

MEMO# 27322

June 19, 2013

Withdrawal of NASDAQ's Proposed Rule Change to Require Listed Companies to Have an Internal Audit Function

[27322]

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 54-13
ETF (EXCHANGE-TRADED FUNDS) COMMITTEE No. 28-13
ETF ADVISORY COMMITTEE No. 29-13
INTERNAL AUDIT ADVISORY COMMITTEE No. 4-13
INVESTMENT ADVISER MEMBERS No. 42-13 RE: WITHDRAWAL OF NASDAQ'S PROPOSED
RULE CHANGE TO REQUIRE LISTED COMPANIES TO HAVE AN INTERNAL AUDIT FUNCTION

On June 18, 2013, the Securities and Exchange Commission ("SEC") published a notice of withdrawal of a proposed rule change by the NASDAQ Stock Market LLC ("Nasdaq") to require listed companies to have an internal audit function. [1] In March, Nasdaq filed a proposed rule change that would require listed companies to establish and maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes as well as its system of internal control. [2] In April, the SEC issued a notice to extend the time period for SEC action to consider the Proposed Rule Change and the comment letters received, including a letter submitted by the ICI. [3] According to the Notice of Withdrawal, Nasdaq withdrew the Proposed Rule Change to fully consider the comments filed and it intends to file a revised proposal at a later date.

Jennifer S. Choi
Senior Associate Counsel – Securities Regulation

endnotes

[1] Notice of Withdrawal of Proposed Rule Change to Require that Listed Companies Have an Internal Audit Function, Release No. 34-69792 (June 18, 2013), available at <http://www.sec.gov/rules/sro/nasdaq/2013/34-69792.pdf> ("Notice of Withdrawal").

[2] Notice of Filing of Proposed Rule Change to Require that Listed Companies Have an

Internal Audit Function, Release No. 34-69030, 78 FR 15075 (March 8, 2013), available at <http://www.gpo.gov/fdsys/pkg/FR-2013-03-08/pdf/2013-05454.pdf> (“Proposed Rule Change”). For a summary of the Proposed Rule Change, see ICI Memorandum No. 27109 (Mar. 13, 2013), available at http://www.ici.org/my_ici/memorandum/memo27109.

[3] Notice of Designation of a Longer Period for Commission Action on Proposed Rule Change to Require That Listed Companies Have an Internal Audit Function, Release No. 34-69402, 79 FR 24281 (Apr. 24, 2013), available at <http://www.gpo.gov/fdsys/pkg/FR-2013-04-24/pdf/2013-09630.pdf>. For a summary of ICI’s comment letter, see ICI Memorandum No. 27140 (Mar. 28, 2013), available at http://www.ici.org/my_ici/memorandum/memo27140.

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