July 16, 2026

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Release Nos. 33-11419; 34-105515; File No. S7-2026-18
Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies

Via email to: rule-comments@sec.gov

Dear Ms. Countryman:

The North Carolina Association of Certified Public Accountants ("NCACPA"), representing more than 12,500 members in public practice, industry, government, and education, welcomes the opportunity to comment on the Securities and Exchange Commission's ("SEC") release (Release Nos. 33-11419; 34-105515; File No. S7-2026-18) of its Proposed Rule on Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies (the "Proposed Rule"). This response represents the views of the NCACPA Board of Directors with input from the NCACPA Accounting & Attestation Resource Group; NCACPA members in the preparer, auditor, academic, and investor communities; and NCACPA staff.

NCACPA appreciates the Commission's continued focus on modernizing the registration, reporting, and offering framework for public companies. We support thoughtful simplification that reduces unnecessary compliance burden and facilitates capital formation, particularly for smaller issuers and newly public companies. At the same time, we believe reforms should preserve the transparency, comparability, internal control discipline, and investor protections that underpin confidence in the U.S. public capital markets.

Support for Targeted Simplification

We believe simplification can provide meaningful relief to smaller issuers and companies transitioning into the public markets, including companies that are growing into higher reporting thresholds or completing an initial public offering. A framework that is easier to understand and administer may reduce friction for issuers and their advisers, improve planning certainty, and allow smaller companies to allocate scarce resources more effectively.

However, simplification should be evaluated based on practical implementation, not only conceptual streamlining. A move to fewer filer categories, expanded scaled disclosure accommodations, or broader offering eligibility may reduce complexity in some respects while creating new cliff effects, transition questions, or uncertainty about disclosure expectations. We encourage the Commission to calibrate any final rules so that benefits are focused where burdens are most acute and investor protection tradeoffs are appropriately bounded.

Internal Control Over Financial Reporting

We are particularly focused on the potential impact of changes that would reduce the number of issuers required to obtain an independent auditor attestation on internal control over financial reporting ("ICFR"). While the percentage of public-float affected may appear limited, the aggregate market capitalization and investor capital represented by those companies would be significant based on the proposed thresholds. Accordingly, even targeted threshold changes may result in a meaningful amount of public investment no longer being subject to the discipline and assurance associated with an ICFR opinion. While the ICFR opinions are certainly not without cost, we believe they have helped contribute to a decrease in financial fraud evidenced through a decline of restatements since required following the financial scandals of the late 1990s and early 2000s, as noted by studies by the Center for Audit Quality (CAQ). [1] [2] Our fear is that fewer ICFR opinions may result in a backslide of this progress made.

The Commission's economic analysis shows significantly higher rates of ineffective ICFR for companies with lower public float. The Commission's economic analysis also notes that studies have found that lack of effective ICFR leads to more restatements, lower earnings quality, a higher rate of future fraud, more insider trading, and less accurate analyst forecasts. Yet, the economic analysis does not analyze the risks to the market and to investors of a $2 billion threshold in public float to exempt companies from the ICFR requirements.

We recommend that any increase in thresholds for relief from ICFR attestation be more narrowly refined than proposed, for example using a threshold of less than $1 billion public float threshold. The proposal indicates that a $1 billion threshold would result in coverage

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[1] https://thecaq.wpenginepowered.com/wp-content/uploads/2019/03/financial-restatement-trends-in-the-united-states-2003-2012.pdf

[2] https://thecaq.wpenginepowered.com/wp-content/uploads/2024/06/caq-financial-restatement-trends-us-2013-2022_2024-06.pdf

of 94.8 percent of total market public float. This level of coverage is consistent with the Large Accelerated Filer coverage when that filer status was created in 2005.

The Commission should consider whether the proposed thresholds appropriately distinguish between companies for which compliance costs are disproportionate and companies with sufficient size, complexity, investor following, and market impact to warrant continued ICFR attestation. We also encourage the Commission to consider transition provisions and guidance that avoid sudden changes in auditor involvement, control expectations, and investor understanding.

IPO On-Ramp for Newly Public Companies

We agree that newly public companies often face significant demands as they establish reporting processes, governance structures, internal control documentation, and audit readiness in the public company environment. Appropriately designed accommodations can support capital formation and allow new issuers to mature their reporting infrastructure over time.

However, we do not believe a 60-month on-ramp should be available to all new issuers without regard to size, complexity, or market impact. In this age of mega-IPOs, broad accommodations could reduce transparency or assurance at precisely the time investors are forming expectations about the issuer's reporting quality. We cannot reconcile the proposal that a new issuer with a public float of $1 trillion could have an equal strain of resources to devote to ICFR that requires an extended runway as compared to a new issuer thousands of times smaller.

Per the KPMG 2024 IPO Material Weakness study, approximately 44% of new issuers report at least 1 material weakness within their initial filing documents[3]. Such a long and blanket on-ramp period may reduce the incentive for new registrants to remediate these material weaknesses and/or identify previously undisclosed material weaknesses timely. Further, it is noted in this study that 68% of the material weaknesses cited a lack of accounting resources and relevant experience, which potentially indicates a limit of the ability for these material weaknesses to be detected and identified within management's assessment of and report on the effectiveness of the registrant's ICFR. We recommend that any extended on-ramp be limited, conditioned, and/or tiered based on objective criteria such as public float, revenue, market capitalization, business complexity, or other indicators of investor exposure. We believe utilizing the 2-year public float evaluation

[3] https://kpmg.com/us/en/articles/2025/2024-ipo-material-weakness-study.html

period included in the proposal should be an adequate time period for implementation for a new registrant that would meet the requirements of a large-accelerated filer.

Disclosure Comparability and Investor Protection

Expanded scaled disclosure accommodations may reduce compliance costs, but they also may affect comparability across issuers and across reporting periods. Investors, analysts, auditors, and other information intermediaries rely on consistent disclosure frameworks to evaluate performance, risk, liquidity, governance, and controls. If companies with materially different size and complexity profiles are permitted to provide materially different levels of disclosure, the result may be investor confusion or an increase in the cost of capital that offsets some of the intended benefits of simplification. Further, the timely release of information allows for better decision making and comparability between peers. Based on this, we believe the current 45 and 90-day filing requirements for 10-Qs and 10-Ks, respectively, for small non-accelerated filers should be maintained.

We encourage the Commission to provide clear guidance on the application of any scaled disclosure framework, including transition rules for companies moving between categories. Such guidance should address how issuers should communicate changes in disclosure level, how auditors and audit committees should evaluate related reporting and control implications, and how the Commission will monitor whether reduced disclosure meaningfully advances capital formation without weakening investor protection.

Other Areas for Reducing Burden

We have heard from our membership that some of the most significant burdens for current and potential new issuers arise not only from SEC filer status and registration rules, but also from the increasing volume of required disclosures under FASB standards and the intensity of internal control requirements as applied through PCAOB auditing standards and inspections. We encourage the Commission to coordinate with the Financial Accounting Standards Board and the Public Company Accounting Oversight Board to consider whether disclosure requirements, control expectations, and audit guidance can be better calibrated for smaller and newly public companies without compromising financial reporting quality.

Recommendations

If the Commission proceeds with the Proposed Rule, we recommend that the final rules reflect a further targeted and data-informed approach, providing relief to smaller new and future issuers while balancing the risks of reduced reporting and external auditor involvement. In particular, we recommend that the Commission refine any increased thresholds for ICFR attestation relief; limit or tier any 60-month IPO on-ramp based on issuer size, complexity, and investor exposure; provide clear transition guidance for companies moving between filer categories; preserve disclosure comparability where possible; and monitor post-implementation effects on investor protection, audit quality, cost of capital, and capital formation.

We appreciate the Commission's thoughtful consideration of how to modernize the registration and reporting framework. We support efforts to reduce unnecessary burden while preserving the integrity, comparability, and efficiency of U.S. capital markets. Based on the considerations outlined above, we believe a more calibrated approach—focused on smaller issuers and supported by clear guardrails—would better achieve the Commission's objectives without introducing unintended consequences for investors, issuers, auditors, and the broader financial ecosystem. We welcome continued dialogue and stand ready to assist the Commission as it evaluates next steps.

Thank you for the opportunity to submit comments on the proposed rule change. Please direct any questions or concerns to NCACPA Vice President of Advocacy & Outreach Robert Broome, CAE, at rbroome@ncacpa.org or (919) 481-5160.

Sincerely,

Alex Lehmann, CPA
Chair, NCACPA Board of Directors

cc: NCACPA Board of Directors
NCACPA A&A Resource Group
Mark Soticheck, CPA, CGMA, NCACPA CEO