
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations apply to any person who is, or has been, an auditor of a person authorised under the Financial Services and Markets Act 2000 (“the Act”) and who has been appointed pursuant to a statutory provision. Such an auditor is obliged to communicate to the Financial Services Authority (“the Authority”) information on matters (or his opinion on matters) of which he has become aware in his capacity as an auditor. The obligation also applies to matters of which such an auditor has become aware in his capacity as auditor of a person who has “close links” (as defined in section 343(8) of the Act) with an authorised person.

Regulation 2 sets out the circumstances in which the obligation applies. An auditor must communicate matters to the Authority if he reasonably believes that, as regards the authorised person concerned, there has been or may be a contravention of any relevant requirement (as defined in regulation 1) that applies to that person which may be of material significance to the Authority in determining whether to exercise any of the functions conferred on the Authority by or under the Act (other than listing functions). The obligation to communicate also applies where the auditor reasonably believes that the matters may be of material significance to the Authority in determining whether the person satisfies and will continue to satisfy the conditions set out in Schedule 6 to the Act (“the threshold conditions”). The obligation also applies where the auditor reasonably believes that the authorised person concerned is not, may not be or may cease to be a going concern. An auditor is also obliged to communicate to the Authority where he is precluded from stating in his report on the annual accounts, or, where required by an enactment which is specified in regulation 2(2)(d), any other financial reports, that they conform with the applicable legislation or where he is required by the enactment specified in regulation 2(2)(e) to state certain facts in his report.

These Regulations give effect, in part, to European Parliament and Council Directive [95/26/EC](#) (OJNo. L168, 18.7.1995, p.7) amending Directives [73/239/EEC](#) and [92/49/EEC](#) in the field of non-life insurance, Directives [79/267/EEC](#) and [92/96/EEC](#) in the field of life assurance, Directive [93/22/EEC](#) in the field of investment firms and Directive [85/611/EEC](#) in the field of undertakings for collective investment in transferable securities (UCITS) with a view to reinforcing prudential supervision. These Regulations also give effect, in part, to Directive [2000/12/EC](#) (OJ No. L126, 26.5.2000, p.1) relating to the taking up and pursuit of the business of credit institutions.