NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange
Circular No : NCDEX/COMPLIANCE-060/2025
Date : October 20, 2025
Subject : System Audit by the members of the Exchange – ATS (ALGO Trading)

This is with reference to the SEBI circular no. CIR/MRD/DMS/34/2013 dated November 6, 2013, SEBI/HO/MIRSD/TPD/CIR/2025/10 dated January 31, 2025 and Exchange circular NCDEX/COMPLIANCE-004/2025 dated February 01, 2025 regarding 'Framework for Monitoring and Supervision of System Audit of Stock Brokers (SBs) through Technology based Measures' and 'Annual System Audit of Stockbrokers / Trading members'. Further as per the provisions outlined in SEBI Circular No. CIR/MRD/16/2013 dated May 21, 2013, Trading Members who use Algorithmic Trading or offer Algorithmic Trading facilities to their clients are required to undergo a half-yearly system audit for the period April 2025 to September 2025.

Member's attention is also drawn to Exchange Circular NCDEX/COMPLIANCE-047/2025 dated August 21, 2025, regarding Empanelment of Auditors for conducting System Audit. As mentioned in the circular, the Exchange shall accept the System Audit Report certified by empaneled system auditor only with effect from the half year ending September 30, 2025.

Trading members are required to conduct system audit for period ending September 30, 2025, and submit the report to the Exchange as per the timelines specified below. The list of System Auditor empanelled with NCDEX will be made available on the website at the following path

https://www.ncdex.com -> Membership -> Disclosures -> System Auditor Empanelment

Periodicity of System Audit (Audit Period)	**Due date for Submission of Reports**		
	Submission of Audit Plan	**Preliminary Audit & Executive Summary Report (Annexure C & D)**	**Action taken Report (ATR) (if applicable)**
Half Yearly (April 2025 - September 2025)	October 31, 2025	November 30, 2025	February 28, 2026

Further, guidelines for submission of reports on online portal and other related details shall be communicated through a separate circular.

Trading members are advised to take note of the following key guidelines throughout the system audit lifecycle:

1. Ensure that only system auditors empaneled by the Exchange in accordance with the selection criteria communicated vide Exchange Circular Ref No. NCDEX/COMPLIANCE-053/2025 dated October 03, 2025, are selected/appointed for conducting audits.

2. Trading Members are required to submit complete details of audit plan after discussion/consultation with the appointed auditor on letter head of the member with digital signature on email id i.e. **sar_submission@ncdex.com**. This should include details of auditor, list of systems and trading member's office locations to be visited by auditor for system audit, and these details shall be utilized for capturing geolocation of trading member's office locations. (refer **Annexure A** for format of Audit Plan).
3. During the physical visit for system audit, auditors must log into the Exchange web portal to enable/capture geo-location. Additionally, System Auditor must submit/enter all visit-related details in Exchange provided web portal, including Date of visit, Entry and exit times, Name of the person(s) visited & interacted. Further, to ensure capturing Geo-location during physical visit by system auditor, the auditor shall log-on to the web portal of Exchange using trading member's internet/network connectivity and system auditor shall not access Exchange web portal remotely during the physical visit to member's office.
4. Trading Members are required to maintain comprehensive records of the audit team members who visit their premises for a minimum period of three years.
5. System Auditors shall preserve working papers, logs, screenshots, records of visits to the premises of the entity, POC and other evidence in support of the audit for a period not less than three years.
6. As part of System Audit guidelines, auditors shall submit the list of systems/processes etc. being audited along with details of samples reviewed in the format provided via **Annexure B** - Assessment Detail Report.
7. The Action Taken Report, if applicable, shall be validated by the same auditor who conducted the system audit.
8. QSBs are mandated to submit the system audit report after approval from the irrespective Governing Board and Standing Committee on Technology (SCOT) or equivalent Technology Committee (TC).
9. Other Trading Members are mandated to submit the system audit report on approval of Proprietor/Partner/Director or equivalent responsible official through SCOT or TC.
10. While selecting/appointing system auditors, Trading Members are advised to assess the number of members the auditor is currently servicing and the size of their audit team. This evaluation is essential to ascertain that the audit is comprehensive, and the auditors can dedicate adequate time and resources to ensure the integrity and effectiveness of the audit process is not compromised.

The detailed updated TOR of System Audit applicable for audit period ending September 30,2025 has been enclosed in **Annexure C**. All the areas included in the System Audit TOR shall be considered as Critical and accordingly System auditors are advised to perform the system audit thoroughly.

The system audit report can be submitted only after submission of details of physical visit by system auditor. Submission of system audit report shall be considered complete only after the trading member submits the report to the Exchange after providing management comments.

All Trading members (QSBs & Other Members) are requested to take note that, for each non-compliance reported by the auditor, trading members are required to submit corrective action taken report (ATR) and same shall be validated by the same auditor who conducted the system audit as per the above-mentioned timelines. Additionally, QSBs are mandated to submit the ATR (if applicable) after approval from their respective Governing Board and Standing Committee on

Technology (SCOT) or equivalent Technology Committee (TC). Similarly, other trading members are mandated to submit ATR (if applicable) on approval of Proprietor/Partner/Director or equivalent responsible official through SCOT or TC. On reviewing details of corrective action submitted by trading members, the auditor shall submit the status of compliance as Compliant or Non-Compliant on web portal.

Trading Members are requested to refer Exchange Circular No. NCDEX/COMPLIANCE-56/2025 dated October 10, 2025, on actions for non-compliance observed in periodic submissions by trading members related to System Audit Report. The details of Penalties/disciplinary action(s)/charges have been provided in **Annexure E**

Additionally, auditor will be required to provide details of vendor/in-house developed products & application being used and registered with Exchange by trading member. The system auditor shall confirm whether the trading member has deployed the latest version in live environment and provide its version number being used for each product. The details of the same should be provided as per **Annexure F.**

Currently, as part of system audit requirement auditor submits the compliance status of System audit ToR along with the compliance of section/clause 4 related to algorithmic trading for all Algo IDs used by trading members. Members will be provided with Algo MIS separately where a list of all the Registered Algo IDs of trading members shall be provided for ease of reference. In case of any Algo ID is not complying with 38 checks of Section 4, auditor shall provide the details of non-compliant ToR point(s) along with their observations.

All the aforesaid Annexures is available in the **"Downloads section"** on the Exchange website under **System Audit Annexures September 2025**. (https://ncdex.com/quick_links/download).

For and on behalf of
National Commodity & Derivatives Exchange Limited

Pranesh Shetty
Senior Vice President – Inspection & Enforcement

For further information/clarifications, please contact

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