



Department: Inspection	Segment: All
Circular No: MSE/INSP/16175/2024	Date: October 16, 2024

Subject: Cyber Security and Cyber Resilience Audit of Trading Members (Type – III)

To All Members,

In accordance with SEBI circular no. SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018, SEBI/HO/MIRSD/DOP/CIR/P/2019/109 dated October 15, 2019, SEBI/HO/MIRSD/TPD/P/CIR/2022/80 dated June 07, 2022 and SEBI/HO/MIRSD/TPD/P/CIR/2022/93 dated June 30, 2022 and Exchange Circular no. MSE/INSP/7209/2019 dated January 14, 2019, MSE/INSP/7502/2019 dated April 03, 2019, in relation to Cyber Security & Cyber Resilience framework for Stock Brokers / Depository Participants, MSE/INSP/11933/2022 dated June, 13, 2022 on Modification in Cyber Security and Cyber resilience framework for Stock Brokers. Trading members using algorithm software (Type – III) are required to conduct Cyber Security and Cyber Resilience audit for the period April 01, 2024 to September 30, 2024 and submit the report to the Exchange as per the following timelines.

Last date for Submission		
Type of Trading Members	Preliminary Audit Report	Action Taken Report (ATR) (if applicable)
QSB and Non-QSB	November 30, 2024	February 28, 2025

All Trading 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 as per above mentioned timelines. On review of details of corrective action submitted by trading member, the auditor shall submit the status of compliance as Compliant or Non-Compliant.

Submission of Cyber Security and Cyber Resilience Audit Report shall be considered complete only after trading member submits the report to the Exchange after providing management comments. Further, 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 non-applicability of said TOR.

As per Exchange Circular no. MSE/INSP/14262/2023 dated October 06, 2023, the Revised Penalties/disciplinary action(s)/charges for System Audit Report and Cyber Security & Cyber Resilience Audit Report related submissions in **Annexure - C**.

The members are advised to submit the digitally signed soft copy of the Cyber Security report in PDF format to the Exchange through mail at compliancemsx@msei.in or members may also submit the signed physical copy of the report to the Exchange.

In case of physical copy of the Cyber Security audit report, it may be noted that all the pages of audit report should be duly stamped and signed by the auditor. Auditor should categorically certify in the report about absence of

conflict of interest as given in the format. The members are advised to submit the Cyber Security audit report to the following address:

Inspection Department

Metropolitan Stock Exchange of India Ltd
205-A, 2nd Floor, Piramal Agastya Corporate Park,
Kamani Junction, LBS Road, Kurla (West), Mumbai - 400070.

All members are advised to take note of the above to bring the provisions of this circular to the notice of the auditors and put in place adequate systems and procedures to ensure strict adherence to the compliance requirements.

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

- Auditor Selection Norms – **Annexure A**
- Terms of Reference (TOR) for Cyber Security Audit Report, Executive Summary and ATR format – **Annexure B (Excel File)**
- Penalties/disciplinary action(s)/charges for Cyber Security and Cyber Resilience Audit Report submissions – **Annexure C**

All Trading Members are advised to take note of the above and 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**

**Sunil Shendge
Manager – Inspection Department**



Annexure A

Auditor Selection Norms

1. The Audit shall be conducted by **CERT-In empanelled organization/entity**.
2. The Auditor/Auditor firm can perform a maximum of 3 successive audits of the Trading Members. However, such an auditor shall be eligible for reappointment after a cooling – off period of one year.
3. The Auditor, as being appointed by Trading Member must not have any conflict of interest in conducting fair, objective, and independent audit. Further, the directors / partners of Audit firm shall not be related to any Directors/Promoters/Proprietor of the said Trading Members either directly or indirectly.
4. Auditor should not have been engaged over the last three years in any consulting engagement with any departments / units of the Trading Member.
5. The Auditor shall not have any cases pending against its previous audited companies/firms, which fall under SEBI's jurisdiction, which point to its incompetence and/or unsuitability to perform the audit task.
6. The trading members and auditors are required to retain records of physical visits conducted during audits like name, qualification & date of visit/s of auditor, along with audit artifacts, proofs of concept (POCs), and evidence related to terms of reference (TOR) points for a minimum duration of three years.

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Annexure C

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

The following penalty/disciplinary actions as provided in Table A would be initiated against the Trading Member for Delay/Non-submission of Preliminary Audit Report and Corrective Action Taken Report.

Table – A

Details of Violation	Period of violation	Penalty/disciplinary actions	Penalty/disciplinary action in case of repeated violation
Delay /Non-Submission of Preliminary audit /Corrective Action Taken Report	From 1st day to 7th day:	Charges Rs. 1,500/- per day for Non QSB & Rs. 3,000/- per day for QSB from the due date till first 7 calendar days or submission of report, whichever is earlier.	In case of a repeat instance by the Trading Member, levy of applicable monetary penalty along with an escalation of 50%.
	From 8th day to 21st day:	Charges of Rs. 2,500/- per day for Non QSB & Rs. 5,000/- per day for QSB from 8th calendar day after the due date to 21st calendar day or submission of report, whichever is earlier.	Levy of applicable monetary penalty along with an escalation of 50%.
	From 22nd day onwards:	In case of non-submission of report till 21st calendar days, new client registration shall be prohibited and notice of 7 calendar days for disablement of trading facility till submission of report, shall be issued. The disablement notice issued to the Trading Member will be shared with all the Exchanges for information.	
	After 28th day:	In case of non-submission of report by 28th calendar day, Trading Member shall be disabled in all segments till submission of report.	

Further, trading members are also required to submit closure status of all the non-Compliances reported in Cyber Audit by submitting Corrective Action Taken Report (ATR) i.e., within 3 months from the due date of submission of Preliminary Audit Report. In order to ensure strict adherence for closure of non-Compliances within the prescribed timelines, following penalty as provided in Table - B shall be Applicable for each High/Medium/Low risk non-compliance, which has not been closed in ATR as per prescribed timelines.

Table – B

Risk rating reported by auditor	Applicable penalties for each High/Medium/Low risk non-closure of non-compliances, which have not been closed in ATR (i.e., within prescribed timelines of submission of due date of preliminary audit report)	
	Non QSB Trading Members	QSB Trading Members
High Risk	₹ 50,000	₹ 100,000
Medium Risk	₹ 25,000	₹ 50,000
Low Risk	₹ 5,000	₹ 10,000

In case observations are not closed by Trading Members within three weeks from the due date for submission of Action Taken Report (ATR), new client registration to be prohibited and notice of 7 days for disablement of trading facility till closure of observation(s).

The disablement notice issued to the Trading Member shall be shared with all the Exchanges for information. In case of non-closure of observation(s) within four weeks from the due date of submission of ATR, Trading Member shall be disabled in all segments until closure of observations(s).

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