AICPA®

Professional Ethics Division

Exposure draft:

Proposed Revised Definition of *Public Interest Entity* (ET sec. 0.400)

June 15, 2026

Comments are requested by September 15, 2026

Standard-setting

Invitation to comment

June 15, 2026

Are you interested in the ethics of the accounting profession? If so, we want to hear your thoughts on this exposure draft. Your comments are integral to the standard-setting process, and you don't need to be an AICPA member to participate.

This proposal is the AICPA's Professional Ethics Executive Committee's (PEEC's) effort to revise the definition of *public interest entity* to allow for current and future threshold updates made by the FDIC and the National Association of Insurance Commissioners.

This exposure draft explains proposed revisions to the AICPA Code of Professional Conduct and includes the full text of the guidance under consideration.

At the conclusion of the exposure period, PEEC will evaluate the comments and determine whether to publish the revised definition.

Again, your comments are an important part of the standard-setting process — please take this opportunity to comment. We must receive your response by September 15, 2026. All written replies to this exposure draft will become part of the public record of the AICPA.

In response to requests from members and other stakeholders, we are offering this online form[1] for comments and we encourage you to use it. Not only will it simplify and shorten your response time, but it will help us in the review process. Alternately, you may email your comments to ethics-exposuredraft@aicpa.org.

Sincerely,

Anna Dourdourekas, Chair
Professional Ethics Executive Committee

Toni Lee-Andrews, CPA, PFS, CGMA — Senior Director
Ethics and Peer Review

[1] https://bit.ly/4fxJ8OK — Do you have ideas for making comment forms easier to use? Let us know at ethics-exposuredraft@aicpa.org.

Contents

Explanation of the proposed revised definition of *public interest entity*

Overview

1. The Professional Ethics Executive Committee (PEEC) is asking for comments on proposed revisions to the definition of *public interest entity* (PIE). If adopted, the revisions will be in paragraph .44 of ET section 0.400 and will apply to members in public practice.

2. The PIE definition includes certain financial institutions and insurers that currently rely on specific dollar thresholds drawn from FDIC and National Association of Insurance Commissioners (NAIC) requirements. As noted in PEEC's [*Background and Basis for Conclusions: New definition of* publicly traded entity *and revised definition of* public interest entity,] PEEC believes it is appropriate to defer to the relevant regulators on which entities are higher-risk and the thresholds that apply to them.

3. The FDIC recently updated several thresholds. The NAIC reviews its thresholds annually but has not made recent changes. To avoid future misalignment and repeated updates to the AICPA Code of Professional Conduct (code), PEEC proposes to do the following:

    a. Remove the specific dollar thresholds from categories *b* and *c* of the PIE definition.

    b. Tie the definition directly to FDIC and NAIC requirements so future threshold changes will apply automatically.

4. These revisions will not change PEEC's conclusions in the basis for conclusions document.

Background: Deposits from the public (category *b*)

5. Category *b* of the extant PIE definition includes financial institutions that

    a. must obtain an annual audit under FDIC Part 363 and

    b. have total assets of $1 billion or more at the beginning of the fiscal year.

6. When PEEC created this category,

    a. the Part 363 audit requirement applied to financial institutions with more than $500 million in total assets, and

    b. financial institutions with more than $1 billion in total assets were treated as higher-risk and had additional requirements.

7. For institutions with more than $1 billion in consolidated total assets, Part 363 includes requirements such as an independent audit committee of outside directors (section 363.5), management's assessment of and report on the effectiveness of the entity's internal control structure and procedures (section 363.2(b)), and an independent auditor's report on management's assessment of the effectiveness of the institution's internal control over financial reporting (ICFR) (section 363.3(b)).

8. PEEC concluded that the FDIC's $1 billion threshold appropriately identified higher-risk institutions and was suitable for defining PIEs.

FDIC updates to regulatory thresholds

9. FDIC asset thresholds stayed largely unchanged for more than 30 years. Because static thresholds can create unintended consequences — for example, smaller banks facing requirements meant for larger ones — the FDIC updated certain thresholds.

10. On December 4, 2025, the FDIC issued a final rule (effective January 1, 2026) that

    a. raises the audit-requirement threshold from $500 million to $1 billion and

    b. raises the threshold from $1 billion to $5 billion for the Part 363 requirements described in paragraph 7.

11. The institutions covered by Part 363 are expected to stay near historical levels (about 1,000). The updated thresholds still cover nearly the same share of industry assets:

    a. Institutions with more than $1 billion: about 95% of industry assets

    b. Institutions with more than $5 billion: about 89% of industry assets

12. Beginning October 1, 2027, the FDIC will adjust thresholds for inflation once every two years — or more often if inflation exceeds 8% in any two-year period.

Background: Insurance to the public (category *c*)

13. Category *c* of the extant PIE definition includes insurers that

    a. are subject to the NAIC Annual Financial Reporting Model Regulation (the Model Audit Rule, or MAR) adopted by the applicable state insurance department and

    b. have $500 million or more in annual direct written and assumed premiums.

14. For insurers with direct and assumed premiums exceeding $500 million, MAR includes requirements such as an independent audit committee (section 14h), an independent internal audit function reporting regularly to the audit committee (section 15), and

management's report to the insurance commissioner on internal control over financial reporting (ICFR) (section 17).

15. PEEC concluded that the MAR's $500 million threshold appropriately identified higher-risk insurers and was suitable for defining PIEs.

Proposal

16. To keep the code's definition of PIE aligned with FDIC and NAIC requirements, PEEC proposes to do the following:

    a. Remove the specific dollar thresholds from categories *b* and *c*.

    b. Use language that does not need to be updated if the FDIC or NAIC changes its thresholds.

17. PEEC also proposes removing the audit requirement in category *b* because it is triggered at a lower threshold than the other Part 363 requirements. Financial institutions that meet the threshold for the Part 363 requirements described in paragraph 7 would already meet the audit requirement.

18. These changes will still capture financial institutions that the FDIC considers higher-risk (by asset size) and insurers that the NAIC considers higher-risk (by premium levels).

Effective date

19. Because the FDIC's updated thresholds took effect on January 1, 2026, financial institutions with at least $1 billion but less than $5 billion in assets are no longer required to meet the requirements described in paragraph 7.

20. The FDIC clarified that financial institutions below the new threshold as of January 1, 2026, do not need to comply with the prior Part 363 requirements.

21. In light of these immediate changes, PEEC adopted a temporary enforcement policy to ensure that a member remains in compliance with the code if the member or the member's firm uses the FDIC's new thresholds to determine PIE status under category *b* of the current code definition.

22. PEEC recommends an effective date of six months after notice of the final definition is published in *Journal of Accountancy*, with early implementation allowed.

Request for comments

23. PEEC welcomes comments on all aspects of the proposal and specifically requests feedback on the following:

    a. Do you agree with the revised category *b* of the PIE definition? Does it capture the intended higher-risk financial institutions without listing specific dollar thresholds? If not, please explain.

    b. Do you agree with the revised category *c* of the PIE definition? Does it capture the intended higher-risk insurers without listing specific dollar thresholds? If not, please explain.

    c. Do you agree with the proposed effective date? If not, please explain and suggest an alternative effective date.

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)

0.400 Definitions (red line)

.44 Public interest entity.

An entity is a *public interest entity* when it falls within any one of the following categories:

a. 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 ***that exceeds the designated threshold for consolidated total assets imposed by the Annual Independent Audits and Reporting Requirements of FDIC regulations and that meets all the following requirements:***

   i. ***The establishment of an independent audit committee of its board of directors*** ~~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. ***Management's assessment of the effectiveness of the internal control structure and procedures of the entity*** ~~that has consolidated total assets of $1 billion or more as of the beginning of the fiscal year~~

   iii. ***An independent public accountant's separate examination, attestation to, and reporting on the assertion of management of the effectiveness of the entity's internal control over financial reporting***

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 ***meets or exceeds the designated threshold for direct written and assumed premiums imposed by provisions of the Model Audit Rule***

related to **Management's Report of Internal Control Over Financial Reporting** ~~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.

When a *member* performs a financial statement audit subject to the regulatory requirements described in (*a*)–(*d*), a *member* 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]. [Prior reference: paragraph .20 of ET section 100-1]

0.400 Definitions (clean)

.44 Public interest entity.

An entity is a *public interest entity* when it falls within any one of the following categories:

a. 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 that exceeds the designated threshold for consolidated total assets imposed by the *Annual Independent Audits and Reporting Requirements* of the FDIC’s regulations and that meets all the following requirements:

    i. The establishment of an independent audit committee of its board of directors

    ii. Management’s assessment of the effectiveness of the internal control structure and procedures of the entity

    iii. An independent public accountant’s examination, attestation to and reporting on the assertion of management of the effectiveness of the entity’s internal control over financial reporting

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 meets or exceeds the designated threshold for direct written and assumed premiums imposed by the provisions of the Model Audit Rule related to *Management’s Report of Internal Control Over Financial Reporting*.

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.

When a *member* performs a financial statement audit subject to the regulatory requirements described in (a)–(d), a *member* 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]. [Prior reference: paragraph .20 of ET section 100-1]

Acknowledgments

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Many thanks

The Professional Ethics Division and PEEC are grateful for the input we received from experts in the field while drafting these proposed changes to the Code of Professional Conduct.

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