

National Stock Exchange of India Limited

Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/67463	Date: April 4, 2025
Circular Ref. No: 21/2025	

To All Trading Members,

Sub: Internal Audit of Trading Members

This is to inform that all Trading Members are required to carry-out complete Internal Audit for the half year ended March 31, 2025, and submit the report electronically through the Inspection module in the Member Portal. The Exchange shall accept the internal audit report certified by empaneled auditor only.

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 i.e., for the half year ended March 31, 2025, the due date is May 31, 2025. The penalties/disciplinary actions for late/non-submission shall be applicable as per the Exchange Circular No. NSE/INSP/53530 dated September 2, 2022. Further, the penalties/disciplinary actions for non-compliances reported in the internal audit reports shall be levied in accordance with Exchange Circular No. NSE/INSP/53530 dated September 2, 2022 and /or such other penalty Circulars issued by the Exchange from time to time.

The members are also required to submit an undertaking with respect to "short/non collection of upfront margins from clients" digitally signed by the proprietor or partner or the designated director of the Trading Member. The Internal Auditor shall not be able to submit the Internal Audit Report unless the said undertaking is submitted by the Trading Member.

Members shall comply with the provisions pertaining to Appointment and Rotation of Internal auditors as prescribed by SEBI vide Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

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

- i. Details of sample dates/clients applicable for certain checklist points have been made available in respective Auditor's login to enable the auditor to select samples as per the sampling criteria prescribed in Annexure III. Auditors are advised to get their registration done from members and retrieve the aforesaid data and samples from their respective logins before initiating the audit.

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- ii. The Exchange has also made available the data submitted by the members to the Exchange towards holding statements for the sample dates and the details of Authorized persons (AP)s in the auditor's login for verification.
- iii. The samples for parameters/ criteria other than provided above, shall be as per the "methodology for sample selection" prescribed in Annexure III, and the data required for the same may be sourced from the member.
- iv. There are certain changes in the sampling criteria and methodology for sample selection compared to the previous half year submission. Auditors are advised to refer to Annexure III carefully before initiating the audit.
- v. For each "Not complied" observation, wherever applicable, the auditor shall mandatorily provide the "no. of instances verified" and "Amount/value involved where non-compliance is observed" while submitting the Audit Report. Further, for each "Not Applicable" Points, appropriate remarks are mandatory to be provided.
- vi. Auditors are also required to provide the compliance status of observations of previous inspections/internal audit. For this purpose, a separate page has been provided which is required to be filled by auditors. The internal auditor shall not be able to submit the internal audit report unless the said compliance is submitted by the Internal Auditor.

Please find enclosed the following Annexures applicable for the Internal Audit Report for the half year ended March 31, 2025:

- Internal Audit Certificate - Annexure I.
- Format of Internal Audit Report - Annexure II. (Excel File-"IARNSEMAR25")
- Guidelines on sample selection and other points to be noted - Annexure III.
- List of indicative processes and reference of Exchange/SEBI circulars - Annexure IV.
- Detailed manual for submission of Internal Audit Report & Troubleshooters - Annexure V.
- Eligibility criteria and the procedure for empanelment of the auditors for conducting the internal audit of the Trading Members - Annexure VI
- Format for Internal Audit Report for Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs) – Applicable only for QSB -Annexure VII

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

**Jayalakshmi Iyer
Chief Manager**

National Stock Exchange of India Limited

In case of any clarifications, Members may contact our below offices:

Regional Office	CONTACT NO.	E MAIL ID
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