

March 27, 2023

Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

RE: IIA Comments Regarding Prohibition Against Conflicts of Interest in Certain Securitizations

Dear Chairman Gensler and Commissioners:

The Institute of Internal Auditors (The IIA) appreciates the opportunity to comment on the SEC's proposed rule, re-proposal, Prohibition Against Conflicts of Interest in Certain Securitizations.

For over 80 years, The IIA and its now more than 230,000 members across the globe have aided sound governance and risk management efforts in public- and private-sector organizations, encouraging strong internal controls and an enterprise-wide approach.

The questions in the exposure draft regarding the role of internal audit center around protections if the re-proposed rule were to include the use of information barriers. The SEC asks if there should be exceptions if certain conditions were satisfied and if a potential exception should require periodic internal audits of compliance with policies and procedures.

The questions in the draft overlap with the governance roles as explained in [The IIA's Three Lines Model](#). We agree that the underwriter, placement agent, initial purchaser, or sponsor of the asset-backed security should obtain a regular assessment of the operation of policies and procedures and internal control structure. Internal audit can provide on-going objective advice to management when such an assessment is being conducted.

If aspects of these controls are delegated by management to a second line function (risk or compliance), it would also be subject to third line (internal audit) consideration for independent assurance of the adequacy of its design and operating effectiveness. Internal audit is appropriately positioned to challenge the testing performed, frequency, timeliness, results, and actions taken by management. Inclusion of this testing in the internal audit plan would be determined through a risk-based assessment.

It is important that the internal audit function remains independent of the organizational control structure in order to maintain its objectivity. It is our belief that the structure proposed above would both align with our *International Standards for the Professional Practice of Internal Auditing* and ensure proper control assessments are performed at all levels within the organization.



The Institute of
Internal Auditors

Elevating Impact

If The IIA can be of further assistance on this proposed rule or any other matter, I would ask you to please contact Michael Downing, The IIA's US Advocacy Director, (michael.downing@theiia.org).

Sincerely,

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