NASBA
National Association of State Boards of Accountancy

150 Fourth Avenue North ♦ Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4200 ♦ Fax 615/880-4290 ♦ Web www.nasba.org

July 17, 2026

The Honorable Paul S. Atkins, Chair
U.S. Securities and Exchange Commission (SEC)
100 F Street NE
Washington, D.C. 20549-1090

Via email: rule-comments@sec.gov

Re: **Proposed Rule: Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies – File Number S7-2026-18**

Dear Chair Atkins:

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the Proposed Rule: Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies (the Proposal). NASBA's mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following comments on the Proposal.

General

NASBA recognizes the Proposal's objective of simplifying the filer status framework, reducing regulatory burdens and compliance costs of being a public company and lowering the barriers for companies seeking access to the public markets. Over time, the accumulation of the Large Accelerated Filers, Accelerated Filers, Non-Accelerated Filers, Smaller Reporting Companies and Emerging Growth Companies classifications has made the current framework very complex.

Overall, NASBA supports the SEC's efforts to simplify the filer status framework and to modernize the public float thresholds and classification mechanics. NASBA also supports the stability provided by the Proposal's requirement for the public float threshold to be met two years consecutively so that a one-year market fluctuation alone does not change filer status.

While NASBA supports many aspects of the Proposal, NASBA has concerns whether some of the Proposal's substantive accommodations result in the appropriate balance between reducing regulatory burdens and maintaining the level of independent assurance and transparency necessary to protect investors and preserve public confidence in the capital markets.

Internal Control over Financial Reporting (ICFR) and Auditor Attestation Requirement

NASBA's most significant concern is the proposal to exempt substantially more public companies from the auditor attestation requirement under Section 404(b) of the Sarbanes-Oxley Act by limiting the requirement primarily to companies classified as Large Accelerated Filers. Under the Proposal, all Non-Accelerated Filers would remain subject to management's assessment under Section 404(a), but independent auditor attestation would no longer be required.

Independent auditor attestation provides benefits that extend well beyond the issuance of an additional report. The requirement encourages stronger governance, more rigorous internal control evaluations, earlier identification of deficiencies, and greater discipline in management's assessment process. It also provides the public with confidence that management's conclusions regarding internal control effectiveness have been independently evaluated.

NASBA is concerned that eliminating the independent attestation requirement for a significantly larger population of public companies will have several unintended consequences.

First, simply by virtue of their role, management inherently has incentives to avoid identifying and publicly reporting material weaknesses in internal control. Independent auditors provide an objective assessment that reduces this inherent bias and promotes more consistent and transparent assessment of the severity of identified control deficiencies, in particular those that could rise to the level of material weakness.

Second, eliminating the attestation requirement may widen the public's existing expectation gap regarding the auditor's responsibilities. Investors frequently assume auditors perform more extensive work over internal controls than is required as part of a financial statement audit. Removing the separate ICFR attestation for such a significant number of public companies while retaining only the financial statement audit may inadvertently reinforce this misunderstanding and reduce transparency regarding the level of assurance actually provided.

Before significantly expanding the exemption of obtaining an auditor's attestation report on a company's internal control over financial reporting, NASBA believes the SEC should explore whether there are alternative assurance models or programs that could achieve many of the public protection benefits of Section 404(b) while reducing compliance costs. For example, requiring limited assurance engagements focused solely on the design and implementation of key controls, or a risk-based attestation requirement for higher-risk Non-Accelerated Filers may warrant further consideration before broadly eliminating the independent auditor's attestation report.

Alternatively, management's assessment of ICFR could be subject to other oversight to ensure that it has the appropriate rigor, is fair and objective and is supported by substantial, documented evidence. For example, requiring audit committee certification of their oversight over management's assessment or a program that could deploy a PCAOB-like inspection team to review management's assessment for higher-risk Non-Accelerated Filers.

60 Consecutive Month Reporting "On-Ramp" to Large Accelerated Filer Status

While newly public companies may face challenges during their transition to public reporting, NASBA questions whether a mandatory five-year seasoning period appropriately reflects today's capital markets. The Proposal could permit newly public issuers with very large public floats, broad investor ownership and substantial market significance to operate for up to five years without the reporting and assurance requirements applicable to companies of comparable (or in some cases smaller) size. The Proposal appears to assume that all newly public companies warrant identical accommodations regardless of their complexity, operational maturity or risk profile.

NASBA believes public/investor protection should be driven primarily by the significance and risk associated with the issuer rather than by the length of time it has been publicly traded. Several of today's largest private companies possess sophisticated operations and extensive financial reporting capabilities well before entering the public markets. These companies would not require (nor does NASBA believe it would be in the public interest to have) a five-year transition period before complying with Large Accelerated Filers requirements.

Accordingly, NASBA recommends the SEC reconsider the proposed seasoning requirement or adopt a more flexible framework that allows exceptionally large or high-risk issuers to transition more quickly into the Large Accelerated Filer category, where appropriate.

Scaled Disclosure Requirements

The Proposal indicates that the SEC is seeking to reduce compliance costs while ensuring that investors continue to receive timely and material information. The Proposal extends to all Non-Accelerated Filers many of the scaled disclosure accommodations currently available to only Smaller Reporting Companies and Emerging Growth Companies. These accommodations include reduced executive compensation disclosures, two years instead of three years of audited financial statements, reduced business disclosures and other scaled reporting requirements.

Although not expressly redefining materiality, the Proposal effectively concludes that certain disclosures are material for Large Accelerated Filers but not necessarily for Non-Accelerated Filers. If a particular disclosure is important for investors evaluating one public company, the SEC should carefully explain why that information becomes significantly less relevant because the issuer falls below a particular market capitalization threshold. Conversely, if certain disclosures no longer provide meaningful value relative to their preparation costs, then the SEC should consider whether those disclosure requirements should be updated for all registrants rather than limiting the relief to Non-Accelerated Filers.

NASBA encourages the SEC to continue its careful evaluation of whether each individual disclosure remains material to public/investor decision-making regardless of issuer size and to more fully articulate the basis for its conclusion.

Relying on Market Capitalization Rather Than Risk in Determining Regulatory Requirements

One of the foremost public protection concerns that emerges from the Proposal is the reliance almost exclusively on market capitalization as the proxy for determining regulatory requirements. While acknowledging that the Proposal is not changing the approach/basis of measure for filer status, NASBA questions whether, given the complexities in the modern capital marketplace, there is an opportunity for a fresh look at the framework to consider financial reporting risk and other risk-based factors in addition to market capitalization in determining regulatory requirements.

Financial reporting risk is influenced by numerous variables – including operational complexity, governance, internal control maturity, and the nature of the company's transactions – that are not necessarily correlated with market capitalization. A regulatory framework intended to protect the public/investors should consider whether risk-based factors, either independently or in combination with public float, provide a more appropriate basis for determining the level of disclosure and independent assurance required.

* * * * * *

NASBA commends the SEC's efforts to modernize and simplify the filer status framework and supports thoughtful reforms that reduce unnecessary regulatory complexity while maintaining strong investor protections. From the perspective of State Boards, any reduction in reporting or assurance requirements should preserve the reliability, transparency, and integrity of financial reporting upon which investors rely.

We appreciate the opportunity to comment on the Proposal.

Very truly yours,

Nicola Neilon Daniel J. Dustin

Nicola Neilon, CPA
NASBA Chair

Daniel J. Dustin, CPA
NASBA President and CEO