Memorandum

To:	NZASB Members
Meeting date:	6 August 2026
Subject:	**Review of the Accounting Standards Framework (ASF) – Definition of public accountability**
Date:	24 July 2026
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☒ **Action Required** ☐ **For Information Purposes Only**

Purpose

1. This paper provides the New Zealand Accounting Standards Board (**NZASB**) with an overview of the definition of public accountability in XRB A1 *Application of the Accounting Standards Framework* (**XRB A1**) and explains how that definition operates across the for-profit sector and the public sector as part of the Accounting Standards Framework (**ASF**) review.

2. This paper supports the broader ASF review by explaining the concept of public accountability, which is referred to throughout the discussion paper and accompanying papers. It provides common background to assist readers in understanding where public accountability fits within XRB A1 and how it affects tier allocation, without reconsidering the broader tier structure, size, thresholds or legislative reporting requirements at this stage.

Recommendations

3. We recommend the Board:

   - **NOTE** the explanation of the definition of public accountability and its role in determining tier allocation under the ASF.
   - **AGREE** that the XRB should not explore changes to the definition of public accountability further as part of the ASF review, unless matters are identified through the broader review that indicate further consideration is necessary; and
   - **AGREE** with the proposed information for stakeholders to be included in the public discussion paper on this topic (outlined in blue text).

Background

4. The ASF was introduced in 2012 following changes to New Zealand's financial reporting system. It established a multi-sector and multi-tiered approach to financial reporting requirements in New Zealand, replacing the previous sector-neutral approach, under which New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**) applied across both for-profit entities and public benefit entities (**PBEs**). The current approach establishes separate suites of reporting standards for both the for-profit entities and PBEs.

5. With this approach, generally more comprehensive reporting requirements apply to entities with public accountability or significant size, while reduced reporting requirements may apply to entities with lower levels of public accountability or external reliance.

6. Figure 1 illustrates where public accountability fits within the XRB A1 flow. Public accountability is a key factor after an entity's reporting sector has been determined as this identifies whether the entity must apply the most comprehensive reporting requirements or not.

Figure 1: Where public accountability fits in the ASF tiering model

The XRB A1 flow determines the applicable accounting standards through sequential decision points. Public accountability is considered at the tier allocation stage as one criterion for determining whether an entity applies Tier 1 reporting requirements.

1 Reporting Obligation	**Is the entity required under legislation, or does it opt in to prepare general purpose financial reports in accordance with XRB standards?**	If yes, XRB A1 determines the applicable accounting standards.
2 Sector Classification	**Is the entity a for-profit entity or public benefit entity (PBE)?**	Determines whether the for-profit or PBE tier structure applies.
3 Sector Tier Structure	**Which tier structure applies in that sector?**	For-profit entities → Tier 1 or Tier 2. PBEs → Tier 1, 2, 3, or 4
Public Accountability	**Does the entity have public accountability under XRB A1?** ★ Key decision	If yes → public accountability is a Tier 1 criterion. If no → other tier criteria apply (size, sector-specific requirements).
4 Applicable Standards	**Which accounting standards apply?**	The entity applies the accounting standards specified for its sector and tier.

Note: This figure focuses on where public accountability fits within the XRB A1 flow. Other ASF papers explain the broader sector and tiering framework in more detail.

7. Public accountability for accounting purposes is distinct from legislative status as a reporting entity. As seen above, legislation determines which entities must prepare GAAP-compliant financial statements and XRB A1 then determines which suite of standards and which tier applies to those entities. The fact that an entity is required to report GAAP-compliant financial statements does not, by itself, determine whether it has public accountability or whether it applies Tier 1 requirements.

8. This distinction is important for the ASF review because it separates the question of who is required to report from the question of what level of reporting requirements should apply once an entity is within the statutory reporting framework.

Definition of public accountability in XRB A1

9. XRB A1 uses the International Accounting Standards Board (**IASB**) definition of public accountability. This reflects the NZASB's rationale (as outlined in paragraph BC13 of XRB A1) that the IASB definition of public accountability as a Tier 1 criterion was appropriate to:

   - Link to the information needs of existing or potential investors;
   - Align with what the IASB sees as the group of entities that operate in the capital market and for which IFRS has been developed; and
   - Align with Australia which also uses the IASB's definition, plus a deeming approach, as the Tier 1 criteria.

10. In establishing the ASF, the NZASB placed significant weight on trans-Tasman harmonisation, reflecting both Government policy and the number of entities with reporting obligations in New Zealand and Australia. The framework therefore adopts public accountability as the primary criterion for Tier 1, supplemented by a deeming approach relevant to the New Zealand context. This aligns closely with the Australian model and supports consistency in reporting requirements across the two jurisdictions, while also maintaining alignment with the international concept of public accountability.

11. Broadly, an entity has public accountability if its debt or equity instruments are traded in a public market, or if it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. The exact definition, including the New Zealand deeming provisions for certain Financial Markets Conduct (**FMC**) reporting entities, is included in Appendix 1.

12. In New Zealand, the Financial Markets Conduct Act 2013 (**FMCA**) identifies certain FMC reporting entities, or classes of FMC reporting entities, as having a Higher Level of Public Accountability (**HLPA**). This designation applies to entities identified under section 461K of the FMCA or by notice issued by the Financial Markets Authority (**FMA**) under section 461L(1)(a). XRB A1 deems these entities to have public accountability for accounting purposes. Appendix 2A illustrates how these two concepts are connected.

13. The XRB A1 deeming provisions link the accounting concept of public accountability with the HLPA designation under the FMCA. However, being an FMC reporting entity does not, by itself, mean that an entity has public accountability for accounting purposes. Only FMC reporting entities that have HLPA under the FMCA, or are covered by an FMA notice, are deemed to have public accountability. Appendix 2B identifies the entities that are currently considered to have HLPA.

14. Public accountability in XRB A1 is based on two components. The first is the IASB definition of public accountability, which provides the international basis for the concept and supports alignment with IFRS-based reporting frameworks. The XRB could depart from that international definition, but doing so would need to be considered carefully because would affect international consistency and comparability. The second is the New Zealand-specific deeming provisions, which link public accountability to the HLPA designation under the FMCA, which is determined by the FMA.

15. The XRB can decide how these deeming provisions are incorporated into XRB A1 for accounting purposes, but the underlying HLPA categories are set through legislation or FMA notices rather than by the XRB.

Application in the for-profit sector

16. In the for-profit sector, public accountability is one of the key criteria used to allocate entities to Tier 1. Under the current ASF, Tier 1 for-profit entities include entities that have public accountability and large for-profit public sector entities. Tier 2 applies to for-profit entities that do not have public accountability and, for for-profit public sector entities, those that are not large (total expenses exceeding $33 million).

17. The public accountability concept is intended to identify entities for which there is a high level of external reliance on general purpose financial statements. This includes entities that access public capital markets and entities that hold or manage assets for a broad group of outsiders as a primary business.

18. The practical effect is that entities such as listed issuers, registered banks, licensed insurers, credit unions, building societies and certain managed investment schemes will generally be allocated to Tier 1 where they meet the relevant criteria.

19. The Tier 1 for-profit paper discusses the characteristics of these entities and their reporting framework in more detail. This paper explains the definition that underpins that tier allocation.

Application in the public benefit entity sector

20. In the PBE sector, public accountability is also relevant to tier allocation. A PBE is allocated to Tier 1 if it has public accountability or is large with total expenses exceeding $33 million. This means that public accountability can apply to public sector entities and not-for-profit entities, although many Tier 1 PBEs are in Tier 1 because they meet the size threshold rather than because they meet the public accountability definition.

21. In practice, only a very small number of public sector PBEs are understood to have public accountability by meeting the definition in XRB A1. These entities generally have public accountability because they have debt instruments traded in a public market (by Central Government or Local Councils). For not-for-profit PBEs, it is generally rare for them to meet the public accountability definition in XRB A1 (as they do not issue traded instruments). Most other Tier 1 PBEs (in both the public sector and not-for-profit sectors) are Tier 1 because they exceed the expenditure size threshold, which will be explored separately within the tiers and thresholds element of the ASF Review.

22. The public sector context also involves broader accountability to Parliament, taxpayers, ratepayers, service users and other stakeholders. That broader public sector accountability is important to financial reporting, but it is not the same as the technical definition of public accountability in XRB A1.

23. This distinction is important as the term "public accountability" may be understood more broadly by stakeholders in a public sector context. For ASF purposes, however, public accountability is a defined accounting concept used for tier allocation. Other forms of public accountability, including accountability for the use of public resources and service delivery, are addressed through the design of PBE Standards and service performance reporting requirements rather than through the public accountability definition alone.

Why the definition matters for the ASF review

24. The definition of public accountability matters because it is one of the criteria used to determine when full reporting requirements apply. It is therefore central to the proportionality of the ASF and is within the XRB's control to amend for the New Zealand context.

25. The ASF establishes the reporting framework for those entities that have a statutory obligation, or that opt under an enactment, to prepare financial statements or financial reports that comply with generally accepted accounting practice (**GAAP**) or non-GAAP standards that are issued by the XRB, hereafter referred to as general purpose financial reports (**GPFR**).

26. Primary users of GPFR rely on those reports for different purposes depending on the entity type. Individual primary users have different, and possibly conflicting, information needs and desires. The NZASB, in developing Accounting Standards, seek to provide the information set that will meet the needs of the maximum number of primary users. Entities with public accountability will generally have a greater number of primary users who have a wider range of needs, which drives the need for more comprehensive reporting requirements.

27. The definition also supports consistency across sectors by providing a common technical concept for identifying entities with public accountability. However, its application operates alongside other sector-specific tier criteria, including the large entity thresholds for for-profit public sector entities and PBEs.

28. For the purposes of the ASF review, public accountability is one factor within the broader tiering model. It should be read together with the sector definitions, size thresholds, legislative reporting requirements and the objectives of each standards suite.

29. Entities that are not publicly accountable, and are not large for-profit public sector entities, can still choose to apply the full Tier 1 requirements voluntarily if they consider that full IFRS reporting better meets their users' needs.

Why staff do not propose exploring changes to the definition at this stage

30. XRB staff do not propose exploring changes to the definition of public accountability as part of the ASF review. The current definition has an international component, based on the IASB definition with in their IFRS for SMEs Standard, and a New Zealand-specific component, based on deeming provisions linked to the FMCA HLPA designation.

31. In New Zealand, legislation requires the Tier structure to take into account an FMC reporting entity's level of public accountability, which is done through the current definition (as noted in paragraph BC15 of XRB A1).

32. Because these components are either internationally anchored or linked to legislative or FMA determinations, we consider that any change would need strong evidence that the current definition is not operating appropriately (which we have not identified). The definition has also recently been through the Amending Standard *2025 Amendments to XRB A1 Application of the Accounting Standards Framework* (mandatory from 1 January 2027) to make the application of public accountability easier in New Zealand.

33. The current public accountability definition within the ASF:

- Aligns with international definitions developed by the IASB and ensures global comparability and consistency of entities which are significant to the global economy and have responsibilities to the wider public through their activities and services, and

- Is locally relevant as it recognises the legal designations which exist in New Zealand and how these can alter the degree of accountability for certain entities. This current definition fits within New Zealand's diverse legislative reporting framework.
- Meets legislative requirements using mechanisms within the XRB's mandate, as New Zealand legislation requires the Tier structure within the ASF to take into account an FMC reporting entity's level of public accountability.

34. The public accountability definition continues to serve its intended role as one criterion for identifying entities for which Tier 1 reporting requirements are appropriate. The XRB has already responded to feedback received on how this definition works in practice as part of the 2025 amendments and we consider the definition to be fit for purpose for the New Zealand reporting environment going forward.

Question for the Board

Q1. Does the Board **AGREE** that there is no current need to explore changes to the definition of public accountability as part of the ASF review, unless matters are identified through the broader review or consultation feedback that indicate further consideration is necessary?

Extract of public discussion paper

35. We propose including the following wording within the public discussion paper to explain why the definition of public accountability is not being explored during the ASF review and why there are no specific questions requesting feedback on public accountability.

The XRB is not exploring changes to the definition of public accountability as part of the ASF review but is focussed on broader framework issues and ensuring these remain fit-for-purpose and internationally aligned and locally relevant.

We consider the current public accountability definition within the ASF:

- Aligns with international definitions developed by the IASB and ensures global comparability and consistency of entities which are significant to the global economy and have responsibilities to the wider public through their activities and services, and
- Is locally relevant as it recognises the legal designations which exist in New Zealand and how these can alter the degree of accountability for certain entities. This current definition fits within New Zealand's diverse legislative reporting framework.
- Meets legislative requirements using mechanisms within the XRB's mandate, as New Zealand legislation requires the Tier structure within the ASF to take into account an FMC reporting entity's level of public accountability.

We note the definition was recently reviewed and updated through the Amending Standard *2025 Amendments to XRB A1 Application of the Accounting Standards Framework*, which became mandatory on 1 January 2027. Those amendments were specifically developed to address several practical application challenges identified by stakeholders.

Question for the Board

Q2. Does the Board have any **FEEDBACK** on the proposed wording to be included into the public discussion paper around why the definition of public accountability is not being explored during the ASF review?

Appendix contents

The appendices provide supporting material for the explanation of public accountability in the main paper. The table below summarises the purpose of each appendix.

Appendix	Title	What it contains
Appendix 1	Definition of public accountability in XRB A1	Includes the relevant extract from XRB A1 setting out the definition of public accountability and the New Zealand deeming provisions.
Appendix 2A	FMC reporting entities and the connection to the public accountability concept	Explains how the FMCA higher level of public accountability designation connects to public accountability for accounting purposes under XRB A1.
Appendix 2B	FMC reporting entities currently with HLPA	Identifies the FMC reporting entities or classes of FMC reporting entities that are currently considered to have a higher level of public accountability.
Appendix 3	Overview slides	For an overview of the information within this paper, please refer to the accompanying public accountability definition slides.

Appendix 1: Definition of public accountability in XRB A1

The following extract is included for ease of reference when reading paragraph 9 of this paper.

Extract from XRB A1 Application of the Accounting Standards Framework (from 1 January 2027)

Public accountability

7 For the purpose of applying the Tier 1 criteria, an entity has public accountability if:

(a) it meets the IASB definition of public accountability as specified in paragraph 8 (subject to paragraph 10); or

(b) it is deemed to have public accountability in New Zealand in accordance with paragraph 9.

8 The IASB defines an entity as having has public accountability if:

(a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or

(b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

8A In New Zealand, the application of the paragraph 8(b) is subject to the following additional considerations.

(a) An FMC reporting entity is considered to have public accountability in accordance with paragraph 8(b) if, and only if, the FMC reporting entity is deemed to have public accountability in accordance with paragraph 9.

(b) Paragraph 8(b) provides that “banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks” often have public accountability. In New Zealand, this statement may not necessarily apply to every type of entity listed in the IASB definition. For example, in New Zealand, many entities known as ‘brokers’ or ‘dealers’ do not hold client assets in a fiduciary capacity, but instead mainly provide investment portfolio advice and/or transactional services. Judgement is required in determining whether a non-FMC reporting entity holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses, when applying paragraph 8(b). Additional guidance is provided in paragraphs 11 and 12.

9 An entity is deemed to have public accountability in New Zealand if:

(a) it is an FMC reporting entity or a class of FMC reporting entities that is considered to have a “higher level of public accountability” than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013[1]; or

(b) it is an FMC reporting entity or a class of FMC reporting entities that is considered to have a “higher level of public accountability” by a notice issued by the Financial Markets Authority (FMA) under section 461L(1)(a) of the Financial Markets Conduct Act 2013.

10 [Deleted]

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[1] *The terms “FMC reporting entity” and an FMC reporting entity with a “higher level of public accountability” are set out in the Financial Markets Conduct Act 2013. Under the Financial Markets Conduct Act 2013, certain FMC reporting entities are considered to have a higher level of public accountability for financial reporting purposes. These include issuers of equity securities or debt securities under a regulated offer; managers of registered schemes (in respect of financial statements of a scheme or fund); listed issuers; registered banks; licensed insurers; credit unions and building societies. In addition, the FMA may, by notice, specify that an entity (or a group of entities) is considered to have a higher level of public accountability or not to have a higher level of public accountability than other FMC reporting entities.*

11 Some entities may hold assets in a fiduciary capacity for a broad group of outsiders because they hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity. However, if they do so for reasons incidental to a primary business, that does not mean that they have public accountability. For example:

(a) this may be the case for travel or real estate agents, schools, charitable organisations, co-operative enterprises requiring a nominal membership deposit and sellers that receive payment in advance of delivery of the goods or services such as utility companies;

(b) in the public sector, a government department whose primary business is the provision of state housing to tenants does not have public accountability if it also manages trust money (rental bonds) on behalf of those tenants as an incidental activity to its primary business; and

(c) in the not-for-profit sector, a not-for-profit entity that provides a wide range of welfare services to beneficiaries as its primary activity does not have public accountability merely because it holds welfare benefits on behalf of some of those beneficiaries to assist them with budgeting. While the entity is holding assets in a "fiduciary capacity for a broad group of outsiders" it is not holding them "as one of its primary businesses". This is because providing the budgeting services is an incidental activity to its primary activity of providing a range of welfare services to beneficiaries.

12 Trustees of a trust are required to act in a fiduciary capacity for the benefit of the beneficiaries of that trust or in achieving the objects of the trust. However, this does not necessarily mean that the trust has public accountability as defined in paragraph 8(b). For example, a trust would not have public accountability when the financial resources or other resources held and managed by the trust are not the resources of specified individual beneficiaries, in the manner that the financial resources of the entities listed in paragraph 8(b) are the resources of the individual clients, customers and members of those entities.

13 Where the entity is a group in New Zealand, and the parent/controlling entity of the group has public accountability, the group is deemed to have public accountability. A group is not considered to have public accountability solely by reason of a subsidiary/controlled entity having public accountability.

Appendix 2A: FMC reporting entities and the connection to the public accountability concept

Financial Markets Conduct Act 2013 (FMCA)

The FMCA identifies certain FMC reporting entities, or classes of FMC reporting entities, as having Higher Levels of Public Accountability (HLPA).

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HLPA designation

Entities are designated as having HLPA under section 461K of the FMCA or by notice issued by the Financial Markets Authority (FMA) under section 461L(1)(a).

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XRB A1 deeming provisions

XRB A1 paragraph 9 deems those FMC reporting entities with HLPA to have public accountability for accounting purposes.

Not all FMC reporting entities have HLPA. Only those designated as having HLPA (or are covered by an FMA notice) are deemed to have public accountability for accounting purposes.

↓

Use in the Accounting Standards Framework (ASF)

Public accountability is one of the criteria used in the ASF to determine tier allocation and the applicable financial reporting requirements, alongside other factors such as entity size and sector.

Note

This illustration above shows how the HLPA designation under the FMCA is linked to the accounting concept of public accountability through the deeming provisions in XRB A1.

Appendix 2B: FMC reporting entities currently with HLPA

Entity Type	FMC Reporting Entity	FMC Reporting Entity with HLPA[2]	Note
Issuer of regulated offer – equity securities only, <50 shareholders	✗	✗	*FMCA s452 carve-out*
Issuer of regulated offer – equity securities, ≥50 shareholders	✓	✓	
Issuer of regulated offer – debt securities	✓	✓	
Listed Issuer	✓	✓	
Manager of registered schemes — Manager level financial statements	✓	✗	*Not HLPA unless triggered otherwise[3]*
Registered schemes (incl. KiwiSaver schemes) — Scheme level financial statements	✓	✓	*HLPA applies at scheme level only – s461K(1)(b)*
Licensed Supervisor	✓	✗	
Operators of licensed markets	✓	✗	
Conduit issuer / recipient of money from conduit issuer	✓	✗	
Registered bank	✓	✓	
Licensed insurer	✓	✓	
Credit Union	✓	✓	
Building Society	✓	✓	
FMC reporting entity designated by notice from FMA	✓	**Depends**	

[2] *Not all FMC reporting entities carry Higher Level Public Accountability obligations — the distinction depends on entity type and statutory triggers under the Financial Markets Conduct Act.*

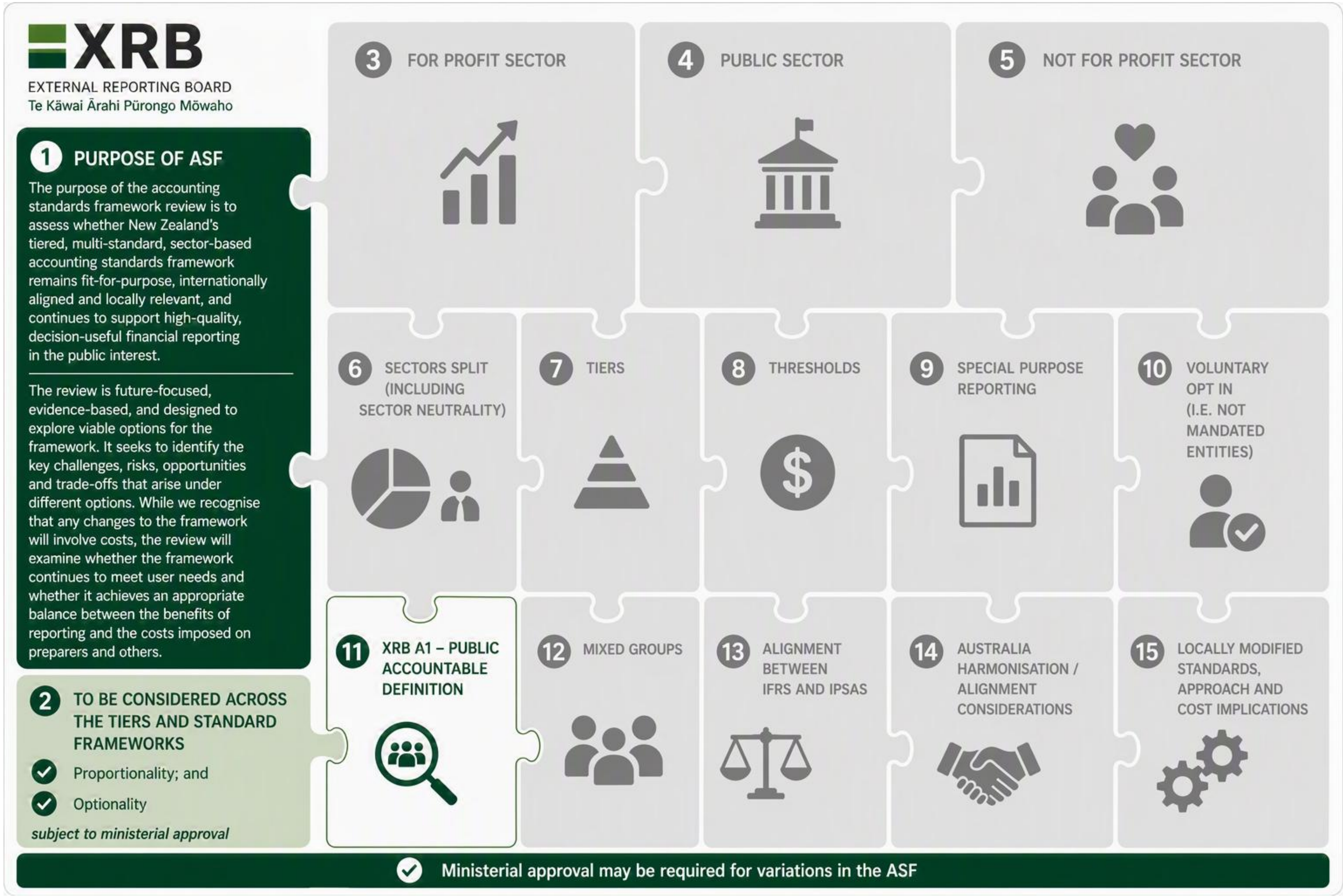
[3] *For a manager of a registered scheme, higher public accountability applies only to the scheme or fund financial statements. The manager entity itself does not have HLPA unless it independently meets another statutory HLPA trigger, such as being a listed issuer or an issuer of regulated products in its own right.*

Appendix 3: Overview Slides

Note:
Refer to the overview slides for this paper on the next page.

Public accountability

Public Accountability



Public accountability and large for-profit public sector entity requirements

Tier 1 for-profit entities		
Has public accountability	**Or**	**A large for-profit public sector entity with total expenses > $30mil**
XRB A1.9 - An entity is deemed to have public accountability in New Zealand if: a) it is an FMC reporting entity or a class of FMC reporting entities that is considered to have a “higher level of public accountability” than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013; or b) it is an FMC reporting entity or a class of FMC reporting entities that is considered to have a “higher level of public accountability” by a notice issued by the Financial Markets Authority (FMA) under section 461L(1)(a) of the Financial Markets Conduct Act 2013.		XRB A1.6 Definitions – Public benefit entities (PBEs) are reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders. For-profit entities are reporting entities that are not public benefit entities. For-profit public sector entities are for-profit entities that are public entities as defined in the Public Audit Act 2001 (Section 5) which includes seven types of entities including the Crown, offices or parliament and parliamentary agencies, etc.