



Professional Ethics Division

New and revised definitions related to public interest entities

Effective December 15, 2023 and December 15, 2024

Standards-setting

December 11, 2023

Ethics interpretations and other guidance are promulgated by the executive committee of the Professional Ethics Division to provide guidelines about the scope and application of the rules but are not intended to limit such scope or application. Publication in the *Journal of Accountancy* constitutes notice to members.

The Professional Ethics Executive Committee adopted the following changes to the Code of Professional Conduct at its November 2023 meeting:

- New definition “publicly traded entity” (ET sec. 0.400.45)
- Revised definition “public interest entity” (ET sec. 0.400.43)

Notice of the revisions will appear in the *Journal of Accountancy* online on December 11, 2023.

The effective date for the “publicly traded entity” definition is December 15, 2023. The revised definition for “public interest entity” is effective for periods beginning on or after December 15, 2024, with early implementation allowed. For an entity that, under the revised definition, is no longer considered a public interest entity, the revised definition is effective December 15, 2023.

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Terms defined in the AICPA Code of Professional Conduct are italicized in this document. If you'd like to see the definitions, you can find them in "Definitions" ([ET sec. 0.400](#)).

Text of new definition *publicly traded entity*

0.400 Definitions

.45 Publicly traded entity. An entity that issues financial instruments that are transferable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. When an entity is required to file a registration statement with the SEC, the entity will be considered a publicly traded entity when the registration statement becomes effective.

Effective Date This definition is effective December 15, 2023.

Additions appear in ***boldface italic***. Deletions appear in ~~strikethrough~~.

Terms defined in the AICPA Code of Professional Conduct are italicized in this document. If you'd like to see the definitions, you can find them in "Definitions" ([ET sec. 0.400](#)).

Text of revised definition *public interest entity*

0.400 Definitions

.43 Public interest *entity* entities. An *entity* is a public interest entity when it falls within any one of the All of the following *categories*:

- a. ~~All listed entities, including entities that are outside the United States whose shares, stock, or debt are quoted or listed on a recognized stock exchange or marketed under the regulations of a recognized stock exchange or other equivalent body. A~~ ***publicly traded entity whose auditor is subject to provisions of Regulation S-X, SEC Rule 2-01, "Qualifications of Accountants," that are applicable to auditors of issuers.***
- b. ***An entity one of whose main functions is to take deposits from the public***
 - i. ***that meets the annual audit requirement imposed by Part 363 of the FDIC's regulations (12 CFR 363, Annual Independent Audits and Reporting Requirements) and***
 - ii. ***that has consolidated total assets of \$1 billion or more as of the beginning of the fiscal year.***
- c. ***An entity one of whose main functions is to provide insurance to the public***
 - i. ***that is subject to the National Association of Insurance Commissioners Annual Financial Reporting Model Regulation (Model Audit Rule) and***
 - ii. ***that has \$500 million or more in annual direct written and assumed premiums.***
- d. ***An investment company, other than an insurance company product, that is registered with the SEC pursuant to the Investment Company Act of 1940 and***

the Securities Act of 1933.

- b. ~~Any entity for which an audit is required by regulation or legislation to be conducted in compliance with the same *independence* requirements that apply to an audit of listed entities (for example, requirements of the SEC, the PCAOB, or other similar regulators or standard setters).~~

Members may wish to consider whether additional entities should also be treated as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered may include

- ~~the nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders;~~
- ~~size; and~~
- ~~number of employees.~~

When a member performs a financial statement audit subject to the regulatory requirements described in (a)–(d), a member ~~Members~~ should **comply with the applicable independence requirements as required by the “Governmental Bodies, Commissions, or Other Regulatory Agencies” interpretation [1.400.050] of the “Acts Discreditable Rule” [1.400.001]** refer to the ~~independence~~ regulations of applicable authoritative regulatory bodies when a ~~member~~ performs attest services and is required to be independent of the ~~attest client~~ under such regulations. [Prior reference: paragraph .20 of ET section 100-1]

[See [Revision History Table](#).]



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