

Department: Inspection	Segment: All
Circular No: MSE/INSP/15276/2024	Date : April 30, 2024

Subject: System Audit of Stock Brokers / Trading Members

To All Members,

In terms of the provisions of Rules, Bye-Laws and Regulations of Metropolitan Stock Exchange of India Limited ('Exchange'), Members of the Exchange are notified as under:

1. In accordance with SEBI circular no. CIR/MRD/DMS/34/2013 dated November 6, 2013, and Exchange circular no. MCX-SX/CTCL/1570/2013 dated November 08, 2013 on the Annual System Audit of Stock Brokers / Trading members. Further, Exchange has issued Circular no. MSE/INSP/13286/2023 dated April 03, 2023 on Uniform format of System Audit Report. Accordingly, Stock Brokers / Trading Members are required to conduct system audit for period ended March 31, 2024 as per the applicability criteria given below:

Category of Member	Members using CTCL Facility (Non-Algo terminals) with presence in \leq 10 locations or have \leq 50 terminals		Members using CTCL Facility (Non-Algo terminals) with presence in $>$ 10 locations or have $>$ 50 terminals		Members using Algo facility & Qualified Stock Brokers (QSBs)	
	Terms of Reference (ToR)	Frequency of audit	Terms of Reference (ToR)	Frequency of audit	Terms of Reference (ToR)	Frequency of audit
Stock Brokers / Trading Members	Type - II	Once in 2 years	Type - II	Annual	Type - III	Half Yearly
Stock Broker / Trading Members who are also depository participants or are involved in offering any other financial services	Type - II	Annual	Type - II	Annual	Type - III	Half Yearly

2. TWS software provided by Exchange and software provided by empanelled Application Service Provider (ASP) shall not be covered in the system audit.
3. The audit shall be conducted for the purpose of and with an objective of identifying the system inadequacies / deficiencies, if any, based on compliance requirements and the implications of such inadequacies. Members are advised to ensure complete compliance with the system audit requirements mentioned in this circular and afore said SEBI circular.

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4. Timelines for submission of System Audit Report is given below:

Audit Period	Due Date for Submission	
	Preliminary Audit Report Submission	Corrective Action Taken Report (ATR) Submission (If applicable)
Half Yearly (October 2023 – March 2024)	June 30, 2024	September 30, 2024
Yearly Submission (April 2023 – March 2024)	June 30, 2024	September 30, 2024
Once in 2 years (April 2023 – March 2025)	June 30, 2024	September 30, 2024

5. Stock Brokers / Trading Members are required to take corrective action for the observations made by the system auditor on non-compliance / non-conformities (NCs) if any, and submit Action Taken Report (ATR) to Exchange. Further, the auditor must provide compliance status for each TOR item as Compliant/Non-Compliant/Not Applicable and in case of any TOR item which is not applicable, auditor is required to provide justification for the non-applicability of said TOR.

6. Submission of system audit report shall be considered complete only after trading member submits the report to the Exchange after providing management comments.

7. Trading Members are requested to take note of the Exchange circular MSE/INSP/14262/2023 dated October 06, 2023, regarding “Revised Penalties/disciplinary action(s)/charges for System Audit Report and Cyber Security & Cyber Resilience Audit Report related submissions”. The details of Penalties/disciplinary action(s)/charges have been provided in **Annexure B**.

The members are once again advised to submit the (a) System Audit Report along with Executive summary, (b) Action Taken Report, if applicable, in the given format as per the time line provided in the Paragraph 4 to the Exchange mail ID compliancemsx@msei.in.

Stockbrokers are requested to refer to the following documents while submitting the system audit report.

Annexure A – Auditor Selection Norms.

Annexure B - Penalty/disciplinary action for Delay/Non-submission of Preliminary Audit Report / Corrective Action Taken Report and non-Closure of observations.

Annexure C – Term of Reference (word file)

Annexure D – Action Taken Report (ATR), if applicable

All Members are advised to take note of the contents & Comply.

In case of any query kindly contact Inspection Department on (022) 6112 9000 or mail on compliancemsx@msei.in.

**For and on behalf of
Metropolitan Stock Exchange of India Limited**

**Praveenkumar Acharya
AVP – Inspection and Membership Department**