
NATIONAL COMMODITY CLEARING LIMITED

Circular to all Members of the Clearing Corporation

Circular No. : NCCL/INSPECTION 004/2024

Date : October 14, 2024

Subject : Submission of Half Yearly Internal Audit Report by Clearing Members (STCM & PCM) for half year ended September 30, 2024.

To All Clearing Members (Clearing for other Trading Members and/or Custodial Participants Code),

This is to inform that all Clearing Members undertaking clearing activities, for at-least one trade during the period from April 01, 2024 till September 30, 2024, for other stock-brokers and/or for custodian participants code (their direct trading clients or otherwise) are required to carry out Internal Audit and submit the report to National Commodity Clearing Limited (NCCL).

As advised by SEBI and in order to enhance the ease of doing compliance and reduce operational difficulties faced by Members/Audit Firms, it has been decided that only the auditors empanelled with any of the Exchange(s), shall be eligible to conduct internal audit of the Clearing Members of any of the Clearing Corporations.

It is to be noted that the due date to submit the Internal Audit Report is within two months from the end of half year i.e., for the half year ended September 30, 2024, **the due date is November 30, 2024.**

The submissions shall be made to the email ID 'inspection@nccl.co.in' with the subject line as "Internal Audit Report - Name of the Clearing Member (Clearing Member Code) – September 2024".

Further there to, the Internal Auditors are advised to take note of below while carrying out the Audit:

1. The Internal Audit Certificate (Annexure I) should be digitally signed by the auditor.
2. The Annexure II which is Format of Internal Audit Report shall be submitted in excel file and as a PDF document. The PDF document shall be digitally signed by the auditor and the clearing member along with management comments of the clearing member.
3. In cases where samples have been prescribed, auditors are required to procure the data from the clearing members. Auditors are advised to refer Annexure III carefully before initiating the audit. The samples for parameters/ criteria shall be as per the "Guidelines on sample selection" prescribed in Annexure III and the data required for the same shall be sourced from the member.
4. For each "Not complied" observation, wherever applicable, the auditor shall mandatorily provide the "no. of instances verified" and "Amount/value involved in those instances where non-compliance is observed" while submitting the Report. Further, for each "Not Applicable" points, appropriate justification/ remarks are required to be provided mandatorily.
5. Internal auditors are required to give the details of the sample verified (sample date, shortlisted sample etc.) wherever applicable. The formats for the same are given in Annexure V.

6. For the verification of the area “Bank Guarantee (BG) created Out of Client Funds”, the Auditors are required to verify for the period between April 01, 2024 to September 30, 2024 whether all the BGs comply with SEBI circular dated April 25, 2023 and give the details of the BGs verified in the format as given in Annexure V.

The following annexures which are applicable for the internal audit report for the half year ended September 30, 2024 are available in the downloads section on the NCCL website, <https://www.nccl.co.in/useful-links/downloads> as “Internal audit Annexure for half year ended September 2024”.

Members are required to send Annexure I, II, III, IV and V to NCCL at inspection@nccl.co.in

- a) Internal Audit Certificate - Annexure I
- b) Format of Internal Audit Report - Annexure II (Excel File-"IARNCCCLSEPT24")
- c) Guidelines on sample selection & other points to be noted - Annexure III
- d) List of indicative SEBI/NCCL/NCDEX circulars - Annexure IV
- e) List of samples verified - Annexure V

7. Please note that the internal audit report with complete annexures as mentioned above shall be treated as valid submission to NCCL.

Further, as advised by SEBI and to enhance the ease of doing compliance and reduce operational difficulties faced by Members/Audit Firms, it has been decided that the auditors empanelled with any of the Exchange(s), shall be eligible to conduct internal audit of the Clearing Members of any of the Clearing Corporations.

Clearing members undertaking clearing activities for atleast one trade during the period from April 01, 2024 to September 30, 2024 for other stock-brokers and/or for custodian participants code (their direct trading clients or otherwise) are required to carry out Internal Audit and submit the report to National Commodity Clearing Ltd (NCCL).

It is to be noted that the due date to submit the Internal Audit Report is within two months from the end of the half year ended September 30, 2024 that is November 30, 2024.

The penalties/disciplinary actions for late/non-submission of the Internal Audit Report shall be as per NCCL circular: NCCL/COMPLIANCE-002/2024 dated March 28, 2024. The penalties/disciplinary action for non-compliances reported in the Internal Audit Report shall be as prescribed by NCCL circular no.: NCCL/COMPLIANCE-013/2023 dated December 28, 2023 or any other relevant circular that may be issued by NCCL from time to time

For and on behalf of
National Commodity Clearing Limited

Ketan Jadhav
Assistant Vice President – Regulatory.

For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 266 6007
2. Customer Service Group by e-mail to : contactus@nccl.co.in