
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No. : NCDEX/COMPLIANCE-015/2021

Date : March 24, 2021

Subject : System Audit by the Members of the Exchange

This is with reference to the Exchange circular no. NCDEX/COMPLIANCE-009/2016/184 dated August 04, 2016, NCDEX/COMPLIANCE-010/2016/191 dated August 16, 2016 and NCDEX/COMPLIANCE-058/2020 dated October 01, 2020, on “System Audit by the members of the Exchange”, the members using trading software / having exchange approved Algo Trading Software (ATS) shall be required to carry out System audit of their trading facility as per applicability criteria.

The System audit report is required to be submitted to the Exchange in digitally signed soft copy within the timeline as mentioned in the table given below by way of sending the same as an attachment only to email ID: sar_submission@ncdex.com

			Due date for Submission of Reports		
Periodicity of System Audit (Audit Period)	Criteria	Type of Broker	Preliminary Audit & Executive Summary Report (Annexure – A & B)	Action taken Report (ATR) (if applicable)	Follow-on Audit Report (if applicable) (Annexure - C)
Half Yearly (October 2020-March 2021)	All Members using ATS Facility	Type of broker – III	May 31, 2021	June 30, 2021	August 31, 2021
Annually (April 2020 - March 2021)	Members having CTCL/ IBT/ STWT and presence in > 10 locations or have > 50 terminals	Type of broker – II	June 30, 2021	August 31, 2021	December 31, 2021
Bi-Annual (April-2020 to March-2022)*	Members having CTCL/ IBT/ STWT and presence in < 10 locations and have < 50 terminals	Type of broker – II	June 30, 2022	August 31, 2022	December 31, 2022

*Note: To be submitted only after March 31, 2022.

Preliminary audit will be conducted as per the Terms of reference (ToR) specified for Type II Broker as given in **Annexure – A1** and Type III Broker as given in **Annexure – A2**. The same is available in the downloads section on the Exchange website under System Audit Annexures March 2021. (https://ncdex.com/quick_links/download)

For findings / observations during the preliminary audit, the auditor must also report such findings in 'EXECUTIVE SUMMARY REPORT' as per format given in **Annexure - B** highlighting the major findings of the preliminary audit. The same is available in the downloads section on the Exchange website under System Audit Annexures March 2021. (https://ncdex.com/quick_links/download)

The audit report should be submitted to the Exchange with management comments on non-compliance / non-conformities (NCs) and observations mentioned in the report and take corrective action for the observations made by the system auditor on each non-compliance / non-conformities (NCs) and submit Action Taken Report (ATR).

If the Follow-on audit has been recommended by the auditor in System audit report, then schedule the same after taking necessary corrective actions and submit the Follow-on Audit Report as per **Annexure - C** to the Exchange. The same is available in the downloads section on the Exchange website under System Audit Annexures March 2021. (https://ncdex.com/quick_links/download)

Auditor Selection Norms

1. The Auditor shall have minimum 3 years of experience in IT audit of securities market participants e.g. Exchanges, clearing corporations, depositories, stock brokers, depository participants etc. The audit experience should cover all the major areas mentioned under Terms of Reference (ToR) of the system audit specified by SEBI / stock exchange from time to time.
2. Resources employed for the purpose of system audit shall have relevant industry recognized certifications e.g. D.I.S.A. (ICAI) Qualification , CISA (Certified Information System Auditor) from ISACA, CISM (Certified Information Securities Manager) from ISACA, CISSP (Certified Information Systems Security Professional) from International Information Systems Security Certification Consortium, commonly known as (ISC).
3. The Auditor should have experience of IT audit/governance frameworks and processes conforming to industry leading practices like CobiT.
4. The Auditor shall not have any conflict of interest in conducting fair, objective and independent audit of the Member. Further, the directors / partners of Auditor firm shall not be related to any Member including its directors or promoters either directly or indirectly.
5. The Auditor shall not have any cases pending against its previous audited companies/firms, which fall under SEBI's jurisdiction, which point to its incompetence and/or unsuitability to perform the audit task.

-
6. **Auditor has not conducted more than 3 successive system audits of the member.**
Follow-on audits conducted by the auditor shall not be considered in the successive audits.

The members are advised to submit the following documents **digitally signed soft copy in PDF format** to the Exchange

- System Audit Report (Annexure A1 / A2) along with Executive summary (Annexure B)
- Action Taken Report, if applicable.
- Follow-on report with management comments if applicable, as per the time line provided

Non/late submission of System audit report shall attract penal charges as mentioned below:

- Penalty of Rs. 200/- per day on members failing to submit the said reports within 1 month from the end of due date of submission,
- Penalty of Rs. 500/- per day after 1 month but within 3 months from the end of the due date for submission and
- Disablement of trading facility across segments after giving 2 weeks' notice for non-submission within 3 months from the end of due date for submission.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Satish Muley
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