MEMO# 27140

March 28, 2013

ICI Comment Letter on Nasdaq's Proposed Rule Change to Require Listed Companies to Have Internal Audit Function

[27140]

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 28-13
ETF (EXCHANGE-TRADED FUNDS) COMMITTEE No. 18-13
ETF ADVISORY COMMITTEE No. 17-13
INTERNAL AUDIT ADVISORY COMMITTEE No. 3-13 RE: ICI COMMENT LETTER ON NASDAQ'S PROPOSED RULE CHANGE TO REQUIRE LISTED COMPANIES TO HAVE INTERNAL AUDIT FUNCTION

ICI has submitted a comment letter, which is attached, to the Securities and Exchange Commission ("SEC") in response to a notice of a proposed rule change by the NASDAQ Stock Market LLC ("Nasdaq") to require listed companies to have an internal audit function. [1] According to Nasdaq, the purpose of the proposed rule would be to ensure that listed companies have a mechanism in place to review and assess regularly their system of internal control and to identify any weaknesses and develop appropriate remedial measures.

The letter requests that the internal audit function should not be required for investment companies – closed-end funds and exchange-traded funds – that are registered under the Investment Company Act of 1940 ("Investment Company Act") and listed on Nasdaq. The letter argues that, for these funds, the requirement is unnecessary given their robust regulation under the Investment Company Act, impractical given their unique structure, and inconsistent with the New York Stock Exchange's corresponding listing requirement, which includes an exception for registered investment companies.

Jennifer S. Choi
Senior Associate Counsel – Securities Regulation

[Attachment](#)

endnotes

[1] See SEC 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.