

the payment of support fees to fund the first full fiscal year beginning after July 21, 2010.

(e) Annual accounting support fee for standard setting body

The annual accounting support fee for the standard setting body referred to in subsection (a)—

(1) shall be allocated in accordance with subsection (g), and assessed and collected against each issuer, on behalf of the standard setting body, by 1 or more appropriate designated collection agents, as may be necessary or appropriate to pay for the budget and provide for the expenses of that standard setting body, and to provide for an independent, stable source of funding for such body, subject to review by the Commission; and

(2) may differentiate among different classes of issuers.

(f) Limitation on fee

The amount of fees collected under this section for a fiscal year on behalf of the Board or the standards setting body, as the case may be, shall not exceed the recoverable budget expenses of the Board or body, respectively (which may include operating, capital, and accrued items), referred to in subsection (c)(1).

(g) Allocation of accounting support fees among issuers

Any amount due from issuers (or a particular class of issuers) under this section to fund the budget of the Board or the standard setting body referred to in subsection (a) shall be allocated among and payable by each issuer (or each issuer in a particular class, as applicable) in an amount equal to the total of such amount, multiplied by a fraction—

(1) the numerator of which is the average monthly equity market capitalization of the issuer for the 12-month period immediately preceding the beginning of the fiscal year to which such budget relates; and

(2) the denominator of which is the average monthly equity market capitalization of all such issuers for such 12-month period.

(h) Allocation of accounting support fees among brokers and dealers

(1) Obligation to pay

Each broker or dealer shall pay to the Board the annual accounting support fee allocated to such broker or dealer under this section.

(2) Allocation

Any amount due from a broker or dealer (or from a particular class of brokers and dealers) under this section shall be allocated among brokers and dealers and payable by the broker or dealer (or the brokers and dealers in the particular class, as applicable).

(3) Proportionality

The amount due from a broker or dealer shall be in proportion to the net capital of the broker or dealer (before or after any adjustments), compared to the total net capital of all brokers and dealers (before or after any adjustments), in accordance with rules issued by the Board.

(i) Omitted

(j) Rule of construction

Nothing in this section shall be construed to render either the Board, the standard setting body referred to in subsection (a), or both, subject to procedures in Congress to authorize or appropriate public funds, or to prevent such organization from utilizing additional sources of revenue for its activities, such as earnings from publication sales, provided that each additional source of revenue shall not jeopardize, in the judgment of the Commission, the actual and perceived independence of such organization.

(k) Start-up expenses of the Board

From the unexpended balances of the appropriations to the Commission for fiscal year 2003, the Secretary of the Treasury is authorized to advance to the Board not to exceed the amount necessary to cover the expenses of the Board during its first fiscal year (which may be a short fiscal year).

(Pub. L. 107-204, title I, §109, July 30, 2002, 116 Stat. 769; Pub. L. 111-203, title IX, §982(h), July 21, 2010, 124 Stat. 1930.)

CODIFICATION

Section is comprised of section 109 of Pub. L. 107-204. Subsec. (i) of section 109 of Pub. L. 107-204 amended section 78m of this title.

AMENDMENTS

2010—Subsec. (c)(2). Pub. L. 111-203, §982(h)(1), substituted “subsection (j)” for “subsection (i)”.

Subsec. (d)(2). Pub. L. 111-203, §982(h)(2)(A), substituted “and among brokers and dealers, in accordance with subsection (h), and allowing for differentiation among classes of issuers, brokers and dealers, as appropriate” for “allowing for differentiation among classes of issuers, as appropriate”.

Subsec. (d)(3). Pub. L. 111-203, §982(h)(2)(B), added par. (3).

Subsecs. (h) to (k). Pub. L. 111-203, §982(h)(3), (4), added subsec. (h) and redesignated former subsecs. (h) to (j) as (i) to (k), respectively.

EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by Pub. L. 111-203 effective 1 day after July 21, 2010, except as otherwise provided, see section 4 of Pub. L. 111-203, set out as an Effective Date note under section 5301 of Title 12, Banks and Banking.

§ 7220. Definitions

For the purposes of this subchapter, the following definitions shall apply:

(1) Audit

The term “audit” means an examination of the financial statements, reports, documents, procedures, controls, or notices of any issuer, broker, or dealer by an independent public accounting firm in accordance with the rules of the Board or the Commission, for the purpose of expressing an opinion on the financial statements or providing an audit report.

(2) Audit report

The term “audit report” means a document, report, notice, or other record—

(A) prepared following an audit performed for purposes of compliance by an issuer, broker, or dealer with the requirements of the securities laws; and

(B) in which a public accounting firm either—

- (i) sets forth the opinion of that firm regarding a financial statement, report, notice, or other document, procedures, or controls; or
- (ii) asserts that no such opinion can be expressed.

(3) Broker

The term “broker” means a broker (as such term is defined in section 78c(a)(4) of this title) that is required to file a balance sheet, income statement, or other financial statement under section 78q(e)(1)(A) of this title, where such balance sheet, income statement, or financial statement is required to be certified by a registered public accounting firm.

(4) Dealer

The term “dealer” means a dealer (as such term is defined in section 78c(a)(5) of this title) that is required to file a balance sheet, income statement, or other financial statement under section 78q(e)(1)(A) of this title, where such balance sheet, income statement, or financial statement is required to be certified by a registered public accounting firm.

(5) Professional standards

The term “professional standards” means—

- (A) accounting principles that are—
 - (i) established by the standard setting body described in section 77s(b) of this title, as amended by this Act, or prescribed by the Commission under section 77s(a) of this title or section 78m(b) of this title; and
 - (ii) relevant to audit reports for particular issuers, brokers, or dealers, or dealt with in the quality control system of a particular registered public accounting firm; and
- (B) auditing standards, standards for attestation engagements, quality control policies and procedures, ethical and competency standards, and independence standards (including rules implementing title II) that the Board or the Commission determines—
 - (i) relate to the preparation or issuance of audit reports for issuers, brokers, or dealers; and
 - (ii) are established or adopted by the Board under section 7213(a) of this title, or are promulgated as rules of the Commission.

(6) Self-regulatory organization

The term “self-regulatory organization” has the same meaning as in section 78c(a) of this title.

(Pub. L. 107-204, title I, §110, as added Pub. L. 111-203, title IX, §982(a)(1), July 21, 2010, 124 Stat. 1927.)

REFERENCES IN TEXT

Section 77s(b) of this title, as amended by this Act, referred to in par. (5)(A)(i), means section 77s(b) of this title, as amended by Pub. L. 107-204.

Title II, referred to in par. (5)(B), means title II of Pub. L. 107-204, July 30, 2002, 116 Stat. 771, which enacted subchapter II of this chapter and amended sec-

tions 78c, 78j-1, 78l and 78q of this title. For complete classification of title II to the Code, see Tables.

EFFECTIVE DATE

Section effective 1 day after July 21, 2010, except as otherwise provided, see section 4 of Pub. L. 111-203, set out as a note under section 5301 of Title 12, Banks and Banking.

SUBCHAPTER II—AUDITOR INDEPENDENCE

§ 7231. Exemption authority

The Board may, on a case by case basis, exempt any person, issuer, public accounting firm, or transaction from the prohibition on the provision of services under section 78j-1(g) of this title, to the extent that such exemption is necessary or appropriate in the public interest and is consistent with the protection of investors, and subject to review by the Commission in the same manner as for rules of the Board under section 7217 of this title.

(Pub. L. 107-204, title II, §201(b), July 30, 2002, 116 Stat. 772.)

§ 7232. Study of mandatory rotation of registered public accounting firms

(a) Study and review required

The Comptroller General of the United States shall conduct a study and review of the potential effects of requiring the mandatory rotation of registered public accounting firms.

(b) Report required

Not later than 1 year after July 30, 2002, the Comptroller General shall submit a report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives on the results of the study and review required by this section.

(c) Definition

For purposes of this section, the term “mandatory rotation” refers to the imposition of a limit on the period of years in which a particular registered public accounting firm may be the auditor of record for a particular issuer.

(Pub. L. 107-204, title II, §207, July 30, 2002, 116 Stat. 775.)

§ 7233. Commission authority

(a) Commission regulations

Not later than 180 days after July 30, 2002, the Commission shall issue final regulations to carry out each of subsections (g) through (l) of section 78j-1 of this title.

(b) Auditor independence

It shall be unlawful for any registered public accounting firm (or an associated person thereof, as applicable) to prepare or issue any audit report with respect to any issuer, if the firm or associated person engages in any activity with respect to that issuer prohibited by any of subsections (g) through (l) of section 78j-1 of this title or any rule or regulation of the Commission or of the Board issued thereunder.

(Pub. L. 107-204, title II, §208, July 30, 2002, 116 Stat. 775.)