



NASDAQ recently proposed a new rule to require that listed companies have an internal audit function. As proposed, each company would be required to establish and maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal control. The company may choose to outsource this function to a third party service provider other than its independent auditor.

If adopted, currently listed NASDAQ companies will be required to establish an internal audit function by December 31, 2013.

The intent of this rule is to protect investors by ensuring that listed companies have a mechanism in place to regularly review and assess their system of internal control and, thereby, to identify any weaknesses and develop appropriate remedial measures. The rule is also intended to make sure that the listed company's management and audit committee are provided with appropriate information. This proposed rule is substantially similar to a requirement adopted by the NYSE in 2003, and follows a request from the SEC for NASDAQ to consider adopting a similar rule.

The SEC has published this proposal for comment and you can view it [here](#). The comment period runs through **March 29th** and the proposal indicates how to submit comments, including through the SEC's website at this [link](#). As with any matter, we encourage companies to express their views about the proposal. While all comments are welcome, comments would be especially helpful to quantify costs associated with the proposal, suggest potential changes to the responsibilities assigned to the internal audit function, and identify categories of companies that may be appropriate to exempt from the requirement, as well as to highlight expected benefits from the proposal. Based on review of the comments, NASDAQ OMX may revise the proposed rule change, or it could be approved by the SEC without change.

If you have any questions, please feel free to contact your NASDAQ Listing Qualifications Analyst or your NASDAQ Relationship Manager.

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