

anniversary of the publication of this section in the **Federal Register**.

(ii) Each national securities exchange and national securities association must provide to the Commission, no later than 60 days after publication of this section in the **Federal Register**,

proposed rules or rule amendments that comply with this section.

(iii) Each national securities exchange and national securities association must have final rule or rule amendments that comply with this section approved by the Commission no later than 270 days after publication of this section in the **Federal Register**.

(b) *Required standards.*

(1) *Independence.* (i) Each member of the audit committee must be a member of the board of directors of the listed issuer, and must otherwise be independent.

(ii) *Independence requirements for non-investment company issuers.* In order to be considered to be independent for purposes of this paragraph (b)(1), a member of an audit committee of a listed issuer that is not an investment company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer; or

(B) Be an affiliated person of the issuer or any subsidiary thereof.

(iii) *Independence requirements for investment company issuers.* In order to be considered to be independent for purposes of this paragraph (b)(1), a member of an audit committee of a listed issuer that is an investment company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer; or

(B) Be an "interested person" of the investment company as defined in section 2(a)(19) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(19)).

(iv) *Exemptions from the independence requirements.*

(A) One member of a listed issuer's audit committee may be exempt from the independence requirements of paragraph (b)(1)(ii) of this section for 90 days from the date of effectiveness of a registration statement under section 12 of the Act (15 U.S.C. 78l), or a registration statement under the Securities Act of 1933 (15 U.S.C. 77a *et seq.*) covering an initial public offering of securities of the issuer, if the issuer was not immediately prior to such

effective date required to file reports with the Commission pursuant to section 13(a) or 15(d) of the Act (15 U.S.C. 78m(a) or 78o(d)).

(B) An audit committee member that sits on the board of directors of both a listed issuer and its direct or indirect consolidated majority-owned subsidiary (or that sits on the board of both a listed issuer and its parent, if the listed issuer is a direct or indirect consolidated majority-owned subsidiary of the parent) is exempt from the requirements of paragraph (b)(1)(ii)(B) of this section if the member, except for sitting on both boards, otherwise meets the independence requirements of paragraph (b)(1)(ii) of this section for both the parent and the subsidiary, including the receipt of only ordinary-course compensation for serving as a member of the board of directors, audit committee or any other board committee of the parent or subsidiary.

(C) An employee of a foreign private issuer who is not an executive officer of the foreign private issuer is exempt from the requirements of paragraph (b)(1)(ii) of this section if the employee is elected or named to the board of directors or audit committee of the foreign private issuer pursuant to home country legal or listing requirements.

(D) One member of the audit committee of a foreign private issuer may be exempt from the requirements of paragraph (b)(1)(ii)(B) of this section if that member meets the following requirements:

(1) The member is a beneficial owner of more than 50% of the voting common equity of the foreign private issuer or is a representative or designee of such an owner or a group of owners that collectively are the beneficial owner of more than 50% of the voting common equity of the foreign private issuer;

(2) The member has only observer status on, and is not a voting member or the chair of, the audit committee; and

(3) The member is not an executive officer of the foreign private issuer.

(E) One member of the audit committee of a foreign private issuer may be exempt from the requirements of paragraph (b)(1)(ii)(B) of this section if that member meets the following requirements:

(1) The member is a representative or designee of a foreign government or foreign governmental entity that is an affiliate of the foreign private issuer; and

(2) The member is not an executive officer of the foreign private issuer.

(F) In addition to paragraphs (b)(1)(iv)(A) through (E) of this section, the Commission may exempt from the requirements of paragraphs (b)(1)(ii) or (b)(1)(iii) of this section a particular

relationship with respect to audit committee members, as the Commission determines appropriate in light of the circumstances.

(2) *Responsibilities relating to registered public accounting firms.*

(i) Except as provided in paragraph (b)(2)(ii) of this section, the audit committee of each listed issuer, in its capacity as a committee of the board of directors, must be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the listed issuer, and each such registered public accounting firm must report directly to the audit committee.

(ii) Paragraph (b)(2)(i) of this section does not apply in the case of the selection of a registered public accounting firm engaged by a listed issuer that is an investment company.

(3) *Complaints.* Each audit committee must establish procedures for:

(i) The receipt, retention, and treatment of complaints received by the listed issuer regarding accounting, internal accounting controls, or auditing matters; and

(ii) The confidential, anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters.

(4) *Authority to engage advisers.* Each audit committee must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.

(5) *Funding.* Each listed issuer must provide for appropriate funding, as determined by the audit committee, in its capacity as a committee of the board of directors, for payment of compensation:

(i) To any registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the listed issuer; and

(ii) To any advisers employed by the audit committee under paragraph (b)(4) of this section.

(c) *General exemptions.*

(1) At any time when an issuer has a class of common equity securities (or similar securities) that is listed on a national securities exchange or national securities association subject to the requirements of this section, listing of