AICPA public interest entity definition: the revision and its 2027 effective date

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Short answer: the AICPA public interest entity definition has been revised so that the categories for certain banks and insurers follow current regulator thresholds instead of fixed dollar amounts, the Journal of Accountancy reported on 25 November 2026. The Professional Ethics Executive Committee approved the change to ET section 0.400.44, effective 31 May 2027 with early adoption permitted. It matters because public interest entity status affects the independence requirements an auditor must apply.

TL;DR The short version

- The AICPA revised its public interest entity definition so that categories for certain banks and insurers follow current regulator thresholds, not fixed dollar amounts.
- The change to ET section 0.400.44 takes effect on 31 May 2027, with early adoption permitted.
- Public interest entity status affects independence requirements, so firms should update client screening before that date.

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What is a public interest entity?

It is a defined category in the AICPA Code of Professional Conduct for organisations whose financial reporting carries wider public interest. When a client falls within it, stricter ethics and independence considerations can apply, so firms must classify clients correctly and revisit the answer when facts or thresholds change.

How the revised definition works

- **Deposit takers (category b):** entities taking public deposits that exceed the consolidated total assets threshold in the FDIC's annual independent audits and reporting rules, and that meet its related requirements for an independent audit committee, management's internal control assessment and an auditor's report on internal control over financial reporting.
- **Insurers (category c):** insurers subject to the NAIC Model Audit Rule that meet or exceed the premium threshold tied to management's report on internal control over financial reporting.
- Thresholds are referenced from the regulators, so future changes apply automatically.

What is new compared with the earlier text

Fixed dollar thresholds are removed from those categories. The committee exposed the draft in June 2026, and the report says the final definition did not change in response to comments. A temporary policy statement already deals with the FDIC's higher thresholds that took effect on 1 January 2026.

Dates reported by the source

- Approved at the committee's November meeting.
- Effective 31 May 2027.
- Early implementation permitted.
- The FDIC threshold increase referred to in the temporary statement took effect on 1 January 2026.

Limitations and open questions

- This article relies on the Journal of Accountancy summary written by an AICPA Professional Ethics Division manager. It does not restate the threshold amounts; take them from the current FDIC and NAIC rules.
- Other regimes, including SEC, PCAOB, state board and international rules, have their own definitions and may apply at the same time.
- Apply the code text itself when deciding independence questions. Sources were read on 26 November 2026. Products, rules and standards change, so check the linked originals before you rely on any detail.

How to update your firm's process

1. List financial institution and insurer clients, with total assets or premiums and the source and date of each figure.
2. Compare each with the current regulator threshold and the other conditions in the definition.
3. Record the conclusion and the person who reviewed it.
4. Decide whether to adopt early and apply that decision consistently.
5. Add an annual check that looks up the current thresholds, so no hard-coded number remains in checklists or software.

What it means for audit and ethics partners

Some entities may move in or out of the category as thresholds change, which can affect permitted non-attest services and planning. Update acceptance and continuance forms before May 2027, and tell audit committees early if a client's classification is likely to change.

Frequently asked questions

- **What changed in the AICPA public interest entity definition?** Fixed dollar thresholds for certain financial institutions and insurers were replaced by references to FDIC and NAIC thresholds.
- **When is it effective?** 31 May 2027, with early implementation allowed.
- **Which code section changes?** ET section 0.400.44.

- **Does it affect every client type?** The reported change concerns categories for certain deposit takers and insurers.

Related reading

- FRC guidance on auditor independence and AI
- SOC 2 description criteria 2027
- IFRS S1 and S2 examples for preparers
- TPBOK standard

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Sources and further reading

1. Kelly D. Mullins, Journal of Accountancy. PEEC releases a revised definition of “public interest entity”. 25 November 2026. journalofaccountancy.com/news/2026/nov/peec-releases-a-revised-definition-of-public-interest-entity

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