September 8, 2026

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-1090

Re: SEC Release No. 34-106128; File No. SR-NYSE-2026-37
SELF-REGULATORY ORGANIZATIONS; NEW YORK STOCK EXCHANGE LLC; NOTICE OF FILING OF A PROPOSED RULE CHANGE TO AMEND SECTIONS 303A.00 AND 303A.07 OF THE NYSE LISTED COMPANY MANUAL

Dear Ms. Countryman:

The Institute of Internal Auditors ("The IIA") welcomes the opportunity to comment on the referenced proposed rule change ("the Proposal"), by which New York Stock Exchange LLC (NYSE or "the Exchange") would extend, from one year to five years, the transition period within which a newly listed company must establish the internal audit function required by Section 303A.07 of the NYSE Listed Company Manual ("the Manual").[1]

Established in 1941, The IIA is a professional association recognized throughout the world as the internal audit profession's leader in standards, certifications, education, research, and technical guidance, and is the steward of the International Professional Practices Framework® (IPPF®). The IIA serves more than 265,000 global members, including over 75,000 in North America, and has awarded more than 200,000 Certified Internal Auditor® certifications worldwide. Our members establish, lead, and staff internal audit functions at listed companies—including newly listed companies—and the experience of that membership informs every observation in this letter.

I. Summary of Position

The IIA respectfully urges the Commission to disapprove the Proposal and, to that end, to institute proceedings under Section 19(b)(2)(B) of the Securities Exchange Act of 1934 (the Exchange Act).[2] Five years is a long time for a public company to operate without the ongoing,

---

[1]Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of a Proposed Rule Change To Amend Sections 303A.00 and 303A.07 of the NYSE Listed Company Manual, Exchange Act Release No. 34-106128, 91 Fed. Reg. 53,448 (Aug. 18, 2026) [hereinafter Notice]. By letter dated August 26, 2026, The IIA requested an extension of the comment period for this filing; The IIA submits these comments within the current period without prejudice to that request.

[2]15 U.S.C. § 78s(b)(2)(B).

objective assurance an internal audit function provides over its risk management and internal control. As shown below, (1) the Exchange has offered the Commission no evidentiary basis on which the findings required for approval could be made; (2) the statutory protections the Exchange cites do not, in fact, cover the newly listed companies the Proposal affects; and (3) the change would undermine the very audit committee oversight on which the Exchange relies. The internal audit listing requirement adopted in the wake of the corporate failures of the early 2000s has served investors well for more than two decades. Extending its transition period fivefold would be a significant step backward for good governance and stewardship. The requirement has been relaxed once already; it should not be relaxed again.

II. The Exchange Has Not Carried Its Burden Under the Exchange Act

The Commission may approve a proposed rule change only if it finds the change consistent with the Exchange Act,[3] including Section 6(b)(5)'s requirement that exchange rules be designed to protect investors and the public interest.[4] Those findings must be the Commission's own: the U.S. Court of Appeals for the District of Columbia Circuit has held that the Commission may not approve a self-regulatory organization's proposed rule change in "unquestioning reliance" on the organization's own representations, but must critically review the organization's analysis or perform its own.[5] And should the Commission institute proceedings, its Rules of Practice place the burden of demonstrating consistency with the Exchange Act squarely on the Exchange, providing that a "mere assertion" of consistency is not sufficient.[6]

The Proposal cannot meet that standard on its present record, because it has no record. The filing contains no data of any kind: it identifies no population of affected issuers, quantifies no burden associated with the current one-year period, offers no analysis of the investor-protection consequences of a five-year assurance gap, and provides no explanation of why five years—rather than any shorter period—is the appropriate term. Its entire factual predicate is a statement that unnamed issuers "have expressed concern," and the Exchange acknowledges that it neither solicited nor received any written comments before filing.[7] The only recent empirical evidence on the asserted burden comes from the Exchange itself, and it points the other way: the Exchange's President told Congress on September 2, 2026, that initial public offering proceeds tripled year over year, to a record $178 billion in the first half of 2026, all under the current one-year standard.[8] Companies are not fleeing the requirement; they are listing in record numbers under it. On this record, the Commission cannot make the finding that Section 19(b)(2)(C) requires for approval. The appropriate disposition is disapproval or, at minimum, the institution of proceedings in which the Exchange is put to its proof.

---

[3] 15 U.S.C. § 78s(b)(2)(C)(i).

[4] 15 U.S.C. § 78f(b)(5); Notice, 91 Fed. Reg. at 53,449.

[5] *Susquehanna Int'l Grp., LLP v. SEC*, 866 F.3d 442, 446–47 (D.C. Cir. 2017) (remanding an approval order as arbitrary and capricious where the Commission "effectively abdicated" its statutory responsibility to the self-regulatory organization); *see NetCoalition v. SEC*, 615 F.3d 525, 540–41 (D.C. Cir. 2010) (criticizing reliance on the "self-serving views of the regulated entities").

[6] 17 C.F.R. § 201.700(b)(3).

[7] Notice, 91 Fed. Reg. at 53,448–49.

[8] Strengthening the American Economy: Promoting Growth, Opportunity, and Prosperity: Hearing Before the H. Comm. on Fin. Servs., 119th Cong. (Sept. 2, 2026) (written testimony of Lynn Martin, President, NYSE Group) [hereinafter Martin Testimony], https://docs.house.gov/meetings/BA/BA00/20260902/119522/HHRG-119-BA00-Wstate-MartinL-20260902.pdf.

III. The Proposal Abandons the Premise on Which the Current Rule Was Approved

The internal audit requirement originates in the Exchange's post-Enron Section 303A corporate governance reforms, approved by the Commission in 2003.[9] Until 2013, companies listing in connection with an initial public offering (IPO), carve-out, or spin-off were required to comply at the time of listing; the current one-year transition period is itself a 2013 relaxation. The IIA opposed that change at the time, telling the Commission that it would "relax an important governance requirement" at the stage when boards, management, and investors most need expert support on internal control and risk management.[10] The Commission approved the change over that objection, but on premises the present Proposal abandons. The Commission agreed with The IIA that an internal audit function "plays an important role in overall good corporate governance for all public companies"; it noted specifically "that the transition is limited in duration"; it relied on the amendment's retention of the requirement that every listed company have the function no later than one year after listing; and it encouraged eligible companies "to implement an internal audit function as quickly as possible."[11] A bounded transition, a one-year outer limit, urgency in implementation: each is discarded here. The IIA's position today is the position it took in 2013, and it is not confined to this Exchange. The IIA supports an internal audit function requirement for all publicly traded companies. What has changed is only the scale of the relaxation the Exchange proposes.

Nor is the absence of a comparable requirement at the Nasdaq Stock Market a reason to approve. The Commission articulated the importance of internal audit in the same 2013 order that acknowledged Nasdaq's withdrawal of its own proposed internal audit listing requirement, declining then—as it should now—to treat the less rigorous standard as the benchmark for investor protection.[12] The Commission's own Rules of Practice embody the same judgment: a "mere assertion" that a proposal is consistent with the Act, "or that another self-regulatory organization has a similar rule in place, is not sufficient." An assertion that another exchange lacks the rule can carry no more weight. And unlike 2013, when the investor perspective was largely absent from these comment files, institutional investors are present in this one.[13][14]

The Exchange's own filing states that it "continues to believe" that a robust internal audit function is "a key component of sound corporate governance."[15] The risks that function addresses—financial, operational, technological, regulatory—are the same in an issuer's first

[9] NASD and NYSE Rulemaking Relating to Corporate Governance, Exchange Act Release No. 34-48745, 68 Fed. Reg. 64,154 (Nov. 12, 2003).

[10] Letter from Richard F. Chambers, President & CEO, The Institute of Internal Auditors, to Elizabeth M. Murphy, Secretary, U.S. Securities and Exchange Commission (July 29, 2013), as summarized in Order Approving Proposed Rule Change Amending 303A.00 of the Exchange's Listed Company Manual, Exchange Act Release No. 34-70246 (Aug. 22, 2013), 78 Fed. Reg. 53,181, 53,182 (Aug. 28, 2013) [hereinafter 2013 Approval Order]; *see* Notice of Filing, Exchange Act Release No. 34-69914 (July 2, 2013), 78 Fed. Reg. 40,816 (July 8, 2013) (File No. SR-NYSE-2013-40).

[11] 2013 Approval Order, 78 Fed. Reg. at 53,183.

[12] *See* Exchange Act Release No. 34-69792 (June 18, 2013), 78 Fed. Reg. 37,867 (June 24, 2013) (withdrawal of File No. SR-NASDAQ-2013-032); 2013 Approval Order, 78 Fed. Reg. at 53,183 n.13 (noting the withdrawal, that Nasdaq has never refiled, and that the Commission "continues to believe . . . that an internal audit function is important for listed companies").

[13] *See* Letter from Jeffrey Mahoney, General Counsel, Council of Institutional Investors, to Vanessa Countryman, Secretary, SEC (Sept. 3, 2026) (File No. SR-NYSE-2026-37) https://www.sec.gov/comments/SR-NYSE-2026-37/srnyse202637-1027399-3334686.pdf.

[14] 17 C.F.R. § 201.700(b)(3).

[15] Notice, 91 Fed. Reg. at 53,448.

year as in its sixth. A newly public company does not need less independent assurance than a mature one; it needs it while systems, controls, and governance practices are still being built and decisions are being made that will shape the company for years. Deferring the function for five years defers assurance and limits oversight; it does not defer the risks that companies, investors and the public interest are exposed to.

IV. The Statutory Protections the Exchange Cites Do Not Cover Newly Listed Companies

The Proposal's central investor-protection argument is that the independent audit committee requirement and the Sarbanes-Oxley Act of 2002 (SOX) regime—Section 404(a) management assessments, Section 404(b) auditor attestations, and Sections 302 and 906 certifications—adequately protect investors during the extended transition period.[16] That argument fails precisely for the cohort of companies the Proposal affects.

First, most newly listed companies are not subject to the Section 404(b) auditor attestation at all. Emerging growth companies, which make up the large majority of IPO issuers, are exempt from Section 404(b) for as long as they retain that status, up to five fiscal years after their IPO,[17] and smaller reporting companies with less than $100 million in revenue are exempt indefinitely.[18] *Second*, newly public companies are not required to include management's Section 404(a) assessment of internal control over financial reporting in their first annual report.[19] *Third*, the Commission's own pending filer-status proposal would limit the Section 404(b) attestation requirement to large accelerated filers and—because that status would require sixty months of Exchange Act reporting history—would exempt every newly public company from auditor attestation for its first five years, regardless of size.[20] The scale of that contraction is the Commission's own estimate: 1,596 registrants, approximately 60 percent of all companies currently subject to the attestation, would become newly exempt. And in that docket, the public company auditing profession's own organization has told the Commission that it does not support a five-year attestation exemption for newly public companies, regardless of size.[21][22]

Under the Proposal, then, a typical newly listed company could trade on the Exchange for five years with no internal audit function, no internal auditor attestation over internal control, and a delayed management assessment—in the same years when, as the Exchange itself acknowledges, such companies are still upgrading their accounting systems and internal controls to meet the demands placed on public companies.[23] The safety net the Exchange invokes has its largest holes exactly where the Proposal operates, and the Commission's

---

[16] Notice, 91 Fed. Reg. at 53,448–49.

[17] Pub. L. No. 112-106, § 103, 126 Stat. 306, 310 (2012) (codified at 15 U.S.C. § 7262(b)); *see* 15 U.S.C. § 77b(a)(19) (definition and duration of emerging growth company status).

[18] Amendments to the Accelerated Filer and Large Accelerated Filer Definitions, Exchange Act Release No. 34-88365 (Mar. 12, 2020).

[19] 17 C.F.R. § 229.308, Instruction 1.

[20] Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies, Release Nos. 33-11419, 34-105515, 91 Fed. Reg. 30,086, 30,089 (May 21, 2026).

[21] Letter from the Center for Audit Quality to Vanessa Countryman, Secretary, SEC (July 20, 2026), https://www.thecaq.org/wp-content/uploads/2026/07/caq_filer_status_letter_7.20.26_signed.pdf; *see also* Letter from Jeffrey Mahoney, General Counsel, Council of Institutional Investors, to Vanessa Countryman, Secretary, SEC 15 (July 16, 2026).

[22] 91 Fed. Reg. at 30,137.

[23] Notice, 91 Fed. Reg. at 53,448.

pending rulemakings would widen them. Far from justifying a longer transition period, the contraction of the attestation regime makes the internal audit listing requirement more important, not less: for many newly listed companies it may soon be the only ongoing source of objective assurance over risk and internal control available to their boards and investors.

V. External Audit and Executive Certifications Are Not Substitutes for Internal Audit

Even where they apply, the protections the Exchange cites are different in kind from the assurance an internal audit function provides. The independent auditor's opinion is rendered annually, on a completed fiscal year; the Sections 302 and 906 certifications, though filed with each periodic report, speak to reporting periods already ended; and all of these address internal control over financial reporting, one domain of risk. An internal audit function provides management and the audit committee with ongoing, forward-looking assessments across the issuer's full risk portfolio: cybersecurity, technology, supply chain, operations, compliance, and financial risk alike.

That is not The IIA's gloss; it is the Exchange's own rule, which defines the function's purpose as providing "ongoing assessments of the issuer's risk management processes and system of internal controls."[24] The distinction matters most for the companies the Proposal affects. Newly public issuers, including rapidly scaling technology companies, confront risks that emerge and compound far faster than an annual, financial-statement-focused audit cycle can address. A retrospective annual examination of financial controls cannot substitute for continuous assurance over risks that do not wait for year-end.

VI. The Proposal Undermines the Audit Committee Oversight on Which It Relies

The Exchange's reliance on audit committee oversight is circular. Under Section 303A.07, the audit committee's charter must provide for the committee to meet separately, periodically, with internal auditors (or other personnel responsible for the internal audit function), and the committee is charged with oversight of that function—including, during any transition period, oversight of its design and implementation.[25] For five years, there would be no function to over*see* and no internal audit channel to meet with.

The transition-period duties the Exchange added in 2013—and on which the Commission relied in approving the current rule—presuppose a short, bounded runway: a committee reviewing management's plans for the function's budget, staffing, and implementation is overseeing a build underway, not administering a five-year absence.[26] *The committee would be deprived of its principal independent, management-facing source of information about the issuer's risks and controls, leaving it far more dependent on the representations of the management it oversees.*

[24] NYSE Listed Company Manual § 303A.07(c); Notice, 91 Fed. Reg. at 53,448.

[25] NYSE Listed Company Manual § 303A.07(b).

[26] *See* 2013 Approval Order, 78 Fed. Reg. at 53,182–83 (describing the amended charter provisions governing audit committee oversight of the design and implementation of the internal audit function during a transition period, and relying on those provisions in approving the one-year period).

A proposal cannot invoke the audit committee as the operative safeguard while removing, for half a decade, the committee's primary instrument of independent insight, and while asking directors to bear that responsibility with no objective assurance resource behind them.

VII. The One-Year Requirement Is Proportionate and Achievable

The current rule requires presence, not scale. It does not oblige a newly listed company to construct a large internal audit department in its first year: the Manual expressly permits the function to be outsourced to a third-party service provider other than the issuer's independent auditor,[27] and in practice newly listed companies routinely satisfy the requirement by appointing a chief audit executive and co-sourcing or outsourcing delivery to professional services firms with deep experience establishing such functions, or by fielding a small, risk-focused in-house team. The asserted burden assumes an in-house build the rule has never required. In our member's experience, internal audit is a high-value, cost-effective means of identifying weaknesses early, strengthening governance, and protecting shareholder value—and proportionate models make the requirement workable for companies of every size and stage at the time of listing. To the extent uncertainty about expectations contributes to issuer concern, the constructive response is clarity, not delay: What should scale with a company's size and stage is the design of the function, not whether it exists.

The IIA respectfully suggests that the Commission encourage the Exchange to publish guidance describing the attributes of an appropriately structured internal audit function for a newly listed company—including proportionate, outsourced, and co-sourced models—and The IIA stands ready to assist in developing such guidance.

VIII. Conclusion

The Exchange's President told Congress on September 2, 2026, that "innovation and investor protection are not in tension" but are "mutually reinforcing."[28] The IIA agrees. The Proposal asks the Commission to treat them instead as a trade: five years of the one for an unquantified measure of the other. Internal audit belongs at the foundation of a newly public company's governance. For more than two decades, the Exchange's internal audit listing requirement has given investors in newly listed companies what no other element of the disclosure and audit regime provides: ongoing, objective assurance over the issuer's risk management and internal control at the stage of its life when that assurance matters most. The Proposal would withdraw that protection for five years, on no evidence, while the remaining statutory backstops are themselves contracting.

The IIA urges the Commission to disapprove the Proposal and, to that end, to institute proceedings under Section 19(b)(2)(B). Should the Exchange believe the transition period warrants refinement, the appropriate course is an amended filing—supported by evidence, providing a materially shorter period, and incorporating interim safeguards such as early appointment of internal audit leadership, an audit-committee-approved internal audit charter, and conformance of the function with the IPPF.

---

[27] NYSE Listed Company Manual § 303A.07(c).
[28] Martin Testimony, *supra*.

The IIA appreciates the Commission's consideration of these comments and would welcome the opportunity to meet with the Commission or its staff to discuss them. For additional information or to discuss The IIA's comments further, please contact Ramón A. Correa, Director for U.S. Advocacy, at Ramon.Correa@TheIIA.org.

Sincerely,

Anthony J. Pugliese

Anthony J. Pugliese, CIA, CPA, CGMA, CAE
President and Chief Executive Officer
The Institute of Internal Auditors

cc: The Honorable Paul S. Atkins, Chairman
The Honorable Hester M. Peirce, Commissioner
The Honorable Mark T. Uyeda, Commissioner
Mr. Jamie Selway, Director, Division of Trading and Markets
Mr. Kurt Hohl, Chief Accountant, Office of the Chief Accountant