

December 22, 2021

Via Electronic Mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov).

**Re: File Number S7– 19–21**

Vanessa A. Countryman  
Secretary, Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549–1090

Dear Madam Secretary:

On behalf of The Institute of Internal Auditors (The IIA), I am writing to thank you for the opportunity to comment on your proposed rule regarding Electronic Recordkeeping Requirements for Broker-Dealers, Security-Based Swap Dealers, and Major Security-Based Swap Participants.

While operationalizing sufficient control activities is the responsibility of management, the organization's internal audit function is necessary to provide objective assurance, independent from management, that the established system of controls is properly designed and operating effectively, thus providing confidence and trust to stakeholders.

Governance is an important part of any control environment at an organization. The widely accepted Three Lines Model, updated and published by The IIA in 2020, articulates the core components of effective governance, emphasizing the need for clear roles and responsibilities toward confronting applicable risks, and the crucial importance of effective coordination, communication, and collaboration. Within an effective governance structure, an internal audit function that is well resourced and positioned ensures integrity, trust, transparency, compliance, and accountability. Internal audit is best situated to offer independent assurance and advice both internally to management and also to the Board of Directors. Because of its holistic view and understanding of risks across an organization, internal audit is uniquely positioned to provide assurance on effective governance structures and systems of internal controls that, in turn, ensures complete, accurate, and reliable processes and information.

[Global Headquarters](#)

1035 Greenwood Blvd, Suite 401

Lake Mary, FL 32746 USA

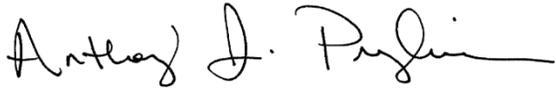
T: +1-407-937-1100

F: +1-407-937-1101

[www.theiia.org](http://www.theiia.org)

Please see the attached Annex A for our comment specifically on question 14 of the proposed rule. If you have any questions regarding this issue, please contact me or Tim Berichon, The IIA's Director of Global Advocacy, at [tim.berichon@theiia.org](mailto:tim.berichon@theiia.org).

Sincerely,

A handwritten signature in black ink that reads "Anthony J. Pugliese". The signature is written in a cursive style with a prominent initial "A" and a long, sweeping underline.

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

Attachment: Annex A

## Annex A

### III – Request for Comment

#### **Question 14.**

Should the Commission add a requirement for a periodic audit to confirm that the auditable system of controls is working as appropriate? If so, should the required audit be internal or external?

#### **IIA Comment:**

Yes, the Commission should require an audit and it should be done by internal audit. .

While operationalizing sufficient control activities is the responsibility of management, the organization's internal audit function is necessary to provide objective assurance, independent from management, that the established system of controls are properly designed and operating effectively, thus providing confidence and trust to stakeholders.

Because of its holistic view and understanding of risks across an organization, internal audit is uniquely positioned inside the organization to provide assurance on systems of internal controls that, in turn, ensures complete, accurate, and reliable processes and information.

An internal audit will allow organizations to use an internal resource, or internally managed co-source resource, which will be less marginal cost than an outsourced, external source to comply with this requirement; as well as impose less a burden on smaller entities.