

**MEMO# 27125**

March 25, 2013

## **Draft ICI Comment Letter on Nasdaq's Proposed Rule Change to Require Listed Companies to Have Internal Audit Function; Member Input Requested by Wednesday, March 27**

[27125]

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TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 9-13  
ETF (EXCHANGE-TRADED FUNDS) COMMITTEE No. 17-13  
ETF ADVISORY COMMITTEE No. 16-13  
INTERNAL AUDIT ADVISORY COMMITTEE No. 2-13 RE: DRAFT ICI COMMENT LETTER ON NASDAQ'S PROPOSED RULE CHANGE TO REQUIRE LISTED COMPANIES TO HAVE INTERNAL AUDIT FUNCTION; MEMBER INPUT REQUESTED BY WEDNESDAY, MARCH 27

The Securities and Exchange Commission ("SEC") has published for comment a notice of a proposed rule change by the NASDAQ Stock Market LLC ("Nasdaq") to require listed companies to have an internal audit function. \* 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. ICI has prepared a draft comment letter, which is attached. If you have comments on the draft letter, please provide them to Jennifer Choi at [jennifer.choi@ici.org](mailto:jennifer.choi@ici.org) by Wednesday, March 27.

The draft 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 the requirement is unnecessary for these funds given their unique regulation under the Investment Company Act, impractical given their unique structure, and inconsistent with the New York Stock Exchange's similar listing requirement, which includes an exception for registered investment companies.

Jennifer S. Choi  
Senior Associate Counsel – Securities Regulation

## [Attachment](#)

### **endnotes**

[\*]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>.

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