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**NATIONAL COMMODITY CLEARING LIMITED**

Circular to all the Clearing Members (Clearing for other Stock-Broker and/or Custodial Participants Code) of the Clearing Corporation

Circular No. : NCCL/Compliance- 002/2024

Date : March 28, 2024

Subject : Submission of Half-Yearly Internal Audit Report by Clearing Members

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This is further to NCCL circular no. NCCL/COMPLIANCE-008/2023 dated September 27, 2023 wherein it was informed that all Clearing Members undertaking clearing activities, for other stock-brokers and/or for custodian participants code (their direct trading clients or otherwise) are required to carry out the half yearly Internal Audit and submit the report to National Commodity Clearing Limited (NCCL).

NCCL through its circular no. NCCL/Compliance-010/2023 dated October 25, 2023 has prescribed the eligibility criteria (Annexure A of the said circular) for auditors who can carry out the internal audit of the clearing members.

Reference is also further drawn to NCDEX circular no. NCDEX/COMPLIANCE-023/2024 dated March 26, 2024 which prescribes the framework for empanelment of auditors for conducting internal audit of the Trading Members. It is hereby clarified that Audit firms which are eligible to carry out audit in terms of NCDEX circular dated March 26, 2024 are eligible to conduct internal audit of clearing members from the half year ending March 31, 2024. 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 empaneled 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 October 1, 2023 to March 31, 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 NCCL. The process for submission of IAR for the half year ended March 31, 2024 including format of Internal Audit Certificate, Format of Internal Audit Report, Guidelines on sample selection etc. shall be communicated separately through a circular.

It is once again reiterated that the following penalties/disciplinary actions for late/non-submission of the Internal Audit Report shall be applicable: -

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<b>Details of Violation</b>	<b>Penalty/disciplinary actions</b>
Failure to furnish Internal Audit report to Stock Exchanges for half year ending September 30th by November 30th and half year ending March 31 <sup>st</sup> by May 31 <sup>st</sup>	a) For 1st month after due date, charges of Rs. 200/- per day b) Charges of Rs.500/- per day from 2nd month after due date till date of submission or disablement 2 weeks' notice shall be given to the Member after the 3rd month from the due date, subsequent to which the Member shall be disabled in all segments. The disablement notice issued to the Member shall be shared with all the Clearing Corporations.

The penalties/disciplinary action for non-compliances reported in the Internal Audit Report shall be as prescribed by NCCL circular no. NCCL/COMPLIANCE-007/2021 dated August 20, 2021 or NCCL/Compliance- 013/2023 dated December 28, 2023 as deemed fit.

For and on behalf of

**National Commodity Clearing Limited**

Suresh Nair

Chief Compliance Officer and Head Legal

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For further information / clarifications, please contact

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