July 29, 2013

Securities and Exchange Commission
100 F Street, N. E.
Washington, DC 20549-1090

Attn: Secretary, Elizabeth M. Murphy
Responded via email to rule-comments@sec.gov

RE: New York Stock Exchange LLC Notice of Filing of Proposed Rule Change Amending 303A.00 of the Exchange’s Listed Company Manual To Provide a One-Year Transition Period To Comply With the Internal Audit Requirement of Section 303A.07(c) for Companies Listing in Connection With An Initial Public Offering, as New Registrants or by Means of a Carve-Out or Spin-Off Transaction
File Number SR-NYSE-2013-40

Dear Ms. Murphy:

The Institute of Internal Auditors (The IIA) appreciates the opportunity to respond to the New York Stock Exchange’s (NYSE) and the SEC’s Notice of Filing of the Proposed Rule Change referenced above. As the globally recognized authority of the internal auditing profession, The IIA represents more than 180,000 members, one-third of which reside in the United States.

The IIA, through its members in public and private enterprise, as well as in governmental agencies, demonstrates through its history that a properly structured, adequately staffed and sufficiently resourced internal audit function, executing its work in accordance with recognized standards, provides independent, objective assurance and advisory activities that add value and enhance an organization’s operations. Internal audit accomplishes this by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and internal control processes.

Furthermore, we should stress the important role a robust internal audit function plays in corporate governance and assurance as the sole third line of defense. We believe all organizations (whether publicly traded or privately held) should have internal audit functions that are reflective of the company’s complexities and risks, irrespective of its size or “newness” as a listed company.

The NYSE has, for more than ten years, stood by the requirement that all companies it admits for listing on its exchange have an internal audit function. In today’s highly dynamic, risk-laden, and compliance driven corporate environment, it is disappointing that the NYSE would look to relax such an important governance requirement at this time. Therefore, we must express our opposition to the proposed rule change as submitted.
The Exchange notes that newly-public companies typically are upgrading their accounting systems and internal controls and hiring additional staff to meet the greater demands placed on public companies. We believe this statement directly supports why an internal audit function should exist to assist the Board and Senior Management in assessing these critical systems and internal controls as they are being developed, implemented, enhanced and/or upgraded.

The proposal also states that a one-year transition period would give a newly-appointed audit committee the opportunity to become familiar with the internal controls and risk management of the company and determine a suitable internal audit function for the company given its specific circumstances. We believe a company's Board of Directors, management, and ultimately investors, would gain greater value in having a Chief Audit Executive (CAE) on staff as soon as possible to assist in developing the internal audit function, while providing expert advice and counseling on internal control and risk management during such a formative stage for both the company and the audit committee.

We acknowledge the fact that other U.S.-based national securities exchanges currently do not have comparable rules requiring an internal audit function at all, but strongly believe the NYSE should continue to set the standard for U.S. company listing requirements and not weaken its stance as it applies to IPO's, new registrants, carve-outs and spin-offs in this regard. And, in any case, we believe companies that take seriously the importance of ensuring investor protection and enhancing investor confidence will proactively acknowledge the important role internal audit plays in overall good corporate governance, and will not comply with the just the minimum aspects of any governance rule.

The IIA welcomes the opportunity to work with the SEC, the New York Stock Exchange, as well as any other listing exchanges, to support activities that enhance a company's internal auditing, governance, risk management and control functions.

Best Regards,

Richard F. Chambers, CIA, CGAP, CCSA, CRMA
President and Chief Executive Officer

About the Institute of Internal Auditors
The IIA is the global voice, acknowledged leader, principal educator, and recognized authority of the internal audit profession and maintains the International Standards for the Professional Practice of Internal Auditing (Standards). These principles-based standards are recognized globally and are available in 29 languages. The IIA represents more than 180,000 members across the globe, and has 109 affiliates in 190 countries that serve members at the local level.