
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all the members of the Exchange

Circular No : NCDEX/COMPLIANCE-023/2024

Date : March 26, 2024

Subject : Framework for Auditors for conducting Internal Audit of Trading Members

This is further to the provisions of the Rules, Bye-Laws and Business Rules of the National Commodity and Derivatives Exchange Limited (NCDEX) and in reference to the Exchange Circulars NCDEX/COMPLIANCE-016/2016/239 dated September 27, 2016 on Enhanced Supervision of Stock Brokers/Depository Participants, NCDEX/COMPLIANCE-015/2016/238 dated September 27, 2016 on 'Regulatory framework for commodity derivatives brokers' and NCDEX/COMPLIANCE-014/2017/241 dated September 25, 2017 on 'Clarification on Enhanced Supervision of Stock Brokers/Depository Participants'.

All the Members of the Exchange were directed *inter alia* that Internal Audit on a half yearly basis is required to be conducted by independent qualified Chartered Accountants or Company Secretaries or Cost and Management Accountants who are in practice and who do not have any conflict of interest.

Further, the Exchange has issued Circular NCDEX/COMPLIANCE-103/2-23 dated October 06, 2023 on 'Internal Audit of Members', wherein the Exchange has defined the revised eligibility criteria for the auditors qualified to conduct the internal audit of members.

National Stock Exchange of India Limited (NSE) and BSE Ltd. (BSE) have issued the eligibility criteria and detailed procedure for the empanelment of auditors for conducting Internal Audit of trading members vide NSE Circulars NSE/INSP/59789 dated December 15, 2023 and NSE/INSP/60986 dated March 04, 2024, and BSE Notices 20231215-55 dated December 15, 2023 and 20240304-60 dated March 04, 2024 respectively.

Accordingly, as advised by SEBI and jointly discussed between the Exchanges, the audit firms meeting the prescribed eligibility criteria and who are empaneled with either NSE or BSE would be eligible to conduct the Internal Audit of Trading Members registered with NCDEX, from the half year ending March 31, 2024, onwards. The process for disciplinary actions including dis-empanelment, wherever necessary, will be informed through a separate circular in consultation with other Exchanges.

The Members may please note that the Exchange shall accept the Internal Audit Report certified by such empaneled auditor only, with effect from half year ending March 31, 2024, onwards.

All the members are hereby advised to take note of the above and bring the provisions of this circular to the notice of their respective Internal Auditors to comply with applicable regulatory requirements.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Pranesh Shetty
Vice President – Inspection & Enforcement

For further information/clarifications, please contact

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