

119TH CONGRESS
2D SESSION

S. _____

To amend the Sarbanes-Oxley Act of 2002 to exclude the audits of privately held, non-carrying brokers and dealers that are in good standing from certain requirements under title I of that Act, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. COTTON introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Sarbanes-Oxley Act of 2002 to exclude the audits of privately held, non-carrying brokers and dealers that are in good standing from certain requirements under title I of that Act, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Small Business Audit
5 Correction Act of 2026”.

1 **SEC. 2. EXEMPTION.**

2 (a) AMENDMENTS TO THE SARBANES-OXLEY ACT OF
3 2002.—Section 110 of the Sarbanes-Oxley Act of 2002
4 (15 U.S.C. 7220) is amended—

5 (1) in paragraph (3), by inserting “, except that
6 the term does not include a non-carrying broker or
7 dealer that is privately held and in good standing”
8 after “registered public accounting firm”;

9 (2) in paragraph (4), by inserting “, except that
10 the term does not include a non-carrying broker or
11 dealer that is privately held and in good standing”
12 after “registered public accounting firm”;

13 (3) by redesignating paragraphs (5) and (6) as
14 paragraphs (8) and (9), respectively; and

15 (4) by inserting after paragraph (4) the fol-
16 lowing:

17 “(5) IN GOOD STANDING.—The term ‘in good
18 standing’ means, with respect to a broker or dealer
19 (as those terms are defined in section 3(a) of the Se-
20 curities Exchange Act of 1934 (15 U.S.C. 78c(a))),
21 that, as of the last day of the most recently com-
22 pleted fiscal year of the broker or dealer, as applica-
23 ble, the broker or dealer—

24 “(A) is registered with the Commission;

25 “(B) is a member of an association that is
26 registered as a national securities association

1 under section 15A of the Securities Exchange
2 Act of 1934 (15 U.S.C. 78o–3);

3 “(C) as reflected in the most recent finan-
4 cial and operational report filed with the Com-
5 mission pursuant to section 17 of the Securities
6 Exchange Act of 1934 (15 U.S.C. 78q), is in
7 compliance with section 240.15c3–1 of title 17,
8 Code of Federal Regulations, or any successor
9 regulation, including—

10 “(i) the minimum dollar net capital
11 requirement; and

12 “(ii) the aggregate indebtedness ratio
13 requirement;

14 “(D) has not, during the 10-year period
15 preceding that date, been the subject of a Com-
16 mission order or administrative proceeding with
17 respect to section 15(c)(3) of the Securities Ex-
18 change Act of 1934 (15 U.S.C. 78o(c)(3)) or
19 section 240.15c3–3 of title 17, Code of Federal
20 Regulations, or any successor regulation;

21 “(E) has not, during the 10-year period
22 preceding that date, been convicted of a felony
23 under Federal or State law;

24 “(F) does not have a person associated
25 with the broker or dealer, as defined in section

1 3(a) of the Securities Exchange Act of 1934
2 (15 U.S.C. 78c(a)), that, during the 10-year pe-
3 riod preceding that date, has been convicted of
4 a State or Federal felony—

5 “(i) involving any securities, insur-
6 ance, banking, savings association, or cred-
7 it union law;

8 “(ii) involving mail or wire fraud;

9 “(iii) involving fraud in connection
10 with a purchase or sale of any security or
11 commodity (as defined in section 1a of the
12 Commodity Exchange Act (7 U.S.C. 1a));
13 or

14 “(iv) arising out of the conduct of the
15 business of—

16 “(I) a broker, dealer, municipal
17 securities broker, municipal securities
18 dealer, government securities broker,
19 or government securities dealer, as
20 those terms are defined, respectively,
21 in section 3(a) of the Securities Ex-
22 change Act of 1934 (15 U.S.C.
23 78c(a));

24 “(II) an investment adviser, as
25 defined in section 202(a) of the In-

1 vestment Advisers Act of 1940 (15
2 U.S.C. 80b-2(a));

3 “(III) a depository institution, as
4 defined in section 3 of the Federal
5 Deposit Insurance Act (12 U.S.C.
6 1813);

7 “(IV) a State credit union or
8 Federal credit union, as those terms
9 are defined, respectively, in section
10 101 of the Federal Credit Union Act
11 (12 U.S.C. 1752); or

12 “(V) an insurance company, as
13 defined in section 201(a) of the Dodd-
14 Frank Wall Street Reform and Con-
15 sumer Protection Act (12 U.S.C.
16 5381(a)); and

17 “(G) is not—

18 “(i) expelled or suspended from—

19 “(I) an association that is reg-
20 istered as described in subparagraph
21 (B); or

22 “(II) an association that is reg-
23 istered as a registered futures associa-
24 tion under section 17 of the Com-
25 modity Exchange Act (7 U.S.C. 21);

1 “(ii) subject to an order of the Com-
2 mission, other appropriate regulatory agen-
3 cy, or foreign financial regulatory authority
4 denying, suspending, or revoking the reg-
5 istration of the broker or dealer as a regu-
6 lated entity; or

7 “(iii) subject to an injunction or order
8 entered by a Federal or State court re-
9 straining or enjoining the broker or dealer
10 from engaging in or continuing any con-
11 duct or practice in connection with the
12 purchase or sale of any security or in con-
13 nection with any securities business.

14 “(6) NON-CARRYING BROKER OR DEALER.—
15 The term ‘non-carrying broker or dealer’ means a
16 broker or dealer (as those terms are defined in sec-
17 tion 3(a) of the Securities Exchange Act of 1934
18 (15 U.S.C. 78c(a))), as applicable, that—

19 “(A) as of the last day of the most recently
20 completed fiscal year of the broker or dealer—

21 “(i) has not more than 150 persons
22 registered with an association that is reg-
23 istered as a national securities association
24 under section 15A of the Securities Ex-

1 change Act of 1934 (15 U.S.C. 78o–3);
2 and

3 “(ii) is not an affiliate (as defined in
4 section 2 of the Bank Holding Company
5 Act of 1956 (12 U.S.C. 1841)) of an in-
6 vestment advisor that acts as the custodian
7 for customer assets;

8 “(B) throughout the most recently com-
9 pleted fiscal year of the broker or dealer—

10 “(i) does not—

11 “(I) receive, directly or indirectly,
12 or hold funds or securities for, or owe
13 funds or securities to, customers;

14 “(II) carry accounts of, or for,
15 customers; or

16 “(III) engage in any of the ac-
17 tivities described in clauses (i)
18 through (v) of section 240.15c3–
19 1(a)(2) of title 17, Code of Federal
20 Regulations; and

21 “(ii) if required under section 3(a)(2)
22 of the Securities Investor Protection Act of
23 1970 (15 U.S.C. 78ccc(a)(2)), is a member
24 of the Securities Investor Protection Cor-
25 poration; and

1 “(C) filed an exemption report pursuant to
2 section 240.17a–5(d)(4) of title 17, Code of
3 Federal Regulations, or any successor regula-
4 tion, covering the most recent fiscal year of the
5 broker or dealer.

6 “(7) PRIVATELY HELD.—The term ‘privately
7 held’ means, with respect to a broker or dealer (as
8 those terms are defined in section 3(a) of the Securi-
9 ties Exchange Act of 1934 (15 U.S.C. 78c(a))), that
10 the broker or dealer, and any ultimate parent or
11 other affiliate (as defined in section 2 of the Bank
12 Holding Company Act of 1956 (12 U.S.C. 1841)) of
13 the broker or dealer—

14 “(A) do not have a class of securities reg-
15 istered under section 12 of the Securities Ex-
16 change Act of 1934 (15 U.S.C. 78l); and

17 “(B) are not required to file reports under
18 section 15(d) of the Securities Exchange Act of
19 1934 (15 U.S.C. 78o(d)).”.

20 (b) AMENDMENTS TO REGULATIONS.—

21 (1) DEFINITIONS.—In this subsection, the
22 terms “in good standing”, “non-carrying broker or
23 dealer”, and “privately held” have the meanings
24 given the terms in section 110 of the Sarbanes-Oxley

1 Act of 2002 (15 U.S.C. 7220), as amended by sub-
2 section (a).

3 (2) AMENDMENTS.—Not later than 180 days
4 after the effective date described in subsection (d)—

5 (A) the Securities and Exchange Commis-
6 sion and the Public Company Accounting Over-
7 sight Board (referred to in this subsection as
8 the “PCAOB”) shall make any necessary
9 amendments to regulations of the Commission
10 and the PCAOB, respectively, that are in effect
11 as of the date of enactment of this Act in order
12 to carry out this Act and the amendments made
13 by this Act; and

14 (B) the Securities and Exchange Commis-
15 sion shall amend the audit and attestation re-
16 quirements of section 240.17a–5 of title 17,
17 Code of Federal Regulations, to the extent nec-
18 essary to reflect the exclusion of a non-carrying
19 broker or dealer that is privately held and in
20 good standing from the audit requirements of
21 the PCAOB under title I of the Sarbanes-Oxley
22 Act of 2002 (15 U.S.C. 7211 et seq.), including
23 by providing that such broker or dealer satisfies
24 the annual audit obligation of the broker or
25 dealer under such section 240.17a–5 through

1 an audit conducted in accordance with generally
2 accepted auditing standards.

3 (c) RULE OF CONSTRUCTION.—Nothing in this Act,
4 or any amendment made by this Act, may be construed
5 to authorize the Securities and Exchange Commission to
6 amend, waive, or otherwise modify—

7 (1) the requirement that the auditor of a non-
8 carrying broker or dealer that is privately held and
9 in good standing be qualified and independent in ac-
10 cordance with part 210 of title 17, Code of Federal
11 Regulations, as in effect on the date of enactment of
12 this Act; or

13 (2) the requirement to file an exemption report
14 pursuant to paragraph (d)(4) of section 240.17a–5
15 of title 17, Code of Federal Regulations, as in effect
16 on the date of enactment of this Act.

17 (d) EFFECTIVE DATE.—The provisions added by the
18 amendments made by this Act shall take effect on the date
19 that is 180 days after the date of enactment of this Act.