Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

ASF Review: Definition of Public Accountability

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Overview and context

The context behind this paper — and the conclusion staff reached.

01

The XRB is conducting a **comprehensive review** of the Accounting Standards Framework (**ASF**)

02

This paper focuses on a **single ASF component**: the definition of public accountability

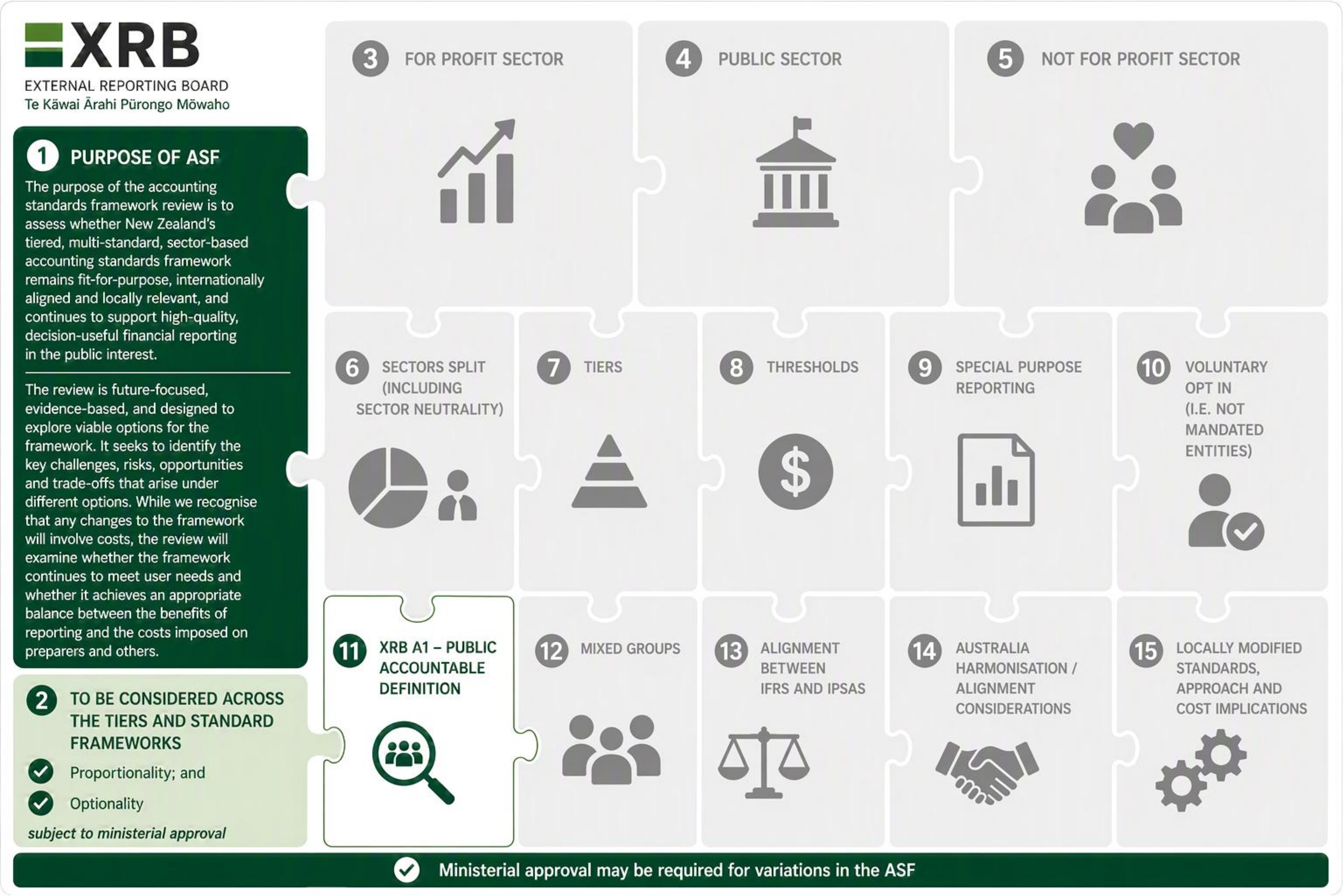
03

Staff have **assessed whether the definition** warrants change as part of this review

04

Staff's conclusion — and the reasons behind it — is set out later in this paper

Public Accountability



Definition of public accountability

The definition has two limbs drawn from the IASB, with a NZ-specific deeming provision overlay tied to legislation.

Limb 1

Publicly Traded Instruments

Debt or equity instruments are traded on a recognised public market.

Listed companies or entities with publicly traded debt securities.

OR

Limb 2

Fiduciary Capacity

Assets held in a fiduciary capacity for a broad group of outsiders as a primary business.

e.g., banks, insurers, credit unions.

OR

NZ Deeming Overlay

FMCA — HLPA Designation

Entities designated under the FMCA as Higher Level of Public Accountability (HLPA) are deemed to have public accountability.

Note
FMC reporting entity status alone does not qualify — only those with the HLPA designation.

Why it matters

Public accountability is the gateway to Tier 1 — it determines which entities apply the most comprehensive reporting standards.

Has public accountability

Tier 1

Full NZ IFRS or PBE IPSAS-based standards

↕

No public accountability

Tier 2

Eligible for reduced disclosure regime

Why getting this right matters

- **Applies across both sectors** — for-profit entities and public benefit entities (PBE) are both governed by this definition
- **Proportionality** — ensures reporting requirements are matched to the level of public interest an entity carries
- **International consistency** — supports alignment with global standards

How it applies in each sector

Public accountability drives Tier 1 in the for-profit sector; in the PBE sector, most Tier 1 status is driven by size rather than the definition.

For-Profit Sector

Public accountability is a key Tier 1 criterion.

Entities typically in Tier 1:

- Listed issuers
- Registered banks
- Licensed insurers
- Credit unions and building societies
- Managed investment schemes

PBE Sector

Public Sector

Not-For-Profit

Tier 1 if public accountability **OR** total expenses > $33 million

In practice, very few public sector PBEs qualify via public accountability alone — most reach Tier 1 through the size threshold.

Key distinction: *Technical public accountability ≠ broader accountability to Parliament or taxpayers.*

Why no change is proposed

Three converging reasons support leaving the definition unchanged at this time.

Reason 1

Internationally Anchored

Aligns with the **IASB definition** of public accountability.
Diverging would undermine global consistency and comparability across jurisdictions.

Reason 2

Legislatively Linked

Connected to the **FMCA and FMA HLPA designations**.
Underlying HLPA designations sit outside the XRB’s authority.

Reason 3

Recently Updated

The **2025 Amendments to XRB A1** addressed practical application challenges.
Mandatory from **1 January 2027**. Further change now would be premature.

Have your say

Scan the QR code to provide feedback on this topic and help inform the development of the Discussion Paper.

XRB A1 Public Accountability Definition

We welcome your feedback as we develop our thinking on the future of New Zealand's Accounting Standards Framework. These videos outline some of the key issues and considerations we are currently exploring. We are keen to hear whether our analysis is complete, whether there are other challenges or opportunities we should consider, and whether there are perspectives we may have overlooked.

You can provide feedback at any stage by scanning the relevant QR code and completing the short survey for the XRB A1 - Public Accountability Definition. Your input will help inform the development of the Discussion Paper.