
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No : NCDEX/COMPLIANCE-047/2025

Date : August 21, 2025

Subject : Framework for Empanelment of Auditors for conducting System Audit of Trading Members

This is with reference to SEBI vide Circular No. SEBI/HO/MIRSD/TPD/CIR/2025/10 dated January 31, 2025, regarding Framework for Monitoring and Supervision of System Audit of Stock Brokers (SBs) through Technology based Measures.

In accordance with above mentioned circular and in order to strengthen the system audit process/mechanism, Exchange is providing the framework for empanelment of auditors, who are desirous of taking up assignments relating to system audit of trading members.

The Exchange shall accept the system audit report certified by empaneled auditor only with effect from audit period ending September 30, 2025 & onwards. The auditors shall be empaneled through the Exchange. Accordingly, the eligibility criteria and detailed procedure for empanelment of the auditors is enclosed as **Annexure-1**.

The Auditor/Audit Firm/LLP/Company who meet the eligibility criteria prescribed by SEBI/Exchange from time to time can submit onetime application for empanelment to undertake assignments relating to system audit of trading members of the Exchange, as per empanelment procedure specified in **Annexure-1**. Such applicants will be required to submit an Undertaking-cum-Affidavit to the Exchange in the prescribed format enclosed as **Annexure-2**. The online submission process for empanelment as system auditor along with checklist/guidelines for filling application form will be intimated through separate circular.

All Members are advised to take note of the above and bring the provisions of this Circular to the notice of their respective system auditors and ensure compliance of the above requirement.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Pranesh Shetty
Senior Vice President – Inspection & Enforcement

For further information/clarifications, please contact

1. Customer Service Group on toll free number: 1800 26 62339
2. Customer Service Group by e-mail to : askus@ncdex.com

Empanelment of Auditors for conducting System Audit of Trading Members**A. Eligibility criteria for empanelment:****Experience Criteria****a) For trading members categorised as Type-II & having less than 10,000 registered unique clients (UCC).**

An Auditor/Audit firm/LLP/Company having less than 3 years' experience, can take assignment of conducting system audit for Type-II category trading members as specified by Exchange from time to time & having less than 10,000 registered unique clients (UCC) as on last day of the applicable audit period. Such Auditor/Audit firm/LLP/Company, till they achieve 3 years' experience, can conduct maximum of 3 yearly system audits of Type-II category of trading members, in each audit/submission period.

In case the audit firm is a partnership firm/LLP/company, they shall have always at least two Partners/Directors and the Auditor/partner of firm/LLP/director of company signing the audit report shall have valid CISA(ISACA)/DISA(ICAI)/CISM(ISACA) /CISSP(ISC2) Certification.

b) For trading members categorised as Type-II & having more than 10,000 registered unique clients (UCC) and trading members categorised as Type-III (using algorithmic trading facility).

An Auditor/Audit firm/LLP/Company having 3 years or more experience, can take assignment of conducting system audit for trading members categorised as Type-II by Exchange & having more than 10,000 registered unique clients (UCC) as on last day of the applicable audit period and trading members categorised as Type-III (using algorithmic trading facility).

In case the audit firm is a partnership firm/LLP/company, they shall have at least two Partners/Directors at all times having a valid CISA(ISACA)/DISA(ICAI)/CISM(ISACA) /CISSP(ISC2) Certification.

The auditor/partner of firm/LLP/director of company signing the audit report shall have 3 years or more experience in conducting system audit of members and shall have valid CISA(ISACA)/DISA(ICAI)/CISM(ISACA)/CISSP(ISC2) Certification.

c) For trading members categorised as Qualified Stock Brokers (QSBs)

The Audit firm/LLP/Company having 3 years or more experience, can take assignment of conducting system audit of trading members categorised as QSBs as specified by Exchange from time to time.

In addition to the above, the Audit Firm/LLP/Company which undertakes the System Audit of Qualified Stockbrokers ("QSBs") shall have always at least three Partners/Directors having a valid CISA(ISACA)/DISA(ICAI)/CISM(ISACA) /CISSP(ISC2) Certification, of which at least two Partners/Directors should be full-time Partners/ Whole Time Directors.

The partner of firm/LLP/director of company signing the audit report shall have 3 years or more experience in conducting system audit of members and shall have valid CISA(ISACA)/DISA(ICAI)/CISM(ISACA)/CISSP(ISC2) Certification.

Other Criteria applicable for all categories

- i. The appointed Auditor and Audit Firm/LLP/Company's resources should possess at least one of the following certifications:
 - CISA (Certified Information System Auditors) from ISACA
 - DISA (Post Qualification Certification in Information Systems Audit) from Institute of Chartered Accountants of India (ICAI)
 - CISM (Certified Information Securities Manager) from ISACA
 - CISSP (Certified Information Systems Security Professional) from International Information Systems Security Certification Consortium, commonly known as (ISC2)
- ii. The Auditor/Audit Firm/LLP/Company, as being appointed by Trading Member must not have any conflict of interest in conducting fair, objective, and independent audit. Further, the Directors/Partners/Proprietor of Audit firm/LLP /Company shall not be related to any Directors/Promoters/Proprietor of the said Trading Members either directly or indirectly.
- iii. The Auditor/Audit firm/LLP/Company can perform a maximum of 3 consecutive years audits of the Trading Member. However, such Auditor/Audit firm/LLP/Company shall be eligible for re-appointment after a cooling-off period of two years.
- iv. The Auditor/Audit Firm/LLP/Company is not debarred or restrained from issuing any certificate by ICAI, ISACA, ISC2, RBI, SEBI, Cert-In or by other regulator/law enforcement agency.
- v. The Auditor/Audit Firm/LLP/Company shall not have any cases pending against its previous system audit assignments of trading members, which point to its incompetence and/or unsuitability to perform the audit task.
- vi. The Trading Members and Auditor/Audit Firm/LLP/Company are required to retain records of physical visits conducted during audits like name, qualification & date of visit/s of Auditor, along with audit artifacts, proofs of concept (POCs), and evidence related to terms of reference (TOR) points for a minimum duration of three years.

B. Procedure for Empanelment

- i. The Auditor/Audit Firm/LLP/Company desirous of getting empanelled with the Exchange will be required to submit an application form through Exchange website. The link will be available on the NCDEX website shortly.
- ii. Auditor/Audit firm/LLP/Company will also be required to submit an Undertaking-cum- Affidavit in a prescribed format which is attached as Annexure -2.
- iii. The Auditor/Audit firm/LLP/Company shall also submit original Undertaking-cum-Affidavit within 7 days from the submission of application through the online portal at the following address:
Audit and Inspection
National Commodity & Derivatives Exchange Limited (NCDEX),
Ackruti Corporate Park,
1st Floor, LBS Road,
Kanjurmarg (West),
Mumbai – 400078.
The Undertaking-cum-Affidavit shall be executed on Rs. 500/- stamp paper, duly Notarized, signed, stamped and sealed by Authorized Signatory on all pages.
- iv. The applications for empanelment shall be reviewed and considered by the Exchange.
- v. Empanelment of the Auditor/Audit firm/LLP/Company shall be at the sole discretion of the Exchange and binding on the Auditor/Audit firm/LLP/Company.
- vi. The list of Auditor/Audit firm/LLP/Company empanelled with the Exchange shall be displayed on the website of the Exchange.
- vii. De-empanelment- The Exchange, reserves its right to de-empanel the auditor, at its sole discretion, without notice or assigning any reasons whatsoever, and may also refer such matters to the National Financial Reporting Authority (NFRA)/ICAI/ISACA/ISC2, as applicable. The decision of the Exchange to de-empanel the auditor shall be final and binding on the auditor.

To be executed on Rs. 500/- stamp paper. Duly notarized, signed, stamped & sealed by Authorized Signatory on all pages.

Undertaking-cum-Affidavit

I/We _____, an individual/a firm registered under the Indian Partnership Act, 1932 / a LLP registered under Limited Liability Partnership Act, 2008 /a Company registered under Companies Act 1956/2013, residing at / having our principal place of business/ registered office at _____ accredited by _____ (Institution name) _____ having (registration number) _____ (hereinafter referred to as "I/We") (which expression shall unless repugnant to the context or meaning thereof include its successors and assigns) give this UNDERTAKING-cum-AFFIDAVIT on this _____ day of _____ at _____ IN FAVOUR of National Commodity & Derivatives Exchange Limited, a company incorporated under the Companies Act of 1956, with its registered office at Ackruti Corporate Park, 1st Floor, LBS Road, Kanjurmarg (West), Mumbai – 400078 (hereinafter called the "NCDEX/Exchange" which expression shall unless repugnant to the context or meaning thereof include its successors and assigns).

WHEREAS

The eligibility criteria for System Auditors qualified to conduct the System audit of the trading members ("Trading Members") has been prescribed in the relevant circular/s for System Audit published by SEBI/NCDEX.

NOW THEREFORE IN CONSIDERATION THEREOF, I/WE HEREBY IRREVOCABLY AND UNCONDITIONALLY UNDERTAKE AND AGREE TO ABIDE BY AND BE BOUND BY THE FOLLOWING COVENANTS:

- a) I/We affirm that I /We am/are independent practicing qualified Individual/ partners / directors of the Audit Firm/LLP/an Auditing Company, having a valid CISA(ISACA) /DISA(ICAI) /CISM(ISACA)/CISSP(ISC 2) Certification.
- b) I/We affirm that I/we am/are in practice and have relevant experience, as prescribed by NCDEX/SEBI from time to time. I/We affirm that the auditor/partner of firm/LLP/director of company signing the audit report have relevant experience as prescribed by NCDEX/SEBI from time to time.
- c) I/We affirm that till the time I/We achieve 3 (three) years' of experience, I/we will restrict myself/ourselves only to conduct the system audit of Type-II category Trading Members having less than 10000 registered unique clients (UCC) as on last day of the applicable audit period, and I/We will only conduct a maximum of 3 (three) yearly system audits of such Type-II category Trading Members, in each audit/submission period.
- d) We affirm that our firm/partnership/LLP/Company shall always have at least two Partners/Directors at all times having a valid CISA(ISACA)/DISA(ICAI)/CISM(ISACA) /CISSP(ISC2) Certification.
- e) We affirm that in case we undertake the System Audit of Qualified Stockbrokers ("QSBs"), we shall have at least three Partners/Directors at all times and having valid CISA(ISACA) /DISA(ICAI) /CISM(ISACA) /CISSP (ISC 2) Certification, of which at least two Partners/Directors shall be full time Partners/Whole Time Directors.
- f) I/We affirm that I/we am/are not debarred or restrained from issuing any certificate by CISA(ISACA)/DISA(ICAI)/CISM(ISACA)/CISSP(ISC 2), RBI, SEBI or by other regulator/law enforcement agency.

- g) I/We undertake to participate in trainings/seminars conducted by NCDEX as and when informed by NCDEX.
- h) I/We undertake to immediately inform NCDEX regarding any direction/decision/disciplinary action initiated against me/us, by any regulatory authority(ies), including but not limited to the authorities mentioned in paragraph (f).
- i) I/We affirm to abide by all relevant Laws, Rules, Regulations applicable to me/us and comply with any requirement of NCDEX pursuant to any Laws, Rules, Regulations during the course of my/our empanelment with NCDEX, including but not limited to requirement of NCDEX, pursuant to SEBI Circular No: SEBI/HO/MIRSD/TPD/CIR/2025/10 dated January 31, 2025, and as prescribed from time to time, which mandates NCDEX to capture geo location of the auditor, for the purpose of supervision/monitoring, during physical visit to Trading Member's premises as part of the system audit of Trading Members.
- j) I/We affirm that I/We shall be independent and shall not have any conflict of interest with the concerned Trading Member.
- k) We affirm that the Directors/Partners/Proprietor of Audit firm/LLP/Company shall not be related to any Directors/Promoters/Proprietor of the concerned Trading Members either directly or indirectly.
- l) For the purpose of conducting system audit of Trading Members, I/we undertake to keep myself/ourselves updated with all the applicable laws, Rules and Regulations as amended from time to time.
- m) I/We undertake to verify all the areas of verification in the System Audit checklist with prescribed parameters/methodology as defined by NCDEX/SEBI in respective circulars from time to time.
- n) I/We further affirm and undertake to abide and continue to abide by the eligibility criteria as may be prescribed by NCDEX/SEBI, at its sole discretion, from time to time, and the same shall be displayed on NCDEX's website. I/We further hereby confirm that in case there is any inconsistency between the terms and conditions/eligibility criteria displayed on NCDEX's website and the terms and conditions/eligibility criteria mentioned in this Undertaking, the terms and conditions/eligibility criteria displayed on NCDEX's website shall prevail.
- o) I/We hereby give my/our consent to display my/firm /LLP/Company name, address, and contact information (mobile number and email address) on NCDEX's website/portal, and sharing of my/our personal information, post empanelment with NCDEX, as may be required by law.
- p) I/We affirm to maintain confidentiality of all information, documents, and data (collectively, 'Confidential Information') that I/we may obtain or have access to, during the course of the audits of Trading Members of NCDEX.
- q) I/We affirm to not publicly display or use the logo/banner/trademark/name of NCDEX, anywhere without receipt of prior written permission from NCDEX.
- r) I/We undertake that I/We or my/our agents, during the term of my/our empanelment with NCDEX, shall not provide advice or recommendations related to securities unless registered with or expressly permitted by SEBI and/or make any claims about returns or performance related to securities unless expressly permitted by SEBI.
- s) I/We affirm that empanelment with NCDEX is decided by NCDEX at its sole discretion and I/we have no right to claim empanelment with NCDEX.
- t) I/We undertake that my/our empanelment with NCDEX will remain valid until de-empanelled by NCDEX at its sole discretion, without assigning any specific reasons whatsoever and NCDEX shall be at liberty to refer the matter to the National Financial Reporting Authority (NFRA)/ICAI/ISACA/(ISC 2), wherever applicable.
- u) I/We affirm that in the event of contravention of any of the above terms of this Undertaking, NCDEX shall have the absolute right to de-empanel me/us, without notice.
- v) I/We confirm that any decision of NCDEX to de-empanel me/us shall be final and binding on me/us.

w) I/We affirm that this Undertaking cum affidavit is governed by the laws of India and any dispute arising from the same will be subject to the jurisdiction of courts of Mumbai.

IN WITNESS WHEREOF this Undertaking is executed by the undersigned on the day, month, year, and the place first mentioned above.

Signed sealed and delivered by

for and on behalf of _____

Before me

Date: