

NSE Clearing Limited

Circular

DEPARTMENT: COMPLIANCE

Download Ref No: NCL/CMPL/64520

Date: October 11, 2024

Circular Ref. No: 36/2024

To All Clearing Members (Clearing for other Stock-Broker and/or Custodial Participants Code)

Sub: Submission of Half Yearly Internal Audit Report by Clearing Members for half year ended September 30, 2024

This is further to NCL circular no. NCL/CMPL/61288 dated March 22, 2024 and NCL circular no. NCL/CMPL/61662 dated April 22, 2024 wherein all Clearing Members are required to carry out complete Internal Audit for the half year ended September 30, 2024.

This is to inform that all the submissions shall be made to the email ID “internalaudit@nscl.co.in” with the subject line as “Internal Audit Report- Name of the Clearing Member (Clearing Member Code) – September 2024.”

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

1. 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 may be sourced from the member.
2. For each “Not complied” observation, wherever applicable, the auditor shall mandatorily provide the “no. of instances verified” and “Amount/value involved where noncompliance is observed” while submitting the Report. Further, for each “Not Applicable” Points, appropriate justifying remarks are mandatory to be provided.
3. 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.
4. The Internal Audit Certificate (Annexure I) should be digitally signed by the auditor.

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5. The Annexure II shall be submitted in excel file and as a PDF document. The PDF version of Annexure II shall be digitally signed by both the auditor and the clearing member along with management comments of the clearing member.
6. Auditors are required to verify the action letters issued by the Clearing Corporation for last 6 months (i.e. for the period from October 2023 to March 2024), verify the compliance by the Clearing Member with respect to the violations mentioned in these action letters and provide the comments at Point No. K(77) of the internal audit checklist.

Please find enclosed the following Annexures applicable for the Internal Audit Report for half year ended September 30, 2024:

- Internal Audit Certificate - Annexure I
 - Annexure II (Excel File-"IARNCLSEP24")
 - Guidelines on sample selection & other points to be noted - Annexure III
 - List of indicative SEBI/NCL/NSE circulars-Annexure IV
 - List of samples verified - Annexure V
7. Please note that the internal audit report with complete annexures shall be treated as valid submission to NCL.

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 NSE Clearing Ltd.

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 NCL/CMPL/ 58437 dated September 18, 2023. The penalties/disciplinary action for non compliances reported in the Internal Audit Report shall be as prescribed by NCL circular no.

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NCL/CMPL/49286 dated August 13, 2021 or NCL/CMPL/ 59930 dated December 26, 2023 or any other relevant circular that may be issued by NCL from time to time.

For and on behalf of
NSE Clearing Limited

Jinal Shah
Associate Vice President

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