SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106900; File No. SR-NYSE-2026-37]

Self-Regulatory Organizations; New York Stock Exchange LLC; Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change to Amend Sections 303A.00 and 303A.07 of the NYSE Listed Company Manual

November 13, 2026.

I. Introduction

On July 31, 2026, New York Stock Exchange LLC ("NYSE" or the "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to amend Sections 303A.00 and 303A.07 of the NYSE Listed Company Manual ("Manual") to extend the transition period in which a listed company must establish and internal audit function. The proposed rule change was published for comment in the Federal Register on August 18, 2026.[3] On September 25, 2026, pursuant to Section 19(b)(2) of the Act,[4] the Commission designated a longer period within which to take action on the proposed rule change.[5] The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act[6] to determine whether to approve or disapprove the proposed rule change.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 See Securities Exchange Act Release No. 106128 (Aug. 13, 2026), 91 FR 53448 ("Notice"). Comments received on the proposed rule change are available at: https://www.sec.gov/rules-regulations/public-comments/sr-nyseamer-2026-37.

4 15 U.S.C. 78s(b)(2).

5 See Securities Exchange Act Release No. 106502, 91 FR 61907 (Sept. 30, 2026). The Commission designated November 16, 2026, as the date by which the Commission should approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change. See id.

6 15 U.S.C. 78s(b)(2)(B).

II. Description of the Proposed Rule Change

Section 303A.07(c) of the Manual states that each company listed on the Exchange must have an internal audit function. The Exchange states that the purpose of the internal audit function is to provide an issuer's management and audit committee with ongoing assessments of the issuer's risk management processes and system of internal controls.[7] The function may be outsourced to a third-party service provider other than an issuer's independent auditor.

Sections 303A.00 and 303A.07 of the Manual provide a transition period for certain issuers to become compliant with the internal audit function.[8] Pursuant to Section 303A.07, issuers must have an internal audit function in place no later than the first anniversary of their listing date. The Exchange proposes to extend the transition period to implement an internal audit function from one year to five years.

According to the Exchange, issuers have expressed concern that developing a capable internal audit function within the first year of listing presents challenges as issuers adjust to life as a newly public company. In expressing concern over the current one-year compliance period, issuers often cite competing business and regulatory obligations requiring management's attention and the challenges of building an internal audit function to assess a company's internal control environment while a company is still in its early stages and continuing to grow. The Exchange states that it believes that having a robust internal audit function is a key component of sound corporate governance, but agrees that providing issuers with additional time to develop such function will result in a more effective function.[9]

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7 See Notice, supra note 3, at 53448.

8 Section 303A.00 of the Manual provides a one-year transition period for companies listing in connection with an initial public offering, carve-out or spin-off transaction. Section 303A.07 states that all listed companies must have an internal audit function within one year of listing.

9 See Notice, supra note 3, at 53448.

The Exchange further states that, during the proposed five-year transition period, other requirements will continue to provide sufficient assurance that issuers listed on the Exchange are appropriately managing risk. All issuers listed on the Exchange are required to have an Audit Committee comprised of at least three independent directors.[10] The Audit Committee of an issuer listed on the Exchange must have a written charter that requires it to "at least annually, obtain and review a report by the [company's] independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review."[11] In addition, Section 404(a) of the Sarbanes-Oxley Act[12] obligates management to maintain an adequate internal control structure for financial reporting and annually assess its effectiveness. Section 404(b) of the Sarbanes-Oxley Act[13] requires a company's independent auditor to provide an attestation on management's internal control assessment. In addition, the CEO and CFO certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act[14] require an additional level of management responsibility for internal control oversight. The Exchange states that the Sarbanes-Oxley Act and its provisions discussed herein was enacted after the Exchange first adopted its internal audit requirement and that, in this regard, the internal audit function may be viewed as a supplement for the statutory protections embodied in the Sarbanes-Oxley Act.[15] The Exchange also states that Nasdaq Stock Market ("Nasdaq") does not require companies listed on that exchange to maintain an internal audit function.[16]

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10 See Section 303A.07(a) of the Manual.

11 Section 303A.07(b)(iii) of the Manual.

12 See 15 U.S.C. 7262(a).

13 See 15 U.S.C. 7262(b).

14 See 15 U.S.C. 7241; 18 U.S.C. 1350.

15 See Notice, supra note 3, at 53448.

16 See id.

III. Proceedings to Determine Whether to Approve or Disapprove SR-NYSEAMER-2026-17 and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act[17] to determine whether the proposed rule change should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide additional comment on the proposed rule change to inform the Commission's analysis of whether to approve or disapprove the proposed rule change.

Pursuant to Section 19(b)(2)(B) of the Act,[18] the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of, and input from commenters with respect to, the proposed rule change's consistency with the Act, and in particular, Section 6(b)(5) of the Act,[19] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

As discussed above, the Exchange's proposal would extend the transition period in which a listed company must establish an internal audit function from one year to five years. The

17 15 U.S.C. 78s(b)(2)(B).

18 Id.

19 15 U.S.C. 78f(b)(5).

Commission has received a significant number of comment letters on the proposed rule change, most of which oppose the proposal.[20] Commenters state, among other things, that the period of time immediately following initial listing is precisely when independent oversight matters most and that the alternative safeguards mentioned in the proposal are not adequate substitutes for an internal audit function.[21]

The Commission asks that commenters address the sufficiency of the Exchange's statements in support of the proposal, which are set forth in the Notice, in addition to any other comments they may wish to submit about the proposed rule change. In particular, the Commission seeks comment on whether the proposal to change the transition period for newly listed companies to establish an internal audit function from one year to five years includes sufficient analysis to support a conclusion that the proposal is consistent with the requirements of Section 6(b)(5) of the Act.[22] The Commission also seeks comment on the issues raised by commenters.[23]

IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their data, views, and arguments with respect to the issues identified above, including the issues raised by commenters, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposed rule change is consistent with Sections 6(b)(5), or any other provision of the Act, or the rules and

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20 See supra note 3.

21 See, e.g., Letters from Jeffrey Mahoney, General Counsel, Council of Institutional Investors (Sept. 3, 2026); Auditing Standards Committee of the Auditing Section of the American Accounting Association (Sept. 8, 2026); Vera Cherepanova, Executive Director, Board of the Future (Sept. 8, 2026); Anthony J. Pugliese, President and Chief Executive Officer, The Institute of Internal Auditors (Sept. 8, 2026).

22 15 U.S.C. 78f(b)(5).

23 See supra note 3.

regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of data, views, and arguments, the Commission will consider, pursuant to Rule 19b-4 under the Act,[24] any request for an opportunity to make an oral presentation.[25]

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change should be approved or disapproved by [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. The Commission asks that commenters address the sufficiency of the Exchange's statements in support of the proposal, in addition to any other comments they may wish to submit about the proposed rule change.

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSE-2026-37 on the subject line.

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24 17 CFR 240.19b-4.

25 Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Public Law 94-29 (June 4, 1975), grants to the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NYSE-2026-37. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (https://www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All

submissions should refer to file number SR-NYSE-2026-37 and should be submitted by [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Rebuttal comments should be submitted by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[26]

J. Matthew DeLesDernier,

Deputy Secretary.

[26] 17 CFR 200.30-3(a)(57).