falls away two years after exit day.

7.5 Wherever practicable, the proposed approach is that the same laws and rules that are currently in place in the UK would continue to apply at the point of exit, providing continuity and certainty as we leave the EU. However, if the UK does not enter an implementation period, some changes would be required to reflect the UK's new position outside the EU from 29 March 2019.

7.6 In the unlikely scenario that the UK leaves the EU without a deal, the UK would be outside the EU's framework for financial services. The UK's position in relation to the EU would be determined by the default Member State and EU rules that apply to third countries at the relevant time. The European Commission has confirmed that this would be the case.

7.7 In light of this, the approach in this scenario cannot and does not rely on any new, specific arrangements being in place between the UK and the EU. As a general principle, the UK would also need to default to treating EU Member States largely as it does other third countries, although there are cases where a different approach would be needed including to provide for a smooth transition to the new circumstances.

7.8 HM Treasury published a document on 27 June 2018, which sets out in more detail HM Treasury's approach to financial services legislation under EUWA. (https://www.gov.uk/government/publications/financial-services-legislation-under-the-eu-withdrawal-act)

7.9 The changes for firms with shares admitted to trading on a UK venue are anticipated to be minimal. The current mechanics for firms submitting relevant notifications for UK instruments to the Financial Conduct Authority (FCA) will be retained and instruments admitted to trading on UK venues will continue to have the same restrictions applied to them.

7.10 This instrument makes technical amendments to correct deficiencies in retained EU law, primary and secondary legislation. Part 3 of the instrument amends the scope of the SSR to relate to instruments admitted to trading on UK venues and UK sovereign debt only. The SSR as amended will not capture instruments admitted to trading or traded on an EEA trading venue. Provisions to facilitate cooperation and coordination across the Union are omitted.

7.11 The SSR includes measures to ensure a consistent approach to short selling in the event of a significant fall in the price of a share or in response to a threat to market confidence or financial stability in the Union. Under the SSR, Member States are required to notify other NCAs ahead of taking action to restrict short selling. Other NCAs will then determine whether to apply corresponding restrictions on their venues. As the UK will no longer be part of the EU these provisions are omitted.

7.12 The instrument transfers a number of powers to make technical standards from EU supervisory bodies, such as the power in Article 9 for the FCA to make technical standards specifying the details of the information to be provided for the purposes of Article 9.1 in relation to net short positions, and the way in which that information may be disclosed to the public.

7.13 At present under the SSR, sovereign CDS positions can only be entered into for legitimate hedging purposes. To qualify, the assets must be correlated to the value of the sovereign debt and be obligations to public or private sector entities in the same

Member State, or another Member State where high correlation could be demonstrated. As a general principle, where there are references to Member State these are being replaced with the appropriate UK reference. In this context, this would result in the provisions around cross-border hedging being deleted. As a result, UK firms would be unable to use UK sovereign CDS to hedge assets or liabilities issued by issuers located in the EU even if they were able to demonstrate correlation with UK sovereign debt. This instrument will move from an EU to a worldwide scope in terms of hedging, as included in Part 4 of the SI. This will allow market participants to use UK sovereign CDS to hedge correlated assets or liabilities located anywhere in the world, rather than just in the EU, to ensure UK firms can continue to use UK sovereign CDS to hedge correlated assets or liabilities issued by issuers located outside the UK, provided the correlation test in Article 18 of Commission Delegated Regulation 918/2012 is met.

7.14 The instrument amends Article 8 of Commission Delegated Regulation 918/2012. It deletes conditions for correlation to sovereign debt and gives HM Treasury the power to set these. This reflects the fact that the UK will be the only sovereign issuer under this instrument.

7.15 The European Securities and Markets Authority's (ESMA) intervention powers in exceptional circumstances have also been removed. The FCA will retain its powers to restrict short selling in the event of a significant fall in the price of a share or in response to a threat to UK financial stability or market confidence.

7.16 The SSR provides certain exemptions from the reporting requirements, the buy-in regime and restrictions on uncovered short selling for shares which are principally traded in a third country. Every two years each NCA will determine whether shares for which they are the relevant NCA are principally traded in a third country and are therefore eligible for this exemption. ESMA collates and publishes a list of these exempt shares. This instrument will pass the responsibility for collating and publishing the list of shares principally traded in a third country to the FCA. This will include shares which have their principal trading venue outside of the UK, including those in the EU. To ensure continuity for firms the instrument allows the FCA to recognise ESMA's existing list for 2 years following exit day.

7.17 Under the SSR, there are certain exemptions for market-making activities and primary market operations. This means that certain market makers (individuals or companies that provide liquidity to the market by selling and buying securities) do not have to disclose net short positions or comply with the restrictions on uncovered short selling. To benefit from the exemption, a market maker must notify the NCA of its home Member State that it intends to make use of the exemption no less than 30 days before it first intends to use the exemption. The instrument includes a provision to ensure that notifications made to the FCA ahead of exit will remain valid. To benefit from the exemption European market makers will be required to join a UK trading venue and submit a notification to the FCA at least 30 days ahead of the UK's exit, to enable a smooth transition, in a scenario where the UK was not entering an implementation period. This is consistent with how the UK treats other third countries. Moreover, the notification given to the FCA continues to be effective unless the FCA prohibits the use of the exemption, which it may do if it considers that the person seeking to rely on the exemption no longer satisfies its conditions. A market maker relying on the exemption is required to notify the FCA of any changes which may affect their eligibility to use the exemption.

7.18 The SSR provides NCAs with powers to restrict short selling or require disclosure of net short positions in response to a serious threat to financial stability or market confidence in the Union. At present, the UK can impose a restriction on an instrument which is trading on a UK venue but primarily traded in a third country outside of the Union. It can only take action on instruments for which it is not the most liquid market in Europe (or the UK is not the place where the instrument was first admitted to trading) with the consent of the relevant authority. The instrument deletes this provision, allowing the UK to take action on any instrument admitted to trading on a UK venue, not just those for which it is the most liquid market.

7.19 Article 15 of the SSR will be amended by a separate 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 EUWA in order to address failures of retained EU law to operate effectively or other deficiencies arising from the withdrawal of the UK from the EU. In accordance with the requirements of that Act the Minister has the relevant statements as detailed in Part 2 of the Annex to this Explanatory Memorandum.

9. Consolidation

9.1 There are currently no plans to consolidate the relevant legislation.

10. Consultation outcome

10.1 HM Treasury has not undertaken a consultation on the instrument, but has engaged with relevant stakeholders on its approach to financial services legislation under EUWA, including on this instrument.

10.2 The instrument was also published in draft, along with an explanatory policy note, on 9 August 2018 in order to maximise transparency ahead of laying. https://www.gov.uk/government/publications/draft-short-selling-amendment-eu-exit-regulations-2018/short-selling-amendment-eu-exit-regulations-2018-explanatory-information

10.3 The financial services regulators' plan to undertake public consultation in the Autumn on any changes they propose to make to Binding Technical Standards and rules made under the powers conferred upon them by the Financial Services and Markets Act 2000.

11. Guidance

11.1 No further guidance is being published alongside this instrument.

12. Impact

12.1 The impact on UK businesses should be minimal as the UK already has in place a short selling regime, which is familiar to market participants.

12.2 However, this instrument's impact on financial services sectors includes that it will apply to financial instruments trading on a trading venue in the UK (except where the principle trading of that instrument is in a third country) including when they are traded outside of the trading venue. This instrument could have implications for investment managers who are involved in the short selling of UK listed shares or

sovereign debt. Third parties impacted include professional services and law firms as they are required to familiarise themselves with SSR in order to advise clients on it.

12.3 There is no impact on the public sector, charities or voluntary bodies.

12.4 A full Impact Assessment will be published alongside the Explanatory Memorandum on the legislation.gov.uk website, when an opinion from the Regulatory Policy Committee has been received.

12.5 The Treasury's decision to publish the regulations without a final Impact Assessment aims to ensure that industry and regulators have as much time as possible to familiarise themselves with the regulatory changes.

13. Regulating small business

13.1 The legislation applies to activities that are undertaken by small businesses.

13.2 There is no provision to minimise the impact of the requirements on small firms employing up to 20 people. The instrument does not provide any basis for excluding small or micro businesses from regulation. It is also undesirable to exempt smaller firms from the instrument as this would hinder its effectiveness, and run the risk of regulatory arbitrage based on firm size.

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 Samuel Hill at HM Treasury, Telephone: 0207 270 5494 or email: Samuel.hill@hmtreasury.gov.uk, can be contacted with any queries regarding the instrument.

15.2 Clare Bolingford, Deputy Director of Securities, Markets and Banking at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.

15.3 The Economic Secretary to the Treasury (John Glen MP) 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/ESIC
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 77	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 23(1) or jointly exercising	Set out the 'good reasons' for creating a criminal offence, and the penalty attached.

		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, Sch 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 Economic Secretary to the Treasury (John Glen) has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

"In my view the Short Selling (Amendment) (EU Exit) Regulations 2018 do no more than is appropriate."

1.2 This is because they do no more than amend the Regulation (EU) No 236/2012 on short selling and certain aspects of credit default swaps, delegated legislation made under it, the delegated regulation made under it and provisions of the Financial Services and Markets Act 2000 which implemented it ("the short selling legislation") to correct deficiencies arising from the UK's exit from the EU, and treat the European Union as a third country going forward. Further explanation of the policy purpose of this instrument can be found in paragraphs 7.1-7.15 of this Explanatory Memorandum.

2. Good reasons

2.1 The Economic Secretary to the Treasury (John Glen) 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 that without this instrument, the short selling legislation would contain deficiencies and cease to function appropriately after the UK's exit from the European Union. Further explanation of the reasons for the provisions in this instrument can be found in sub-paragraphs 7.1 to 7.15 of this Explanatory Memorandum.

3. Equalities

3.1 The Economic Secretary to the Treasury (John Glen) 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 Economic Secretary to the Treasury (John Glen) has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

"In relation to the instrument, I, the Economic Secretary to the Treasury John Glen, 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."

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 Economic Secretary to the Treasury (John Glen) has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

5.2 "In my view it is appropriate to create a relevant sub-delegated power in the Short Selling (Amendment) (EU Exit) Regulations 2018."

5.3 It is appropriate to delegate the power to make technical standards to the FCA because it will give it the necessary powers to ensure that EU-derived technical regulations for which the FCA is responsible will operate effectively after exit, subject to mechanisms to ensure robust HM Treasury oversight. This is considered appropriate as the regulators will have the requisite technical knowledge to make assessment of matters, such as what information needs to be disclosed in relation to net short positions, what measures will ensure that a share or debt is available for settlement. This is in line with the approach that the government has set out in which legislative responsibility for Level 2 technical legislation in financial services will be transferred to the financial regulators, while HM Treasury will have responsibility for changes to Level 1 legislation which Parliament will approve.