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STATUTORY INSTRUMENTS

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**2019 No. 177**

**The Statutory Auditors and Third Country Auditors  
(Amendment) (EU Exit) Regulations 2019**

**PART 2**

Amendment of primary legislation

**CHAPTER 1**

Part 16 of the Companies Act 2006

**Amendment of Part 16 of the Companies Act 2006**

3. Part 16 of the Companies Act 2006 (audit) is amended in accordance with regulations 4 to 9.
4. In section 479A (subsidiary companies: conditions for exemption from audit)(1)—
  - (a) in subsection (1)(b), after “an EEA State” insert “or part of the United Kingdom”;
  - (b) in subsection (2)(c)—
    - (i) after “in accordance with” insert—

“(zi) if the undertaking is established in any part of the United Kingdom—

      - (aa) if the undertaking is a company, the requirements of Part 15 of this Act,
      - (bb) if the undertaking is not a company, the legal requirements which apply to the drawing up of consolidated accounts for that undertaking.”;
    - (ii) in sub-paragraph (i), at the beginning, insert “if the undertaking is established in an EEA State.”.
5. In section 494ZA (the maximum engagement period)(2)—
  - (a) in subsection (5)(a)(ii), omit “and” at the end;
  - (b) for subsection (5)(a)(iii) substitute—

“(iii) if the company is a private company and does not have an audit committee, a selection procedure that complies with the requirements of section 485B(4),

(iv) if the company is a public company and does not have an audit committee, a selection procedure that complies with the requirements of section 489B(4),”;
  - (c) in subsection (5)(b) after “Audit Regulation” insert “as it had effect immediately before exit day”.

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(1) Section 479A was inserted by regulation 7 of [S.I. 2012/2301](#). Subsection (2)(c)(i) was substituted by regulation 10(2) of [S.I. 2015/980](#).

(2) Section 494ZA was inserted by regulation 12(14) of [S.I. 2017/516](#). Subsection (5) was amended by paragraph 20 of Schedule 1 to [S.I. 2017/1164](#).

6. In section 494A (interpretation)(3)—
- (a) for the definition of “audit committee” substitute—
- ““audit committee” means a body which performs—
- (a) the functions referred to in—
- (i) rule 7.1.3 of the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority(4) (audit committees and their functions) under the Financial Services and Markets Act 2000(5), or
- (ii) rule 2.4 of the Audit Committee Part of the Rulebook made by the Prudential Regulation Authority(6) (audit committee) under that Act, as they have effect on exit day, or
- (b) equivalent functions.”;
- (b) omit the definition of “Audit Directive”;
- (c) in the definition of “public interest entity”(7)—
- (i) in paragraph (a), for “regulated market” substitute “UK regulated market”;
- (ii) in paragraph (b), for “other than one listed in Article 2 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and investment firms” substitute “which is a CRR firm within the meaning of Article 4(1)(2A) of that Regulation”;
- (iii) for paragraph (c), substitute—
- “(c) a person who would be an insurance undertaking as defined in Article 2(1) of Council Directive 91/674/EEC of 19 December 1991 of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings(8) as that Article had effect immediately before exit day, were the United Kingdom a member State;”;
- (d) omit the definitions of “regulated market” and “transferable securities”(9).
7. In section 504(1) (senior statutory auditor)—
- (a) omit paragraph (a) and the “or” after it;
- (b) in paragraph (b), omit “if there is no applicable standard so issued.”.
8. In section 519A (meaning of “public interest company”, “non-public interest company” and “exempt reasons”)(10)—
- (a) in subsection (1), in the definition of “public interest company”(11)—
- (i) in paragraph (a), for “regulated market” substitute “UK regulated market”;

(3) Section 494A was inserted by paragraph 12 of Schedule 3 to S.I. 2016/649.

(4) Sourcebooks made by the Financial Conduct Authority 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 it is also available for inspection.

(5) 2000 c. 8. Part 9A was inserted by section 24(1) of the Financial Services Act 2012 (c. 21).

(6) The Rulebook is available on <http://www.prarulebook.co.uk> and copies of the rules referred to can be obtained from the Prudential Regulation Authority, 20 Moorgate, London EC2R 6DA, where it is also available for inspection.

(7) The expression of “public interest company” in this definition was amended to “public interest entity” by regulation 12(15) of S.I. 2017/516.

(8) OJ No. L 374 31.12.91, p. 7.

(9) The definition of “transferable securities” was amended by paragraph 9(3) of Schedule 4 to S.I. 2017/701.

(10) Section 519A was inserted by section 18(3) of the Deregulation Act 2015 (c. 20).

(11) The definition of “public interest company” was substituted by paragraph 26(2) of Schedule 3 to S.I. 2016/649.

- (ii) in paragraph (b), for “other than one listed in Article 2 of [Directive 2013/36/EU](#) of the European Parliament and of the Council on access to the activity of credit institutions and investment firms” substitute “which is a CRR firm within the meaning of Article 4(1)(2A) of that Regulation”;
  - (iii) for paragraph (c), substitute—
    - “(c) a person who would be an insurance undertaking as defined in Article 2(1) of Council [Directive 91/674/EEC](#) of 19 December 1991 of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings as that Article had effect immediately before exit day, were the United Kingdom a member State.”;
  - (b) in subsection (2), omit the definitions of “regulated market”(12) and “transferable securities”(13).
9. In section 539 (minor definitions), in the definition of “MiFID investment firm”(14)—
- (a) for “Article 4.1.1 of [Directive 2014/65/EU](#) of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments,” substitute “Article 2(1A) of Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012(15)”;
  - (b) in paragraph (a), for “to which that Directive does not apply by virtue of Article 2 of that Directive” substitute “which is exempted from the definition of “investment firm” by Schedule 3 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 ([S.I. 2001/544](#))(16)”.

## CHAPTER 2

### Part 42 of the Companies Act 2006

#### **Amendment of Part 42 of the Companies Act 2006**

10. Part 42 of the Companies Act 2006 (statutory auditors) is amended in accordance with regulations 11 to 26.

11. In section 1210 (meaning of “statutory auditor” etc)—

- (a) in subsection (1)(c)(ii)(17), for “regulated market” substitute “UK regulated market”;
- (b) in subsection (3)—
  - (i) omit the definition of “bank”(18);
  - (ii) for the definition of “insurer” substitute—

“insurer” means a person who would be an insurance undertaking, as defined in Article 2(1) of Council [Directive 91/674/EEC](#) of 19 December 1991 of the European Parliament and of the Council on the annual accounts and

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(12) The definition of “regulated market” was substituted by paragraph 26(2) of Schedule 3 to [S.I. 2016/649](#).

(13) The definition of “transferable securities” was substituted by paragraph 26(2) of Schedule 3 to [S.I. 2016/649](#), and amended by paragraph 9(4) of Schedule 4 to [S.I. 2017/701](#).

(14) The definition of “MiFID investment firm” was inserted by regulation 3(7)(b) of [S.I. 2007/2932](#), and amended by paragraphs 9(5)(a), (b) and (c) of Schedule 4 to [S.I. 2017/701](#) and regulation 3 of [S.I. 2018/786](#).

(15) OJ No. L 173 12.06.2014, p. 84.

(16) [S.I. 2001/544](#).

(17) Section 1210(1)(c) was substituted by regulation 13(2)(a) of [S.I. 2017/516](#).

(18) The definition of “bank” was amended by paragraph 42(3) of Schedule 2 to [S.I. 2013/3115](#) and article 3(1) and Part 1 of the Schedule to [S.I. 2012/1809](#).

consolidated accounts of insurance undertakings as that Article had effect immediately before exit day, were the United Kingdom a member State;”;

(iii) omit the definition of “regulated market”(19).

12. In section 1223A (notification of matters relevant to other EEA States)(20)—

(a) in the heading, for “other EEA States” substitute “approved third country competent authorities”;

(b) in subsection (2)—

(i) in paragraph (a), for “any other EEA State or part of an EEA State, implementing the Audit Directive” substitute “an equivalent third country or transitional third country”;

(ii) in paragraph (b), for “EEA State other than the United Kingdom” substitute “equivalent third country or transitional third country”;

(c) in subsection (3)—

(i) in paragraph (a), for “an EEA auditor” substitute “a third country auditor that has been approved by an approved third country competent authority”;

(ii) in paragraph (b), for “EEA” substitute “approved third country”.

13. In section 1224A (restrictions on disclosure)(21), omit subsection (5).

14. After section 1240 (information to be made available to public), insert—

#### “CHAPTER 4A

##### Equivalent Third Countries and Transitional Third Countries

#### **Power to approve third countries as equivalent or transitional third countries**

**1240A.**—(1) The Secretary of State may by regulations grant to a third country, or make provision for the grant to a third country of—

(a) approval as an equivalent third country,

(b) provisional approval, for a period of up to seven years, as an equivalent third country, or

(c) transitional approval, for a period of up to seven years, as a transitional third country,

in relation to the comparability of the third country’s audit regulatory regime to the audit regulatory regime of the United Kingdom.

(2) Regulations under subsection (1) may (among other things)—

(a) specify the procedure for assessing the audit regulatory regime of a third country;

(b) set out the considerations which must be taken into account, or may be taken into account, by the Secretary of State when determining—

(i) whether the third country has an audit regulatory regime comparable to that of the United Kingdom,

(ii) whether to grant approval, provisional approval or transitional approval, and

(iii) the period for which provisional approval or transitional approval should be granted;

(19) The definition of “regulated market” was inserted by regulation 13(2)(b) of [S.I. 2017/516](#).

(20) Section 1223A was inserted by regulation 7(1) of [S.I. 2007/3494](#).

(21) Section 1224A was inserted by regulation 8(1) of [S.I. 2007/3494](#).

- (c) specify the procedure for the granting of approval, provisional approval or transitional approval;
  - (d) set out a list of third countries that have been granted approval, provisional approval or transitional approval;
  - (e) make provision for the amendment, suspension or withdrawal of approval, provisional approval or transitional approval.
- (3) In this section, “audit regulatory regime” in relation to a country or territory, means the system of public oversight, quality assurance, investigations and sanctions for auditors in that country or territory.
- (4) Regulations under this section are subject to negative resolution procedure.

## CHAPTER 4B

### Approved Third Country Competent Authorities

#### **Power to approve third country competent authorities**

**1240B.**—(1) The Secretary of State may by regulations grant to a third country competent authority, or make provision for the grant to a third country competent authority of—

- (a) approval as an approved third country competent authority, or
- (b) provisional approval, for a period of up to seven years, as an approved third country competent authority,

in relation to the exchange of audit working papers and investigation reports.

- (2) Regulations under subsection (1) may (among other things)—
- (a) specify the procedure for assessing the adequacy of the third country competent authority, in relation to the authority’s ability to co-operate with the competent authority on the exchange of audit working papers and investigation reports;
  - (b) set out the considerations which must be taken into account, or may be taken into account, by the Secretary of State when determining—
    - (i) whether to grant approval or provisional approval, and
    - (ii) in relation to the granting of provisional approval, the period of the approval;
  - (c) specify the procedure for the granting of an approval or a provisional approval;
  - (d) set out a list of third country competent authorities that have been granted an approval or a provisional approval;
  - (e) make provision for the amendment, suspension or withdrawal of an approval or a provisional approval.
- (3) Regulations under this section are subject to negative resolution procedure.”.

**15.** In section 1241 (meaning of “registered third country auditor” and “UK-traded non-EEA company”)—

- (a) in the heading<sup>(22)</sup>, for “UK-traded non-EEA company” substitute “UK-traded third country company”;
- (b) in subsection (2)<sup>(23)</sup>—
  - (i) for “UK-traded non-EEA company” substitute “UK-traded third country company”;

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<sup>(22)</sup> The heading for section 1241 was substituted by regulation 31(2) of [S.I. 2007/3494](#).

<sup>(23)</sup> Section 1241(2) was amended by regulation 31(4) of [S.I. 2007/3494](#).

- (ii) in paragraph (b), for “regulated market” substitute “UK regulated market” and omit “situated or operating in the United Kingdom”;
- (c) omit subsection (3)(**24**).
- 16.** In section 1242 (duties of registered third country auditors)—
  - (a) in subsection (1)(**25**), for “UK-traded non-EEA company” substitute “UK-traded third country company”;
  - (b) in subsection (2)(a)(**26**), for “UK-traded non-EEA companies” substitute “UK-traded third country companies”.
- 17.** In section 1253A (requests to foreign competent authorities)(**27**), omit “an EEA competent authority or”.
- 18.** In section 1253B (request from EEA competent authorities)(**28**)—
  - (a) in the heading, for “EEA competent authorities” substitute “approved third country competent authorities”;
  - (b) in subsection (1)(**29**)—
    - (i) for “EEA competent authority” substitute “approved third country competent authority”;
    - (ii) omit the words from “or a European supervisory authority (“the requesting authority”),” to the end;
  - (c) after subsection (1), insert—
 

“(1A) Where the request includes a request for the transfer of audit working papers and investigation reports, the Secretary of State must act in accordance with section 1253D.”;
  - (d) omit subsection (4)(**30**).
- 19.** In section 1253C (notification to competent authorities of other EEA States)(**31**)—
  - (a) in the heading, after “to” insert “approved third country” and omit “of other EEA States”;
  - (b) in subsection (1)(**32**)—
    - (i) for “other EEA States” substitute “approved third country competent authorities”;
    - (ii) for “EEA competent authority” substitute “approved third country competent authority”;
  - (c) in subsection (2)(**33**)—
    - (i) for “EEA competent authority” in both places substitute “approved third country competent authority”;
    - (ii) omit “in accordance with the Audit Directive”;
    - (iii) omit “required by EU law”;
  - (d) in subsection (4)—

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(24) Subsection (3) was amended by paragraph 9(8)(a) and (b) of Schedule 4 to [S.I. 2017/701](#).

(25) Section 1242(1) was amended by regulation 32(2)(a) and (b) of [S.I. 2007/3494](#) and regulation 14 of [S.I. 2013/1672](#).

(26) Section 1242(2)9a) was amended by regulation 32(3) of [S.I. 2007/3494](#).

(27) Section 1253A was inserted by regulation 14(1) of [S.I. 2007/3494](#).

(28) Section 1253B was inserted by regulation 14(1) of [S.I. 2007/3494](#).

(29) Subsection (1) was substituted by paragraph 41(2) of Schedule 3 to [S.I. 2016/649](#).

(30) Subsection (4) was substituted by paragraph 41(4) of Schedule 3 to [S.I. 2016/649](#).

(31) Section 1253C was inserted by regulation 14(1) of [S.I. 2007/3494](#). Subsection (2) was amended by article 6(2) of [S.I. 2011/1043](#).

(32) Subsection (1) was substituted by paragraph 42(2) of Schedule 3 to [S.I. 2016/649](#).

(33) Subsection (2) was amended by article 6(2) of [S.I. 2011/1043](#).

- (i) for “EEA competent authority” substitute “approved third country competent authority”;
  - (ii) in paragraph (a), for “other EEA State or part of an EEA State, implementing the Audit Directive” substitute “equivalent third country or transitional third country, relating to audit”;
  - (iii) in paragraph (b), for “an EEA State other than the United Kingdom” substitute “an equivalent third country or transitional third country”;
  - (e) in subsection (5)—
    - (i) for “EEA competent authority” in both places substitute “approved third country competent authority”;
    - (ii) for “EEA State” substitute “country or territory”.
- 20.** In section 1253D (restriction on transfer of audit working papers to third countries)**(34)**—
- (a) in subsection (1)**(35)**, for “except” substitute “unless the third country competent authority is an approved third country competent authority and the transfers are made”;
  - (b) omit subsection (2)**(36)**.
- 21.** In section 1253DD (agreement of EEA competent authority)**(37)**—
- (a) in the heading, for “EEA competent authority” substitute “third country competent authority”;
  - (b) in subsection (1)(b)(i)**(38)**, for “another EEA State” substitute “an equivalent third country or transitional third country”;
  - (c) in subsections (2) and (3), for “EEA competent authority” substitute “third country competent authority”.
- 22.** In section 1253DE(1)(a) (transfer by means of inspection)**(39)**, omit “listed in section 1253D(2)(a), (f) or (g)”.
- 23.** In section 1253E (working arrangements for transfer of papers)**(40)**—
- (a) in subsection (4)—
    - (i) in paragraph (a), for “Article 29 of the Audit Directive (quality assurance)” substitute “regulation 9 of the Statutory Auditors and Third Country Auditors Regulations 2016**(41)**”;
    - (ii) in paragraph (b), for “Article 30 of the Audit Directive (investigations and penalties)” substitute “regulations 5 to 8 and 10 of the Statutory Auditors and Third Country Auditors Regulations 2016”;
    - (iii) in paragraph (c), for “Article 32 of the Audit Directive (principles of public oversight)” substitute “regulation 3 of the Statutory Auditors and Third Country Auditors Regulations 2016”;
  - (b) in subsection (7), omit “of the European Union or”;

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**(34)** Section 1253D was inserted by regulation 15(1) of [S.I. 2007/3494](#), and substituted by regulation 2 of [S.I. 2010/2537](#).

**(35)** Subsection (1) was amended by paragraph 43(2) of Schedule 3 to [S.I. 2016/649](#).

**(36)** Subsection (2) was amended by regulation 13(5) of [S.I. 2017/516](#).

**(37)** Section 1253DD was inserted by regulation 15(1) of [S.I. 2007/3494](#), and substituted by regulation 2 of [S.I. 2010/2537](#). Subsection (1) was amended by paragraph 47(1) of Schedule 3 to [S.I. 2016/649](#).

**(38)** Subsection (1) was amended by paragraph 47(1) of Schedule 3 to [S.I. 2016/649](#).

**(39)** Section 1253DE was inserted by regulation 15(1) of [S.I. 2007/3494](#), and substituted by regulation 2 of [S.I. 2010/2537](#). Subsection (1) was amended by paragraph 48(2) of Schedule 3 to [S.I. 2016/649](#).

**(40)** Section 1253E was inserted by regulation 15(1) of [S.I. 2007/3494](#), and substituted by regulation 3 of [S.I. 2010/2537](#).

**(41)** [S.I. 2016/649](#).

(c) omit subsections (8)(**42**) and (9).

**24.** In section 1254(1)(a) (directions to comply with international obligations)(**43**), for “EU obligations” substitute “retained EU obligations”.

**25.** In section 1261 (minor definitions)—

(a) in subsection (1)—

- (i) omit the definition of “the Audit Directive”(**44**);
- (ii) in the definition of “audit working papers and investigation reports”(**45**), in paragraphs (a), (b) and (c) omit “, an EEA auditor”;
- (iii) omit the definitions of “EEA auditor” and “EEA competent authority”(**46**);
- (iv) after the definitions of “parent undertaking” and “subsidiary undertaking”, insert—  
“regulated market” has the meaning given in Article 2(1)(13) of Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 and amending Regulation (EU) No. 648/2012(**47**);”;
- (v) in the definition of “third country”(**48**), for “that is not an EEA State or part of an EEA State” substitute “other than the United Kingdom”;
- (vi) in the definition of “third country auditor”, omit “an EEA auditor or”;
- (vii) after the definition of “transfer”(**49**), insert—  
“transferable securities” has the meaning given in Article 2(1)(24) of Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 and amending Regulation (EU) No. 648/2012;  
“UK regulated market” has the meaning given in Article 2(1)(13A) of Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 and amending Regulation (EU) No. 648/2012;”;

(b) omit subsection (2A)(**50**).

**26.** In section 1262 (index of defined expressions), in the Table—

(a) at the appropriate places, insert the following entries—

“approved third country qualification	section 1221(1)”;
“audit regulatory regime	section 1240A(3)”;
“equivalent third country	section 1240A(1)”;
“regulated market	section 1261(1)”;

(42) Subsection (8) was amended by paragraph 49(2) of Schedule 3 to [S.I. 2016/649](#) and regulation 13(6) of [S.I. 2017/516](#).

(43) Section 1254(1)(a) was substituted by regulation 13(7)(a) of [S.I. 2017/516](#).

(44) The definition of “the Audit Directive” was inserted by regulation 2(2) of [S.I. 2007/3494](#).

(45) The definition of “audit working papers” was inserted by regulation 2(2) of [S.I. 2007/3494](#) and substituted to “audit working papers and investigation reports” by paragraph 51(2)(a) of Schedule 3 to [S.I. 2016/649](#).

(46) The definitions “EEA auditor” and “EEA competent authority” were inserted by regulation 2(2) of [S.I. 2007/3494](#).

(47) OJ No. L 173 12.06.2014, p. 84.

(48) The definition of “third country” was inserted by regulation 2(2) of [S.I. 2007/3494](#).

(49) The definition of “transfer” was inserted by regulation 6(4) of [S.I. 2010/2537](#), and amended by paragraph 51(2)(e) of Schedule 3 to [S.I. 2016/649](#).

(50) Section 1261(2A) was inserted by regulation 2(3) of [S.I. 2007/3494](#).



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“transferable securities	section 1261(1)”;
“transitional third country	section 1240A(1)”;
“UK regulated market	section 1261(1)”;

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(b) in the entry for “approved third country competent authority”**(51)**, in the right-hand column for “section 1253D(2)” substitute “section 1240B(1)”;

(c) in the entry for “Audit Directive”, in the right-hand column for “section 1261(1)” substitute “paragraph 20A of Schedule 10”;

(d) in the entry for “EEA auditor”, in the right-hand column for “section 1261(1)” substitute “paragraph 20A of Schedule 10”;

(e) in the entry for “EEA competent authority”, in the right-hand column for “section 1261(1)” substitute “paragraph 20A of Schedule 10”;

(f) in the entry for “UK-traded non-EEA company”**(52)**, in the left-hand column for “UK-traded non-EEA company” substitute “UK-traded third country company”.

CHAPTER 3

Schedules 10, 11, 11A and 12 to the Companies Act 2006

**Amendment of Schedule 10 to the Companies Act 2006**

27. Part 2 (requirements for recognition of a supervisory body) of Schedule 10 (recognised supervisory bodies) to the Companies Act 2006 is amended in accordance with regulations 28 to 32.

28. In paragraph 6 (holding of appropriate qualification)—

(a) for sub-paragraph (1)(c)**(53)**, substitute—

“(c) in the case of a firm which is an EEA auditor—

(i) each individual responsible for statutory audit work on behalf of the firm is eligible for appointment as a statutory auditor, and

(ii) the firm would be eligible—

(aa) for appointment as a statutory auditor if it were not an EEA auditor,  
or

(bb) for a corresponding appointment as an auditor under the law of an EEA State or part of an EEA State, and the firm provides proof of its eligibility in the form of a certificate, dated not more than three months before it is provided as proof by the firm, from the EEA competent authority of the EEA State concerned.”;

(b) for sub-paragraph (1A)**(54)** substitute—

“(1A) The requirements of this sub-paragraph are that—

(a) the individual holds a professional qualification which covers all the subjects that are covered by a recognised professional qualification and that are subjects

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**(51)** The definition of “approved third country competent authority” was inserted by regulation 6(5) of [S.I. 2010/2537](#).

**(52)** The row containing the expression “UK-traded non-EEA company” was inserted by regulation 3(2) of [S.I. 2007/3494](#).

**(53)** Sub-paragraph (1)(c) was inserted by paragraph 57(4) of Schedule 3 to [S.I. 2016/649](#).

**(54)** Sub-paragraph (1A) was inserted by paragraph 57(5) of Schedule 3 to [S.I. 2016/649](#).

- of which knowledge is essential for the pursuit of the profession of statutory auditor, or
- (b) the individual—
- (i) on or before 31 December 2020, holds a professional qualification which does not cover all those subjects and is in the process of seeking approval from the body, and
- (ii) has met whichever of the requirements of sub-paragraph (1B) is specified in the body’s rules.”;
- (c) for sub-paragraph (1B)(55), substitute—
- “(1B) For the purposes of sub-paragraph (1A)(b)(ii), the body’s rules must specify one of the following requirements—
- (a) a requirement to pass an aptitude test in accordance with sub-paragraph (2),
- (b) a requirement to complete an adaptation period in accordance with sub-paragraphs (2B) and (2C), or
- (c) a requirement either to pass an aptitude test in accordance with sub-paragraph (2) or to complete an adaptation period in accordance with sub-paragraphs (2B) and (2C), according to the choice of the individual.”;
- (d) in sub-paragraph (2C)(56), for “that the condition in sub-paragraph (1A)(b) can be satisfied by completing an adaptation period” substitute “a requirement that may or must be met by completing an adaptation period”;
- (e) after sub-paragraph (2C), insert—
- “(2D) Sub-paragraph (1)(c)(ii)(bb) ceases to apply on 1 January 2021.”.
- 29.** In paragraph 7 (holding of appropriate qualification)—
- (a) in sub-paragraphs (2)(a)(ii)(57) and (b)(ii)(58), omit “, other than the United Kingdom”;
- (b) after sub-paragraph (2), insert—
- “(2A) Sub-paragraph (2)(b)(ii) ceases to apply on 1 January 2021.”.
- 30.** In paragraph 13(5) (monitoring of audits)(59)—
- (a) in paragraph (b)(i), omit “or”;
- (b) for paragraph (b)(ii), substitute—
- “(ii) equivalent work, for the purposes of an appointment of a person to conduct inspections made prior to exit day, on the audit of accounts under the law of an EEA State, or part of an EEA State, or
- (iii) equivalent work, for the purpose of an appointment of a person to conduct inspections, on the audit of accounts under the law of—
- (aa) an equivalent third country or part of an equivalent third country, or
- (bb) a transitional third country or part of a transitional third country;”.

(55) Sub-paragraph (1B) was inserted by paragraph 57(5) of Schedule 3 to [S.I. 2016/649](#).

(56) Sub-paragraph (2C) was inserted by regulation 17(4) of [S.I. 2007/3494](#), substituted by paragraph 57(7) of Schedule 3 to [S.I. 2016/649](#), and amended by regulation 13(8)(a) of [S.I. 2017/516](#).

(57) Sub-paragraph (2)(a)(ii) was amended by regulation 18(2) of [S.I. 2007/3494](#).

(58) Sub-paragraph (2)(b)(ii) was amended by regulation 18(2) of [S.I. 2007/3494](#).

(59) Paragraph 13 was substituted by paragraph 65 of Schedule 3 to [S.I. 2016/649](#).

**31.** In paragraph 16AA(b) (transfer to approved third country competent authority)(**60**), omit “in the case of an approved third country competent authority listed in section 1253D(2)(a), (b), (c), (d) or (e).”.

**32.** In paragraph 20A (interpretation)(**61**)—

(a) at the beginning, insert “(1)”;

(b) after “In this Part of this Schedule—” insert—

““the Audit Directive” means [Directive 2006/43/EC](#) of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, amending Council Directives [78/660/EEC](#) and [83/349/EEC](#) and repealing Council [Directive 84/253/EEC](#).”;

(c) after the definition of “audit reporting requirements”, insert—

““EEA auditor” means an individual or firm approved in accordance with the Audit Directive by an EEA competent authority to carry out audits of annual accounts or consolidated accounts required by European Union law;

“EEA competent authority” means a competent authority within the meaning of Article 2(10) of the Audit Directive of an EEA State.”;

(d) in the definition of “public interest entity”—

(i) in paragraph (a), for “regulated market” substitute “UK regulated market”;

(ii) in paragraph (b), for “other than one listed in Article 2 of [Directive 2013/36/EU](#) of the European Parliament and of the Council on access to the activity of credit institutions and investment firms” substitute “which is a CRR firm within the meaning of Article 4(1)(2A) of that Regulation”;

(iii) for paragraph (c), substitute—

“(c) a person who would be an insurance undertaking as defined in Article 2(1) of Council [Directive 91/674/EEC](#) of 19 December 1991 of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings as that Article had effect immediately before exit day, were the United Kingdom a member State.”.

(e) omit the definition of “regulated market”;

(f) in the definition of “third country audit function”—

(i) for “UK-traded non-EEA company” substitute “UK-traded third country company”;

(ii) for “an equivalent body corporate” substitute “a body corporate”;

(iii) for “another EEA State” substitute “an equivalent third country or transitional third country.”;

(g) omit the definition of “transferable securities”(**62**);

(h) after the definition of “third country audit function” insert—

“(2) For the purposes of this Schedule, Gibraltar is to be treated as if it were an EEA State and subject to the Audit Directive.”.

### **Amendment of Schedules 11, 11A and 12 to the Companies Act 2006**

**33.** Schedules 11, 11A and 12 to the Companies Act 2006 are amended in accordance with regulations 34 to 36.

**(60)** Paragraph 16AA was inserted by regulation 5 of [S.I. 2010/2537](#), and amended by regulation 13(8)(b) of [S.I. 2017/516](#).

**(61)** Paragraph 20A was inserted by paragraph 71 of Schedule 3 to [S.I. 2016/649](#).

**(62)** The definition of “transferable securities” was amended by paragraph 9(9) of Schedule 4 to [S.I. 2017/701](#).

- 34.** In Schedule 11 (recognised professional qualifications), in paragraph 9 (practical training)—
- (a) in sub-paragraph (4)(b), omit “other than the United Kingdom”;
  - (b) after sub-paragraph (4), insert—
    - “(5) For the purpose of sub-paragraph (4), Gibraltar is to be treated as if it were an EEA State.”.
- 35.** In Schedule 11A (specified persons, descriptions, disclosures etc for the purposes of section 1224A)(**63**)—
- (a) in Part 2 (specified descriptions of disclosures), in paragraph 78(**64**), for “EU obligation” substitute “retained EU obligation”; and
  - (b) in Part 3 (overseas regulatory bodies), in paragraph 79—
    - (i) for “EEA competent authority” substitute “approved third country competent authority”;
    - (ii) for “EEA competent authorities” substitute “approved third country competent authorities”.
- 36.** In Schedule 12 (arrangements in which registered third country auditors are required to participate)—
- (a) in the italic cross-heading above paragraph 1(**65**), for “UK-traded non-EEA companies” substitute “UK-traded third country companies”;
  - (b) in paragraph 1 (arrangements for independent monitoring of audits of UK-traded non-EEA companies), in sub-paragraph (1)(a)(**66**), for “UK-traded non-EEA companies” substitute “UK-traded third country companies”;
  - (c) in paragraph 2(1)(a) (arrangements for independent investigations for disciplinary purposes)(**67**), for “UK-traded non-EEA companies” substitute “UK-traded third country companies”.

## CHAPTER 4

### Amendment of other primary legislation

#### **Amendment of the Building Societies Act 1986**

- 37.** The Building Societies Act 1986(**68**) is amended in accordance with regulation 38.
- 38.** In paragraph 3E(5)(b) (appointment)(**69**) of Schedule 11 (auditors: appointment, tenure), after “Audit Regulation” insert “as it had effect immediately before exit day”.

#### **Amendment of the Friendly Societies Act 1992**

- 39.** The Friendly Societies Act 1992(**70**) is amended in accordance with regulation 40.

(**63**) Schedule 11A was inserted by regulation 8(2) and the Schedule to [S.I. 2007/3494](#). Paragraph 78 was amended by article 6(1) of [S.I. 2011/1043](#).

(**64**) Paragraph 78 was amended by article 6(1) of [S.I. 2011/1043](#).

(**65**) The cross-heading was amended by regulation 33(2) of [S.I. 2007/3494](#).

(**66**) Sub-paragraph (1)(a) was amended by regulation 33(3)(a) of [S.I. 2007/3494](#).

(**67**) Sub-paragraph (2)(1)(a) was substituted by regulation 17(2) of [S.I. 2013/1672](#).

(**68**) [1986 c. 53](#).

(**69**) Paragraph 3E was inserted by regulation 2(6)(d) of [S.I. 2017/516](#).

(**70**) [1992 c. 40](#).

40. In paragraph 5(5)(b) (the maximum engagement period) of Schedule 14A (appointment and removal of auditors: societies to which audit directive applies)(71), after “Audit Regulation” insert “as it had effect immediately before exit day”.

#### **Amendment of the Companies (Audit, Investigations and Community Enterprise) Act 2004**

41. Part 1 (auditors, accounts, directors’ liabilities and investigations) of the Companies (Audit, Investigations and Community Enterprise) Act 2004(72) is amended in accordance with regulations 42 and 43.

42. In section 15D(4) (permitted disclosure of information obtained under compulsory powers)(73)—

- (a) in paragraph (aa)(i), for “UK-traded non-EEA companies” substitute “UK-traded third country companies”;
- (b) in paragraph (h), for “EU obligation” substitute “retained EU obligation”.

43. In section 16 (grants to bodies concerned with accounting standards etc)—

- (a) after subsection (2)(ea)(74), insert—
  - “(eb) assessing, and reporting to the Secretary of State on, the comparability of the audit regulatory regimes of third countries to the audit regulatory regime of the United Kingdom;
  - (ec) assessing, and reporting to the Secretary of State on, the adequacy of third country competent authorities, in relation to their ability to co-operate with the competent authority on the exchange of audit working papers and investigation reports;”;
- (b) in subsection (5)—
  - (i) after the definition of “accountancy functions” insert—

““audit regulatory regime” in relation to a country or territory, means the system of public oversight, quality assurance, investigations and sanctions for auditors in that country or territory;”;
  - (ii) after the definition of “company”(75) insert—

““the competent authority” means the Financial Reporting Council Limited(76);”;
  - (iii) after the definition of “subsidiary”(77) insert—

““third country” means a country or territory other than the United Kingdom;  
“third country competent authority” means a body established in a third country exercising functions related to the regulation or oversight of auditors.”.

#### **Amendment of the Local Audit and Accountability Act 2014**

44. The Local Audit and Accountability Act 2014(78) is amended in accordance with regulation 45.

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(71) Schedule 14A was inserted by regulation 11 of [S.I. 2017/516](#).

(72) [2004 c. 27](#).

(73) Section 15D(4)(aa)(i) was inserted by paragraph 232(2) of Schedule 1 to [S.I. 2008/948](#), and substituted by paragraph 1(2)(a) of Schedule 5 to [S.I. 2016/649](#).

(74) Sub-section (2)(ea) was inserted by paragraph 1(3) of Schedule 5 to [S.I. 2016/649](#).

(75) The definition of “company” was amended by paragraph 222(2) of Schedule 1 to [S.I. 2009/1941](#).

(76) A company registered in England and Wales with number 02486368.

(77) The definition of “subsidiary” was amended by paragraph 222(3) of Schedule 1 to [S.I. 2009/1941](#).

(78) [2014 c. 2](#).

**45.** In Schedule 5 (eligibility and regulation of local auditors), in paragraph 1(3)(b), after “the Statutory Auditors and Third Country Auditors Regulations 2016” insert “and the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019”.