

Due Process Handbook—Endorsement processes

Appendix 3: Relevant extracts from the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (Statutory Instrument 2019 No. 685 (SI 2019/685))¹

“Responsibility for adoption of international accounting standards

- 5 The Secretary of State is responsible for—
- a) the adoption of international accounting standards for use within the United Kingdom, with a view to harmonising the financial information presented by the companies required by section 403(1) of the Companies Act 2006 to prepare their accounts in accordance with UK-adopted international accounting standards, in order to ensure—
 - (i) a high degree of transparency and international comparability of financial statements; and
 - (ii) the efficient allocation of capital, including the smooth functioning of capital markets in the United Kingdom; and
 - b) participating in and contributing to the development of a single set of international accounting standards.

Power of the Secretary of State to adopt international accounting standards

- 6 (1) The Secretary of State may adopt international accounting standards for use within the United Kingdom, in accordance with regulations 7 and 8
- (2) In exceptional circumstances, the Secretary of State may exercise the power to adopt international accounting standards in accordance with paragraph (3) or (4).
- (3) Where the effect of regulation 7 is that an international accounting standard taken as a whole cannot be adopted, the Secretary of State may adopt an international accounting standard in part only, provided that—
- a) those parts of the standard which are not adopted are—
 - (i) severable from the standard so that the rest of the standard is operational;

¹ <https://www.legislation.gov.uk/uksi/2019/685/made>.

- (ii) severed only to the extent necessary to enable adoption of the rest of the standard for use within the United Kingdom; and
 - b) adoption of that part of the standard would be in compliance with regulation 7.
- (4) Where there is an option available as part of the standard, the Secretary of State may—
- a) make provision in the standard to extend the scope of undertakings eligible to use that option; and
 - b) make such extension of scope subject to an undertaking meeting criteria specified by the Secretary of State.

Basis for adoption of international accounting standards

- 7 (1) The Secretary of State may only adopt an international accounting standard under regulation 6 if the Secretary of State is of the view that, in relation to the form of the standard the Secretary of State intends to adopt—
- a) the standard is not contrary to either of the following principles—
 - (iii) an undertaking's accounts must give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss;
 - (iv) consolidated accounts must give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the accounts taken as a whole, so far as concerns members of the undertaking;
 - b) the use of the standard is likely to be conducive to the long term public good in the United Kingdom; and
 - c) the standard meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.
- (2) In deciding whether the use of a standard is likely to be conducive to the long term public good in the United Kingdom, the Secretary of State must have regard, in particular, to the following matters—
- a) whether the use of the standard is likely to improve the quality of financial reporting;
 - b) the costs and benefits that are likely to result from the use of the standard; and
 - c) whether the use of the standard is likely to have an adverse effect on the economy of the United Kingdom, including on economic growth.
- (3) The Secretary of State may, by regulations made by statutory instrument, amend paragraph (2).

(4) Regulations made under paragraph (3) are subject to annulment in pursuance of a resolution of either House of Parliament.

Adoption of standards: consultation

8 Before adopting an international accounting standard under regulation 6, the Secretary of State must consult such persons as the Secretary of State considers to be representative of those with an interest in the quality and availability of accounts, including users and preparers of accounts.

Consideration of standards: publication requirements

9 (1) The Secretary of State must publish the final decision in relation to any standard which the Secretary of State has considered for adoption under regulation 6, giving reasons for any decision to—

- a) adopt the standard in whole;
- b) adopt the standard in part;
- c) extend the scope of undertakings eligible to use an option in the standard; or
- d) not adopt the standard.

(2) Where the Secretary of State adopts a standard under regulation 6, the Secretary of State must publish within 3 working days, beginning with the day after the day that the standard is adopted—

- a) a statement that the standard has been adopted;
- b) the wording of the adopted standard;
- c) where the scope of undertakings eligible to use an option in the standard has been extended, a statement that that this has been done, setting out the full details; and
- d) a description of the financial years in respect of which that standard must be used.

(3) The Secretary of State must maintain and publish a consolidated text of UK-adopted international accounting standards, which must be kept up to date.

(4) Information required to be published under paragraphs (1), (2) and (3) must be published on the same website.

(5) In this regulation, “working day” means any day other than—

- a) Saturday or Sunday;
- b) Christmas Day or Good Friday; or

- c) a day which is a bank holiday under the Banking and Financial Dealings Act 1971(a) in any part of the United Kingdom”.

