



AN ALERT FROM THE BDO NATIONAL ASSURANCE PRACTICE

BDO FLASH REPORT

SEC MATTERS



► SUBJECT

NASDAQ WITHDRAWS PROPOSAL ON INTERNAL AUDIT REQUIREMENT

► SUMMARY

In response to comments received from issuers, the NASDAQ Stock Market LLC (Nasdaq) has withdrawn its [proposed rule change](#) that would have required all listed companies to establish and maintain an internal audit function. The purpose of the rule change was to ensure management and the audit committee are provided with regular assessments of a company's risk management processes and system of internal control.

Nasdaq has decided to revisit the proposal in contemplation of the concerns expressed by issuers during the comment letter process. While such a proposal would have aligned the Nasdaq with similar current requirements by the NYSE, the Nasdaq is sensitive to expressed concerns regarding the cost burden to small companies - particularly non-accelerated filers and Emerging Growth Companies.

The proposed rule would have permitted outsourcing of the internal audit function to a third party service provider. In reality, many smaller companies may have found this "option" both necessary, due to lack of internal resources, and costly, due to need for industry-specific expertise.

The Nasdaq will review all of the comments received, make revisions and resubmit a proposal to the SEC.

Material discussed in this Flash Report is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.

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