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**NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED**

Circular to all members of the Exchange  
Circular No : NCDEX/COMPLIANCE-103/2023  
Date : October 06, 2023  
Subject : Internal Audit of Members

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This is with reference to the Exchange circular nos. NCDEX/COMPLIANCE-010/2022 dated February 17, 2022 and NCDEX/COMPLIANCE-045/2023 dated April 11, 2023 wherein the Exchange had prescribed the eligibility criteria for the auditors qualified to conduct Internal Audit of Trading Members.

In view of the representations received from various member associations, the Exchanges have jointly reviewed and revised the eligibility criteria for conducting Internal Audit of the Trading Members. The revised eligibility criteria is enclosed as Annexure A.

The revised eligibility criteria shall be applicable with effect from the half year ended March 31, 2024, and onwards.

Further, the Members may note that the eligibility criteria as prescribed by Exchange circular nos. NCDEX/COMPLIANCE-010/2022 dated February 17, 2022 and NCDEX/COMPLIANCE-045/2023 dated April 11, 2023 is reiterated at Annexure B for reference, and shall continue to be applicable for the half year ended September 30, 2023.

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

Members are requested to take note of the contents of the circular and comply.

For and on behalf of  
**National Commodity & Derivatives Exchange Limited**

Pranesh Shetty  
Vice President – Inspection & Enforcement

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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](mailto:askus@ncdex.com)

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**Annexure A****Revised eligibility criteria for the auditors qualified to conduct the internal audit of trading members – Applicable from the half year ended March 2024 and onwards:**

1. Auditor in the Audit Firm should be an independent qualified Chartered Accountant or Company Secretary or Cost and Management Accountant who is in practice and who does not have any conflict of interest.
2. The Audit Firm should have a minimum of 5 years' experience in carrying out audits, preferably in securities markets.
3. The Audit Firm should have at least two partners at all times.
4. The Audit Firm is not debarred or restrained from issuing any certificate by ICAI, ICSI, ICMAI, RBI, SEBI or by other regulator/law enforcement agency.
5. Any partner/employee of the Audit Firm shall have a valid NISM Series III-A: Securities Intermediaries Compliance Certification or certification of "Financial Market & Securities Laws" as provided by ICAI or equivalent certification offered by any other institution. Further, any partner/employee of the Audit Firm having valid certification of NISM-Series-XIV: Internal Auditors for Stockbrokers is also eligible till the expiry of the Certification.
6. In addition to the above, the Audit Firm which undertakes the Internal Audit of Qualified Stock Brokers ("QSBs") should have at least five partners at all times; of which at least two partners should be full time partners.

## **Annexure B**

Eligibility criteria for the auditors qualified to conduct the internal audit of trading members – Applicable for the half year ended September 2023:

1. The Audit shall be conducted only by independent qualified Chartered Accountant or Company Secretary or Cost & Management Accountant who is in practice and does not have any interest in or relation with the Member other than the Internal Audit assignment.
2. The Auditor/ Audit firm or at least one of the partners should have a minimum of 5 years' experience in carrying out audits.
3. The Auditor/ Audit firm is not debarred or restrained from issuing any certificate by ICAI, ICSI, ICMAI, RBI, SEBI or by other regulator/law enforcement agency.
4. Auditors and/or its employees or partners signing the Internal Audit Report shall have a valid NISM-Series-XIV: Internal Auditors for Stockbrokers Certification or NISM Series III-A: Securities Intermediaries Compliance Certification or ICAI Certificate Course on Financial Markets and Securities Laws or any other equivalent examination.