



Project:	Application of Tiers of Reporting in Australia	Meeting:	AASB August 2025 (M214)
Topic:	Definition of Public Accountability	Agenda Item:	6.0
		Date:	29 July 2025
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		Decision-Making:	Low
		Project Status:	Decide on next steps

Objective of this paper

- 1 The objective of this agenda item is for the AASB to consider matters that relate to the definition of public accountability and how the definition is applied in Australia. This includes **considering**:
 - (a) the current definition of public accountability in Australia;
 - (b) the IASB's recent clarifications to the definition as part of its review of the *IFRS for SMEs Accounting Standard* (IFRS for SMEs); and
 - (c) feedback received from Australian stakeholders on the topic of public accountability as part of other AASB projects.
- 2 After considering these matters, the AASB will be asked to **decide** on the next steps for this project.

Summary of staff recommendations

- 3 Staff recommend that the AASB issue an Exposure Draft proposing to amend paragraph B4 of AASB 1053 to align the wording in that paragraph with the revised wording in the latest IFRS for SMEs (paragraphs 11-24).
- 4 Staff also recommend the AASB:
 - (a) not take any action in response to stakeholder feedback suggesting editorial changes to public accountability guidance paragraph B3 and not provide additional guidance on the application of certain aspects of the definition of public accountability (paragraphs 28-32).
 - (b) not take any action in response to stakeholder feedback about the application of the definition of public accountability by securitisation trusts, financial services licensees and other investment vehicles in Australia (paragraphs 33-37).

- (c) initiate a separate but related project to reconsider the appropriateness of the list of entities that are deemed to have public accountability in paragraph B2 of AASB 1053 *Application of Tiers of Australian Accounting Standards* by gathering information about the types of entities currently included in that list and information about other types of entities that did not exist when the list was developed in 2010 (paragraphs 38-44).
- (d) continue to monitor the application of the definition of public accountability in Australia (paragraphs 30(b), 35(b) and 35(c)).

Background

- 5 The definition of public accountability in AASB 1053 is a key element in determining an entity's reporting Tier.
- 6 Australian Accounting Standards consist of two Tiers of reporting requirements for preparing general purpose financial statements:
 - (a) Tier 1: Australian Accounting Standards; and
 - (b) Tier 2: Australian Accounting Standards – Simplified Disclosures.¹
- 7 An entity that has public accountability must apply Tier 1 reporting requirements. Most other entities can apply Tier 2 reporting requirements if they choose to. However, some entities are required by AASB 1053 and other regulatory requirements to apply Tier 1 reporting requirements.²

Public accountability definition in Australia

- 8 In Australia, public accountability is defined in Appendix A of AASB 1053. The notion of public accountability is consistent with the notion adopted by the IASB in the IFRS for SMEs. However, the definition and guidance are presented differently in AASB 1053 than they are in the IFRS for SMEs.
- 9 That is, AASB 1053:
 - (a) includes in Appendix A the definition from the IFRS for SMEs, amended to delete the IFRS for SMEs text shown as struck through:

“an entity as having 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 ~~primary businesses (most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks would meet this second criterion).”;~~
 - (b) Appendix B paragraph B3 includes some application guidance about holding assets in a fiduciary capacity and examples of entities that would have public accountability in an

¹ AASB 1053 paragraph 7.

² For example, AASB 1053 requires the Australian Government and State and Territory Governments to apply Tier 1 reporting requirements.

Australian context, which is largely consistent with paragraph 1.4 of the IFRS for SMEs; and

- (c) Appendix B paragraph B4 includes examples of entities that are most likely to hold assets in a fiduciary capacity, which is consistent with the paragraph 1.3 text that was omitted from the Appendix A definition.
- 10 Appendix B paragraph B2 also sets out a list of entities that the AASB deemed to have public accountability. That is:
- (a) disclosing entities, even if their debt or equity instruments are not traded in a public market or are not in the process of being issued for trading in a public market;
 - (b) co-operatives that issue debentures;
 - (c) registered managed investment schemes;
 - (d) superannuation plans regulated by the Australian Prudential Regulation Authority (APRA) other than Small APRA Funds as defined by APRA Superannuation Circular No. III.E.1 *Regulation of Small APRA Funds*, December 2000; and
 - (e) authorised deposit-taking institutions.

IASB clarifications to the definition of public accountability

- 11 In September 2022, the IASB issued Exposure Draft 2022/1 *Third Edition of the IFRS for SMEs Accounting Standard* as part of its second comprehensive review of the IFRS for SMEs. ED2022/1 proposed amendments to many aspects of the IFRS for SMEs, including the definition of public accountability and the guidance for the definition.
- 12 In summary, ED/2022/1 proposed amending paragraph 1.3 and adding proposed paragraph 1.3A. No amendments were proposed to paragraph 1.4. The proposed amendments are set out below in paragraph 13.
- 13 In finalising the third edition of the IFRS for SMEs, the amendments to paragraph 1.3 were made unamended. However, light coloured text is used below to illustrate that proposed paragraph 1.3A was not included in the final Standard in response to stakeholder feedback.

1.3 An entity 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, most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks~~ often would meet this second criterion).

1.3A An entity with the following characteristics would usually have public accountability:

- (a) there is both a high degree of outside interest in the entity and a broad group of users of the entity's financial statements (existing and potential investors, lenders and other creditors) outside the entity (other

than owner-managers) who have a direct financial interest in or substantial claim against the entity.

- (b) the users in (a) depend primarily on external financial reporting as their means of obtaining financial information about the entity. These users need financial information about the entity but lack the power to demand the information for themselves.

1.4 Some entities may also 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 (as, for example, 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), that does not make them publicly accountable.

- 14 The AASB made a [submission](#) to the IASB, acknowledging that the IFRS for SMEs is not part of the Australian financial reporting framework and limiting its feedback to the definition of public accountability and some other matters.
- 15 In summary, the AASB expressed concerns about the proposed amendments to the definition of public accountability because:
- (a) the AASB was concerned that replacing 'most' with 'often' in the context of examples of entities that hold assets in a fiduciary capacity could be challenging to apply in practice, as both terms require interpretation and the exercise of judgement;
 - (b) it was not clear that the proposed amendments set out in proposed paragraph 1.3A were intended to clarify why certain entities often have public accountability, and instead, the proposed amendments may have been read as being an additional set of criteria to be considered when determining whether an entity has public accountability;
 - (c) the AASB suggested other areas of the definition could benefit from clarification. For example, the phrase "trading in a public market" and provided an example of the application differences that have been observed in Australia in relation to securitisation trusts due to different interpretations of the phrase;
 - (d) the AASB suggested a holistic review of the application of the public accountability definition in practice across all jurisdictions to identify if there are any common types of entities deemed to have public accountability and whether they could be included in the IASB definition as examples (i.e. whether the IASB could deem certain entities as having public accountability); and
 - (e) the AASB suggested the IASB consider the interaction of the public accountability definition and similar definitions such as the definition of public interest entities set out in International Ethics Standards Board for Accountants standards.
- 16 After considering stakeholder feedback on ED/2022/1, in February 2025, the IASB finalised its proposals and issued the third edition of the IFRS for SMEs. The third edition of the IFRS for SMEs is effective for annual periods beginning on or after 1 January 2027, with earlier application permitted.

Due process requirements

- 17 The [AASB For-Profit Entity Standard-Setting Framework](#) notes the Financial Reporting Council's broad strategic direction to the AASB that its Standards enable publicly accountable private sector entities to maintain IFRS compliance.³
- 18 Although the IASB did not address much of the AASB's feedback in finalising the third edition of the IFRS for SMEs, staff do note that the IASB's intention in making the amendments to the definition of public accountability and related guidance was to "clarify, and not relax, the criterion".⁴ As such, whilst in the staff's view there were additional opportunities to improve the application of the definition, particularly in the Australian environment, staff consider the clarifications made by the IASB would be unlikely to affect the way the definition is applied in practice in Australia. As such, staff do not see any barriers to proposing amendments to paragraph B4 of AASB 1053 to align the language used in paragraph B4 with the language used in the IFRS for SMEs (see marked-up text in paragraph 23 of this paper).
- 19 The *AASB For-Profit Entity Standard-Setting Framework* also notes that "differences between Accounting Standards issued in Australia and New Zealand for for-profit entities should be minimised wherever possible to reduce the costs for entities operating trans-Tasman."⁵
- 20 In XRB A1 *Application of the Accounting Standards Framework*:
- (a) paragraph 8 reproduces the IASB's definition of public accountability in paragraph 1.3 of the IFRS for SMEs.
 - (b) the lead in text in paragraph 11 and paragraph 11(a) include some application guidance about holding assets in a fiduciary capacity and examples of entities that would have public accountability in a New Zealand context, which is largely consistent with paragraph 1.4 of the IFRS for SMEs.
- 21 Therefore, the definition and guidance in XRB 1 are largely consistent with the definition of public accountability and related guidance set out in Appendix A and paragraphs B3 and B4 of AASB 1053.
- 22 Staff note that in June 2025, the External Reporting Board issued an [Exposure Draft](#) proposing amendments to their definition of public accountability set out in paragraph 8 of XRB 1 for consistency with the IASB's amendments. Other amendments are also proposed to New Zealand-specific provisions.⁶
- 23 Therefore, staff recommend that the AASB issue an Exposure Draft for public consultation proposing an amendment to paragraph B4 of AASB 1053 as follows:

Appendix B

...

B4 Examples of entities that hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses ~~are most likely to often include, for~~

³ *AASB For-Profit Entity Standard-Setting Framework* paragraph 3.

⁴ IFRS for SMEs paragraph BC1.22.

⁵ *AASB For-Profit Entity Standard-Setting Framework* paragraph 27.

⁶ The definition of public accountability in New Zealand is applied differently from Australia. For example, like Australia in New Zealand, certain entities are deemed to have public accountability. However, in some cases an entity that meets the IASB's definition of public accountability is not required to prepare IFRS-compliant financial statements (e.g. Tier 1) unless they also meet a separate higher public accountability 'threshold' that is set by a New Zealand Regulator. XRB A1 also includes some additional matters for consideration when applying the IASB definition.

example, banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

- 24 Whilst clarification to the definition of public accountability is important, the third edition of the IFRS for SMEs is effective for annual periods beginning on or after 1 January 2027, so staff do not consider that the proposed amendment is urgent.

Questions for Board members

- Q1 Do Board members have any questions or comments about the IASB clarifications to the definition of public accountability?
- Q2 Do Board members agree with the staff recommendation in paragraph 23 to issue an Exposure Draft proposing an amendment to paragraph B4 of AASB 1053? If no, what do Board members suggest?

Previous feedback on public accountability-related matters from Australian stakeholders

- 25 During the implementation of the *Conceptual Framework for Financial Reporting* (RCF) in Australia, in response to ITC 39 *Consultation Paper Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems* the AASB received feedback about the definition of public accountability, including whether additional entities should be deemed as having public accountability in Australia. This feedback was summarised in [Appendix B of Agenda Paper 4.1 for M168](#).⁷ As the project at the time was focused on the implementation of the RCF and maintaining IFRS compliance for publicly accountable entities and entities voluntarily claiming IFRS compliance, this feedback was considered to be outside the scope of the project. It was therefore not considered by the AASB at the time.⁸
- 26 Given the staff recommendation in paragraph 23 to issue an Exposure Draft on the topic of public accountability, staff suggest this is an appropriate time for the AASB to also consider whether any action is required in response to the stakeholder feedback referred to in paragraph 25 as well as also considering whether the list of 'deemed entities' set out in paragraph B2 of AASB 1053 remains appropriate.
- 27 In this paper, staff grouped the stakeholder feedback received in response to ITC 39 about the definition of public accountability into three main themes:
- (a) Feedback related to drafting and the need for additional guidance;
 - (b) Feedback related to the application of the definition in Australia; and
 - (c) Feedback related to the list of deemed entities in paragraph B2.

Feedback related to drafting and the need for additional guidance

- 28 In summary, staff do not recommend that the AASB take any action with respect to the feedback summarised in paragraph 30, which was received in 2018 in relation to the drafting of the then-proposed amendments to the definition of public accountability.

⁷ 22 submissions were received in response to ITC 39 (Phase 1). Of the 22 submissions, seven stakeholders provided feedback on public accountability-related matters which are discussed in this paper.

⁸ See [ITC 39](#) which sets out the amendments that were proposed to the definition of public accountability at the time.

- 29 This is because staff consider that any action would result in the AASB either interpreting the IASB's definition of public accountability by providing additional guidance or amending the wording of the IASB's definition or guidance, albeit in an editorial manner. However, staff recommend monitoring the application of the definition of public accountability in Australia in light of other current and planned projects of the AASB.
- 30 The feedback received in response to ITC 39 included the following:
- (a) Drafting edits to the proposed guidance on public accountability in paragraph B3 of AASB 1053, to clarify that holding assets in a fiduciary capacity for a broad group of outsiders for reasons incidental to an entity's primary business is not, in itself, sufficient for them to qualify as publicly accountable.
 - (b) The definition of public accountability is too narrow. The definition should be extended to those entities that have received government funding, been granted significant government contracts, licences or service concession arrangements, as they have benefited from taxpayer funding or have been contracted or licenced to undertake activities which have public interest implications.
 - (c) Guidance is required to explain what is meant by "in the process of issuing such instruments for trading".
 - (d) The AASB should consider including or providing a cross-reference to the IFRS for SMEs guidance.
- 31 Given the passage of time since the feedback was provided, where they were able to, staff contacted the relevant stakeholders to understand whether the views expressed in response to ITC 39 remained the same.
- 32 An analysis of this feedback is set out in paragraph 46 of the Appendix to this paper.

Questions for Board members

- Q3 Do Board members have any questions or comments about the Feedback related to drafting and the need for additional guidance?
- Q4 Do Board members agree with the staff recommendation in paragraph 28 that no action is required in relation to this feedback, and that staff should continue to monitor the application of the definition of public accountability in Australia in light of other current and planned projects of the Board? If no, what do Board members suggest?

Feedback related to the application of the definition in Australia

- 33 In summary, staff do not recommend the AASB take any action with respect to the feedback summarised in paragraph 35, which was received in 2018 in relation to the application of the definition of public accountability in Australia.
- 34 This is because staff do not consider that there are any significant issues requiring action from the Board at this time. However, staff recommend monitoring the application of the definition of public accountability in Australia in light of other current and planned projects of the AASB.
- 35 The feedback received in response to ITC 39 included the following:
- (a) The proposed Phase 1 amendments do not address the issue of whether a securitisation trust has or does not have public accountability.

- (b) The proposed amendments to fiduciary duty do not address financial services licensees (primarily non-corporate).
 - (c) Questioning whether the definition of public accountability would apply to an investment vehicle that issues a Product Disclosure Statement to raise funds only in a specific market segment. It also questioned whether they would still be considered to have public accountability if they did not issue equity securities to the broad public.
- 36 As above, given the passage of time since the feedback was provided, where they were able to, staff contacted the relevant stakeholders to understand whether their views expressed in response to ITC 39 remained the same.
- 37 An analysis of this feedback is set out in paragraph 47 of the Appendix to this paper.

Questions for Board members

- Q5 Do Board members have any questions or comments about the Feedback related to the application of the definition in Australia?
- Q6 Do Board members agree with the staff recommendation in paragraph 33 that no action is required in relation to this feedback? If no, what do Board members suggest?

Feedback related to the list of deemed entities in paragraph B2

- 38 As noted earlier, paragraph B2 in Appendix B of AASB 1053 sets out a list of entities that are deemed to have public accountability in Australia. Paragraph B2 was included in AASB 1053 because some stakeholders provided feedback about some elements of the public accountability definition that, in their view, required interpretation or judgement. In keeping with the AASB's policy of not further interpreting the IASB's terms and definitions, the AASB decided instead to identify entities that it deemed to be publicly accountable in the Australian context, to supplement the IASB's definition of public accountability. Paragraph B2 of AASB 1053 is set out in paragraph 10 of this paper.
- 39 As noted in paragraph 26, given the proposed amendment to the public accountability definition and the feedback summarised in paragraph 43 which was received in 2018 in relation to the list of deemed entities, staff consider it is an appropriate time for the AASB also to reconsider whether the list of deemed entities set out in paragraph B2 of AASB 1053 remains appropriate.
- 40 For example, staff are aware of new structures that have emerged and changes to generally-accepted terminology used to describe entities since the list of deemed entities in paragraph B2 was developed, such as:
- (a) Registerable Superannuation Entities (RSEs), which is now used to refer to a regulated superannuation fund, an approved deposit fund or a pooled superannuation fund. RSEs only recently became subject to requirements to lodge financial statements under Chapter 2M of the Corporations Act; and
 - (b) Corporate Collective Investment Vehicles (CCIVs), which are a type of company in Australia, specifically designed for managed funds introduced in 2022. CCIVs can be either retail or wholesale. Retail CCIVs are subject to the reporting and auditing requirements of Chapter 2M of the Corporations Act. CCIVs operate very similarly to a Registered Managed Investment Scheme; however, they operate through a company limited by shares structure.

- 41 Staff also consider that there may be some types of entities listed in paragraph B2 that may no longer be used or may be used infrequently.
- 42 In summary, staff do not recommend any action at this time because more information is required. Instead, staff recommend that the AASB initiate a separate project to commence in 2026 that will gather information to inform the AASB's reconsideration about the types of entities currently deemed to have public accountability and the types of entities that could be considered for deeming. The objective of this is to gather evidence to support the AASB in deciding whether amendments to paragraph B2 are required. Staff consider the following information is needed:
- (a) whether the types of entities listed in paragraph B2 are still commonly used;
 - (b) whether in addition to RSEs and CCIVs, there are new/alternative types of entities that should be considered for inclusion in the list of deemed entities;
 - (c) how many of each of these types of entities exist, their size, their industry and their current reporting practices;
 - (d) whether there is diversity in the application of the public accountability guidance; and
 - (e) whether there are any other relevant considerations.
- 43 The feedback received in response to ITC 39 included the following:
- (a) The application of the definition of public accountability to crowd-sourced funding (CSF) entities.
 - (b) The AASB should not deem any particular entities to have public accountability, as the determination of "who" reports should be the domain of the lawmaker.
 - (c) The deeming of disclosing entities as having public accountability even if their instruments are not traded in the public market, or are in the process of being issued for trading in a public market, appears contrary to the definition of public accountability.
- 44 An analysis of this feedback is set out in paragraph 48 of the Appendix to this paper.

Questions for Board members

Q7 Do Board members have any questions or comments about the Feedback related to the list of deemed entities in paragraph B2?

Q8 Do Board members agree with the staff recommendations in paragraphs 39 and 42 that:

- a. it is an appropriate time for the Board to reconsider paragraph B2 and whether the list of deemed entities remains appropriate; and
- b. the Board should initiate a separate project to commence in 2026 that will gather more information about the types of entities currently deemed to have public accountability and the types of entities that could be considered for deeming to support the Board in deciding whether amendments to paragraph B2 are required?

If no, what do Board members suggest?

Next steps and timeline

- 45 Subject to AASB member agreement with the staff recommendations in this paper, an indicative timeline for next steps is set out below. The next steps and timeline acknowledge that staff recommend two separate, but related projects:

Step	Expected timing
<p>(a) Project 1 – proposed amendment to paragraph B4 of AASB 1053</p> <p>Staff will prepare an Exposure Draft proposing an amendment to paragraph B4 of AASB 1053 for out-of-session approval by the Chair. Staff recommend a comment period of approximately 90 days.</p> <p>Staff consider that a shorter comment period could be justified given that the proposed amendment is a clarification, and staff consider it is unlikely that it would affect the way the definition of public accountability is applied in practice in Australia. However, staff are conscious of the number of active consultations that are either planned or underway that will require stakeholder attention and prefer a longer comment period for this reason.</p> <p>Staff do not intend to conduct any formal outreach activities as the proposed amendment is narrow in scope.</p>	<p>Exposure Draft to be issued by the end of September 2025, with comments due in January 2026.</p>
<p>(b) Following the close of the Exposure Draft comment period, staff will analyse the feedback received and discuss it with the AASB. Staff expect this discussion to occur at the first AASB meeting in 2026.</p> <p>Again, given the nature of the amendments, staff do not anticipate any significant stakeholder concerns with the proposed amendment. As such, staff anticipate being able to provide the AASB with a draft amending Standard for consideration and, if appropriate, voting at this same AASB meeting.</p>	<p>Q1 2026 AASB meeting</p>
<p>(c) Following the AASB meeting, staff will arrange for the Standard to be published and appropriate communications to be issued.</p> <p>Staff anticipate publishing the amending Standard in Q2 of 2026, with an effective date of annual periods beginning on or after 1 January 2027.</p> <p>Although the AASB prefers to issue a Standard at least two years before its effective date, to align with the effective date of the IASB's amendments, this is not possible. However, as the proposed amendment is a clarification, staff consider changes in the application of the definition would be limited and therefore do not anticipate the shorter implementation period causing any issues.</p>	<p>Q2 2026</p>

Step	Expected timing
<p>(d) Project 2 – proposed reconsideration of the list of entities deemed to have public accountability</p> <p>Staff will develop and issue a survey to gather initial feedback from stakeholders about whether the list of deemed entities remains appropriate. The survey would be available on the AASB website to all stakeholders. It would gather information about entities that are currently deemed to have public accountability, the types of entities that could be considered for deeming and any other relevant feedback.</p> <p>The survey would allow stakeholders the opportunity to provide initial high-level feedback about matters the AASB could consider. Staff envisage the survey being open for feedback for approximately 90 days.</p> <p>Concurrently, staff would engage in targeted outreach with regulators and other relevant stakeholders to seek their views on the list of deemed entities, types of entities that could be considered for deeming and their views about the expected preparation of Tier 1 GPFS by entities within their remit.</p>	Q2 2026 onwards
<p>(e) A thematic analysis of the feedback received from the survey and outreach activities will be discussed at a future AASB meeting.</p> <p>Staff would not identify the source of the feedback obtained from the survey (i.e. feedback would not be attributed to Stakeholder X) to encourage as many stakeholders as possible to provide initial informal high-level feedback.</p> <p>The discussion would also help the AASB decide on the next steps. For example, these could include:</p> <ul style="list-style-type: none"> (i) issuing a consultation document seeking formal feedback on the list of deemed entities and types of entities that could be considered for deeming; (ii) issuing an exposure draft proposing amendments to the list of deemed entities; (iii) requesting staff to gather more information; or (iv) concluding that no further work is required. <p>Any further steps and possible timelines will be determined following AASB member decisions regarding the feedback obtained from the survey and targeted outreach activities.</p>	2027

Question for Board members

Q9 Subject to Board members' agreement with Q2, Q4, Q6 and Q8, do Board members have any questions or comments on the indicative next steps and timeline set out in paragraph 45?

Appendix – summary of feedback received in 2018 in response to ITC 39

Feedback related to drafting and the need for additional guidance

46 The feedback received in response to ITC 39 included the following:

- (a) Drafting edits to the proposed guidance on public accountability in paragraph B3 of AASB 1053, to clarify that holding assets in a fiduciary capacity for a broad group of outsiders for reasons incidental to an entity's primary business is not, in itself, sufficient for them to qualify as publicly accountable.

Explanation:

The [Pitcher Partners ITC 39 submission](#) suggested amendments to paragraph B3 as marked up below:

B3 Some entities may also 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 their a-primary business (as, for example, 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), that does not, in itself, make them publicly accountable.

Is this still an issue?

Pitcher Partners confirmed that, in their view, the suggested amendments are still needed as they make the application of paragraph B3 clearer.

Staff recommendation

Paragraph B3 (unamended) is the same as paragraph 1.4 of the third edition of the IFRS for SMEs, and staff note that the IASB made no changes to this paragraph during their recent reconsideration of the public accountability definition.

Further, if the AASB were to propose these editorial amendments, this would result in further differences between the Australian definition of public accountability and the IASB definition and the New Zealand definition, too. Whilst it could be argued that the additional difference is not substantive, staff consider the suggested editorial amendments only highlight the relevance of considering an entity's 'primary businesses' in a different way and therefore do not consider that a further difference is justified. Instead, staff consider that alignment of the guidance is important and, as such, recommend no action in response to this feedback.

- (b) The definition of public accountability is too narrow. The definition should be extended to those entities that have received government funding, been granted significant government contracts, licences or service concession arrangements, as they have benefited from taxpayer funding or have been contracted or licenced to undertake activities which have public interest implications.

Explanation:

The [IPA ITC 39 submission](#) explained that, in their view, the concept of public accountability should apply broadly and should be extended.

Is this still an issue?

An IPA representative stated that this is still their view, and in addition, suggested that entities should also be required to consider characteristics or principles that could indicate public accountability instead of being required to meet a definition.

Principles could include matters such as the separation between management and the investor, the entity's economic importance, its financial characteristics (e.g., size, borrowings, etc.), the source of any funding (e.g., government grants) and whether there is significant public interest in the entity. The concept should also apply in the not-for-profit (NFP) sector.

The representative noted that for certain types of entities, such as member-based organisations like clubs, it can be unclear whether or not those entities have public accountability. The IPA representative noted they get many queries on this topic.

Staff recommendation:

Whilst there could be merit in a broadly applicable concept of public accountability that is relevant in the NFP sector too, practice in applying the definition of public accountability in Australia is well established, and amendments to the definition by way of additional guidance to support its application could have unintended consequences such as potentially requiring additional entities to prepare Tier 1 GPFS.

In addition, the AASB's policy is that it does not further interpret the IASB's terms and definitions, and as such, suggesting additional principles that could/should be considered when applying the definition would be inconsistent with this policy. Further, before the AASB could contemplate such a change, staff suggest that considerable due process would be needed, including talking with regulators and other stakeholders, such as the government, about how extensively they would want Tier 1 reporting requirements to be applied.

However, staff acknowledge that if there are frequent questions about the application of the definition, especially within certain sectors or sub-sectors, this suggests that stakeholder education may be beneficial.

In light of the current NFP projects on the AASB's agenda, staff recommend that the AASB take no action in response to this feedback as part of this project addressing the definition of public accountability. Instead, staff recommend continuing to monitor this issue, considering any feedback that might be received in the future, and determining at that time whether any action is required.

- (c) Guidance is required to explain what is meant by "in the process of issuing such instruments for trading".

Explanation:

In preparation for admission to the Australian Securities Exchange (ASX), entities need to give several years of audited historical financial statements.⁹ ASX listing rules require the financial statements to be prepared in accordance with Australian Accounting Standards.¹⁰ The financial statements required are generally those prepared for the immediately preceding annual reporting period and one or two prior periods. However, in some cases, half-year financial statements may be required.

The immediately preceding annual reporting period must be Tier 1 general purpose financial statements (GPFS).¹¹ However, prior to the removal of special purpose financial statements

9 ASX Listing Rule Chapter 1 *Admission*

10 ASX Listing Rules Chapter 19 *Interpretation and definitions* paragraph 19.11A

11 ASX Listing Rules Guidance Note 1 *Applying for Admission - ASX Listings*

(SPFS), staff understood that some entities would provide SPFS (or Tier 2 GPFS) in respect of prior periods, and the ASX would generally accept the SPFS, provided they complied with all applicable recognition and measurement requirements, including consolidation and equity accounting.

The [EY ITC 39 submission](#) noted that “to the extent the ASX accepts financial statements that are not Tier 1 GPFS, this may still be an issue for directors and auditors having to comply with accounting standards, including AASB 1053. We recommend guidance to further explain “in the process of listing”.”

The [IPA ITC 39 submission](#) provided similar feedback.

Is this still an issue?

Given that the ability for certain for-profit private sector entities to prepare SPFS was removed for annual periods beginning on or after 1 July 2021, staff do not expect any entities to be still submitting SPFS to the ASX as part of their admission application.

Staff note that the most recent listing admission rules have been updated to state that an entity’s most recent financial statements to be filed with the ASX must be Tier 1, and the ASX will generally accept Tier 2 GPFS for previous years if the entity did not prepare Tier 1 GPFS in the past. As such, the updated Guidance Note has clarified that the ASX will no longer accept SPFS. In addition, EY has observed that Tier 2 GPFS for previous years have been lodged and accepted by the ASX.

Whilst the removal of SPFS has resolved part of the issue (i.e. entities will now be submitting some form of GPFS), there could still be some uncertainty about the point at which an entity should step up and prepare Tier 1 GPFS. However, staff do not believe this is causing any issues in practice, especially as the ASX is accepting prior year financial statements in the form of Tier 2 GPFS.

An additional question that has been raised is, when an entity’s most recent full GPFS are Tier 2 and the entity is required to submit its most recent half-year financial statements as well, how should the half-year financial statements be prepared and how ‘concise’ can they be.

Staff understand that there are differences in application in practice. For example, some entities are preparing very detailed half-year financial statements, with many notes and accounting policies being presented, such that the half-year financial statements can resemble a full set of Tier 1 GPFS. In contrast, other entities are preparing relatively concise half-year financial statements which are more akin to what is commonly prepared for entities complying with AASB 134 *Interim Financial Reporting*.

Staff recommendation:

Given the removal of SPFS for certain for-profit private sector entities and the updated ASX Listing Rules, staff recommend that the AASB take no action in response to the feedback suggesting that additional guidance is needed to explain what is meant by “in the process of issuing such instruments for trading”.

In response to feedback about the first-time preparation of half-year financial statements when the financial statements for the immediately preceding annual reporting period were Tier 2 GPFS, staff consider that this matter is beyond the scope of this project and that the AASB take no action at this time. However, staff note that judgement needs to be exercised in applying AASB 134 to determine how concise half-year financial statements can be based on the entity’s circumstances and developments since the last annual financial statements

were prepared. Staff consider the first-time presentation of half-year financial statements is no different in that respect.

- (d) The [ACAG ITC 39 submission](#) suggested that the AASB should consider including or providing a cross-reference to the IFRS for SMEs guidance.

Explanation:

As the AASB was proposing to use the definition of public accountability from the IFRS for SMEs, ACAG recommended that the guidance accompanying the IFRS for SMEs for interpreting the definition also be included in AASB 1053 or at least cross-referenced.

Is this still an issue?

When the revisions to the definition of public accountability were made in 2019, the inclusion of a possible cross-reference to the IASB's guidance in AASB 1053 was not considered by the AASB, and the guidance continues to sit outside the IFRS for SMEs.

Staff recommendation:

Staff do not recommend including a cross-reference to the IASB's guidance on applying the definition of public accountability in AASB 1053. Staff note that the guidance related to applying the definition of public accountability is included in the IFRS for SMEs education modules, and only a small portion of Module 1 would be relevant to Australian stakeholders.

Feedback related to the application of the definition in Australia

47 The feedback received in response to ITC 39 included the following:

- (a) The [Australian Banking Association \(ABA\) ITC 39 submission](#) noted that the proposed Phase 1 amendments do not address the issue of whether a securitisation trust has or does not have public accountability. Similar feedback was also provided in the [Australian Securitisation Forum \(ASF\) ITC 39 submission](#).

Explanation:

In summary, securitisation trusts are entities that have asset-backed securities (ABS) and debt notes listed (yet unquoted) on the ASX. Staff note that there were divergent views within the sector regarding whether securitisation trusts have public accountability, with the key issue being whether the debt notes are traded in a public market.

The issue of securitisation trusts and public accountability was very topical during Phase 1 of the removal of SPFS for certain for-profit private sector entities. This is because these securitisation trusts were all subsidiaries that were consolidated into the Tier 1 GPFS or Tier 2 GPFS of their parent (the issuer). However, the securitisation trusts were preparing SPFS that complied with full recognition and measurement requirements of Australian Accounting Standards; however, they did not include all of the disclosures required by Australian Accounting Standards.

More information on this issue is set out in [Agenda Paper 4.1](#) to the November 2018 AASB meeting.

Is this still an issue?

These entities are established via a trust structure, so if they are required by their trust deed to prepare financial statements that comply with Australian Accounting Standards, they are

likely to be 'grandfathered'. This means they can continue to prepare SPFS provided their trust deed was prepared prior to 1 July 2021 and has not been amended since then. If the trust deed was amended after 1 July 2021 and still requires the preparation of financial statements in compliance with Australian Accounting Standards, these entities would no longer be able to prepare SPFS. Instead, they would need to prepare GPFS, and the assessment of public accountability would be important in determining whether the financial statements were Tier 1 or Tier 2.

However, staff understand the trusts have an average expected life of five years, although many are established under a historical master trust deed.¹² As such, any trusts established since 1 July 2021 should have carefully considered investors' needs when developing the trust deed so that the financial reporting requirements were clear. In 2018, staff understood that an industry working group had been established to ensure that any new securitisation trusts did not inadvertently include wording that could be construed to require preparation of full Tier 1 GPFS and instead referred to financial information in a format that is tailored to be appropriate for the users, being the trustee and investors in the specific transaction.

Staff contacted the ABA and the ASF to understand what, if any, changes had occurred with securitisation trusts since 2018.

Discussions with the ASF indicated that, in addition to securitisation trusts, there are other similar vehicles known as securitisation warehouses, which are affected in a similar way to securitisation trusts.¹³ Staff understand that the most important information these vehicles provide to investors is information about their cash flows. The vehicles provide a monthly report shortly after the balance date, and the timely information provides investors with an opportunity to review the position of their investment and decide whether to take action. The monthly reporting is viewed as being more important than the annual financial statements, which are prepared and distributed well after the end of the reporting period. This is because by the time the financial statements are distributed, the information is no longer useful.

Staff understand that most vehicles have addressed the issue of financial reporting requirements and, where possible, changed their constituting documents to be more specific about the types of information they will provide. That is, they have generally either removed the reference to Australian Accounting Standards and replaced it with an explicit requirement for the vehicle to provide cash flow information, or they removed the reference to Australian Accounting Standards but continue to prepare SPFS as they did in the past, without specifically referring to the financial statements having been prepared in compliance with Australian Accounting Standards.

Feedback from the ABA suggested that the trust deeds they are aware of require audited annual accounts to be prepared by the Manager and given to the Security Trustee within 120 days of the end of the financial year. In their experience the trust deeds do not explicitly require the annual accounts to be prepared in accordance with Australian Accounting Standards; they often state that "a reference to an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not, inconsistent with those standards, in accounting principles and practices generally accepted in Australia". They also provided feedback that for some banks, the 2024 annual accounts for some

12 See [ASF ITC 39 submission](#). In addition, feedback obtained from the ABA in July 2025 suggested that the average life of securitisation trusts appears to be approximately 10 years.

13 A warehouse facility is a short-term financing facility that is used to hold the underlying assets of a securitisation until they can be securitised. A warehouse facility is sometimes referred to as a "securitisation facility". The warehouse facility is typically provided by a bank or other financial institution. The bank will lend the issuer the money to purchase the underlying assets, and the issuer will then use the proceeds of the securitisation to repay the loan. Warehouse facilities are used to provide liquidity to the securitisation process. Without a warehouse facility, the issuer would have to wait until all of the underlying assets were securitised before they could receive the proceeds of the securitisation. This would make it difficult for the issuer to finance the purchase of the underlying assets. ([Warehouse Facility | Australian Securitisation Forum](#))

securitisation trusts have been prepared in accordance with AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

Staff recommendation

Staff understand that securitisation trusts and warehouses are quite significant. For example, there are likely more than 200 vehicles with over \$80 billion of investments, and they represent a critical part of the market. Staff also understand that fewer vehicles are being listed on the ASX, as it is often less complicated to obtain a listing on an overseas exchange. As such, there are likely to be many overseas investors who may not be aware of the 'problems' associated with SPFS, such as the ability to self-select accounting policies.

Staff consider the issue of whether securitisation trusts and warehouses have public accountability, could still be a matter for debate. However, the industry appears to have adapted its reporting practices. For example, trust deeds seem to have either been updated to no longer refer to Australian Accounting Standards, trusts continue to be 'grandfathered', financial statements no longer refer to Australian Accounting Standards as the basis of preparation, and investors are continuing to receive the information they value most (e.g. monthly cash flow reporting).

For these reasons, there do not appear to be any ongoing matters for the AASB to address, and staff recommend that no action is required regarding securitisation trusts.

- (b) The proposed amendments to fiduciary duty do not address financial services licensees (primarily non-corporate).

Explanation:

At the time the [IPA ITC 39 submission](#) provided this feedback, staff understood the issue was that some licensees were self-assessing themselves as non-reporting entities, preparing SPFS and, therefore, not considering whether they had public accountability.

Is this still an issue?

With the removal of SPFS for certain for-profit private sector entities, all licensees must now prepare GPFS.

Further, ASIC Form FS70 deems some licensees to have public accountability and therefore requires them to prepare Tier 1 GPFS. Other licensees are not deemed to have public accountability, and they must consider the definition in AASB 1053 and prepare Tier 1 GPFS if they meet the public accountability definition; otherwise, they can prepare Tier 2 GPFS.

Under the Corporations Act 2001, there are two types of AFS licensees – those that are required to report under Chapter 2M of the Corporations Act and those that are required to report under Chapter 7 of the Corporations Act.

If an AFS licensee is **not** a disclosing entity, unlisted public company, registered scheme, or large proprietary company, it is only required to report under Chapter 7. Even though these entities are not required to report under Chapter 2M, they are still required to apply Australian Accounting Standards because the Corporations Regulations and the Corporations Act allow ASIC to prescribe reporting requirements through ASIC Form FS70.

If an AFS licensee **is** a disclosing entity, unlisted public company, registered scheme, or large proprietary company in addition to reporting under Chapter 7, it is also required by Chapter 2M to lodge a financial report that complies with Australian Accounting Standards.

Staff recommendation:

The meaning of the term fiduciary capacity is something that has been considered by the IASB during each of its reviews of the IFRS for SMEs, with some stakeholders suggesting application examples and others suggesting that nothing further was required. Ultimately, the IASB reconfirmed its decision not to provide guidance on applying the term fiduciary capacity when finalising the third edition of the IFRS for SMEs, as it would be difficult to develop and provide guidance that would be applicable in all jurisdictions because of the different legal requirements and types of entities in different jurisdictions. Furthermore, the IASB reconfirmed that, in their view, local legislative and regulatory authorities, and standard-setters in individual jurisdictions, are best placed to identify the kinds of entities in their jurisdiction that hold assets in a fiduciary capacity for a broad group of outsiders as a primary business. The IASB was also concerned that defining fiduciary capacity or changing the definition of public accountability could create problems in some jurisdictions in which the existing definition and the IFRS for SMEs are well established.¹⁴

Staff note that the AASB has a policy of not further interpreting the IASB's terms and definitions. Staff also note the changes made to ASIC Form FS70 in 2021 by ASIC to deem certain entities as having public accountability.

Staff are not aware of any ongoing concerns regarding the term fiduciary capacity in relation to financial services licensees. As such, staff do not recommend that the AASB take any action at this time. However, staff will continue to monitor the application of the definition of public accountability in Australia.

- (c) The [Swinburne ITC 39 submission](#) questioned whether the definition of public accountability would apply to an investment vehicle that issues a Product Disclosure Statement to raise funds only in a specific market segment. It also questioned whether they would still be considered to have public accountability if they did not issue equity securities to the broad public.

Is this still an issue?

Staff have not received any additional feedback on this particular fact pattern to understand whether it is a significant or widespread issue.

Staff recommendation:

Staff do not consider it appropriate for the AASB to form a view about the application of the public accountability definition in a specific scenario, such as that noted above. Further, staff do not consider that there is sufficient information on which to form a view in any case.

As such, staff recommend no action is required. However, staff will continue to monitor the application of the definition of public accountability in Australia.

Feedback related to the list of deemed entities in paragraph B2

48 The feedback received in response to ITC 39 included the following:

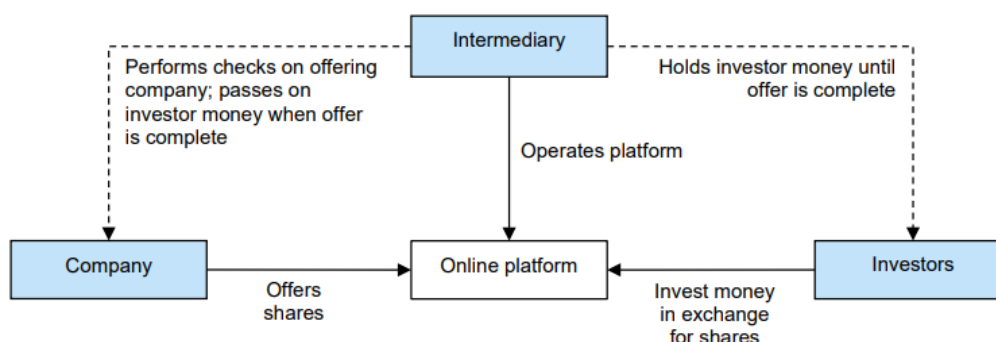
- (a) Crowd-sourced funding (CSF) entities

Explanation:

The [Swinburne ITC 39 submission](#) recommended that the AASB consider how the equity instruments of CSF entities are subsequently bought and sold, and whether the process is akin to an over-the-counter market, such that they may be considered publicly accountable.

CSF involves a company raising funds—usually through an online intermediary—from a large number of individual investors who make relatively small financial contributions to the company. Equity-based CSF involves a company offering its ordinary shares to investors in return for a relatively small cash investment. Part 6D.3A of the Corporations Act 2001 provides a regulatory framework for equity-based CSF by unlisted public companies and proprietary companies, enabling them to make offers of ordinary shares to retail investors, through a licensed intermediary's platform, using an offer document and the entities are regulated by ASIC. The following diagram illustrates how equity-based CSF works:¹⁵

Figure 1: How equity-based crowd-sourced funding works



CSF provides a fundraising option for start-ups or small to medium-sized companies. These companies are often at an early stage of their development and may not yet have a viable or profitable business. This means investments through CSF offers may be highly speculative, with an increased risk of failure and loss to equity investors. Investments through CSF offers may also be illiquid, reducing investors' ability to exit.

The CSF regime set out in the Corporations Act allows unlisted public companies and proprietary companies with less than \$25 million in consolidated assets and annual revenue to make offers of ordinary shares to retail investors through a licensed CSF intermediary's platform using a CSF offer document. Eligible companies can raise up to \$5 million in any 12-month period under the CSF regime.

Equity-based CSF entities have specific reporting obligations under the Corporations Act. In summary, if the entity is a small proprietary company and they have had one or more CSF shareholders at any time during the year, it must prepare and lodge annual financial statements and a directors' report as if it were a large proprietary company. Large proprietary companies must prepare and lodge financial statements as usual. A small proprietary company that has one or more CSF shareholders and that raised at least \$3 million from all offers has to have its financial statements audited.

Is this still an issue?

Staff note that during the development of the Exposure Draft, which preceded the third edition of the IFRS for SMEs, the topic of CSF was raised, including whether crowdfunding could be considered a public market.

The IASB considered this feedback and observed that the definition of public accountability notes that a public market includes 'a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets', i.e., the public market should be interpreted more widely than the traditional public market (stock exchange). In addition, they also referred to SME Implementation Group (SMEIG) Q&A 2011/03 *Interpretation of 'traded in a public market' in applying the IFRS for SMEs*, which provided further guidance on how widely 'traded in a public market' should be interpreted. IASB staff noted that this guidance is incorporated into the IFRS for SMEs educational modules.

After considering the feedback and in finalising the third edition of the IFRS for SMEs, the IASB did not provide any additional guidance in relation to CSF.¹⁶

Staff recommendation:

Staff acknowledge that the topic of CSF and specifically how they fit within the public market 'leg' of the public accountability definition was recently considered by the IASB and that in the IASB's view, no additional guidance was needed.

However, AASB staff are unsure whether there is an Australian-specific issue in relation to CSF entities that needs to be addressed. In order to form a view about CSF entities and their relationship with the definition of public accountability, staff recommend gathering more information about CSF entities and their operating environment as part of the separate project referred to in paragraph 42. For example, how many CSF entities are in operation, what the typical life cycle of a CSF entity is, what a CSF entity's activities are and which industries they operate in, whether there are differences in how the definition of public accountability is applied and whether there are any other relevant considerations.

- (b) The [Swinburne ITC 39 submission](#) suggested that the AASB should not deem any particular entities to have public accountability, as the determination of "who" reports should be the domain of the lawmaker.

Explanation:

Staff do not consider that the AASB's deeming of certain entities to have public accountability affects **who** has to report; it only affects **what** they report. This is because the types of entities listed in paragraph B2 of AASB 1053 are already required by legislation or a regulator to prepare financial statements that comply with Australian Accounting Standards. The effect of paragraph B2 is to require them to prepare Tier 1 GPFS, as they are deemed to have public accountability.

Staff recommendation:

Staff do not recommend any action is required in relation to this feedback, as staff do not consider the list of deemed entities to affect who is required to report; it only affects what they report.

- (c) The [Swinburne ITC 39 submission](#) noted that paragraph B2(a) of AASB 1053 deems disclosing entities to have public accountability even if their instruments are not traded in the public market, or are in the process of being issued for trading in a public market. This appears contrary to the definition of public accountability.

Explanation:

Paragraph B2(a) refers to “disclosing entities, even if their debt or equity instruments are not traded in a public market or are not in the process of being issued for trading in a public market” as being deemed to have public accountability.

Under the Corporations Act 2001, a disclosing entity is a company or entity that is:

- (a) listed on a financial market in Australia (like the ASX); or
- (b) that has issued enhanced disclosure securities (such as shares or debentures) that are still on issue and were offered under a disclosure document (like a prospectus)

All disclosing entities must prepare and lodge annual financial reports and half-yearly financial reports.¹⁷

Paragraph B2(a) captures unlisted entities disclosing entities.¹⁸

Is this still an issue?

Disclosing entities, listed or unlisted, continue to have the same reporting obligations under Australian Accounting Standards – listed disclosing entities because they meet the definition of public accountability, and unlisted disclosing entities because they are deemed to be publicly accountable.

Staff suggest that when unlisted disclosing entities were listed in Paragraph B2(a), it was likely done to ensure that all disclosing entities, regardless of whether they were listed or unlisted, would be required to prepare the same type of GPFS (i.e. Tier 1).

Staff recommendation:

Staff are not aware of any other concerns about the deeming of unlisted disclosing entities and the resulting requirement for them to prepare Tier 1 GPFS. However, the separate project noted in paragraph 42 is expected to provide additional information about the list of deemed entities for the AASB’s consideration.

¹⁷ [Disclosing entity \(glossary definition\) | ASIC](#)

¹⁸ Unlisted disclosing entities include unlisted bodies (mostly companies) with 100 or more members holding securities as a result of issues under a disclosure document, or as consideration for an acquisition under an off-market takeover bid or Pt 5.1 compromise or arrangement; unlisted debenture issuers which need to appoint a trustee under s283AA or which do not need to appoint a trustee because they make recognised offers; unlisted managed investment schemes in which 100 or more people hold interests in the scheme as a result of offers that required a Product Disclosure Statement; and (d) disclosing entities whose securities are quoted on a prescribed financial market but where the issuer itself is not admitted to that market’s official list.