

NSE Clearing Limited

Circular

DEPARTMENT: COMPLIANCE

Download Ref No: NCL/CMPL/ 58850

Date: October 10, 2023

Circular Ref. No:41 /2023

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

This is with reference to NCL/CMPL/58437 dated September 18, 2023 wherein it was informed that all Clearing Members undertaking clearing activities, for at-least one trade during the period from April 01, 2023 till September 30, 2023, 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. (NCL).

In partial modification to NCL/CMPL/58437, the Internal Audit Report shall be certified by auditors complying with the eligibility criteria as given in Annexure A for reference.

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, 2023 that is November 30, 2023.

The submissions shall be made to the email ID “internalaudit@nsccl.co.in” with the subject line as “Internal Audit Report- Name of the Clearing Member (Clearing Member Code) – September 2023.”

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 non-compliance is observed” while submitting the Report. Further, for each “Not Applicable” Points, appropriate justifying remarks are mandatory to be provided.

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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. For the verification of the area “Bank Guarantee (BG) created Out of Client Funds”, the Auditors are required to verify for the period between April 1, 2023 to September 30, 2023 whether all the BGs comply with SEBI circular dated April 25, 2023 and give the details of the BGs verified in the format as given in Annexure V.
5. The Internal Audit Certificate (Annexure I) should be digitally signed.
6. The Annexure II which is Format of Internal Audit Report shall be submitted in excel file and as a PDF document. The PDF document shall be digitally signed.

Please find enclosed the following Annexures applicable for the Internal Audit Report for half year ended September 30, 2023:

- Internal Audit Certificate - Annexure I
- Format of Internal Audit Report - Annexure II (Excel File-"IARNCLSEP23")
- 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

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

For and on behalf of
NSE Clearing Limited

Amit Mahesh Pujara
Head-Compliance

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