



<b>Department: Inspection</b>	<b>Segment: All</b>
<b>Circular No: MSE/INSP/14355/2023</b>	<b>Date : October 26 , 2023</b>

---

**Subject: System Audit of Stock Brokers/Trading Members (Type-III)**

---

To All Members,

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 wherein half yearly system audit has been prescribed for stock brokers who use Algorithmic Trading or provide their clients with the facility of Algorithmic Trading as per SEBI Circular CIR/MRD/16/2013 dated May 21, 2013 and Exchange Circular no. MSE/INSP/13286/2023 dated April 03, 2023 on Uniform format of System Audit Report.

<b>Audit Period</b>	<b>Last date for Submission</b>		
	<b>Preliminary Audit Report</b>	<b>Action Taken Report (ATR) (If applicable)</b>	<b>Follow-on Audit Report (If applicable)</b>
Half Yearly (April 23-September 23)	November 30, 2023	February 28, 2024	May 31, 2024

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.

Further, based on audit findings and related risks, auditor should indicate if a follow-on audit is required to review the status of NCs (Non-Compliances). To ensure timely corrective actions are taken by the Trading members, follow-on audit, if any, shall be scheduled by the trading member as per above mentioned timelines.

Submission of system audit report shall be considered complete only after trading member submit the report to the Exchange after providing management comments. Further, the auditor must provide compliance status for each TOR item as Compliant/Non-Compliant/Not Applicable. In case of any TOR item which is not applicable, auditor is required to provide justification for the non-applicability of said TOR.

The members are advised to submit the digitally signed soft copy of the System Audit Report in PDF format to the Exchange through email at [compliancemsx@msei.in](mailto: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 System 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, 2<sup>nd</sup> Floor, Piramal Agastya Corporate Park,  
Kamani Junction, LBS Road,  
Kurla (West), Mumbai - 400070.

Trading members shall comply with any non-compliance/ non-conformities (NCs) pending submissions for system audit report for the previous audit period by submitting ATR and/or Follow-on audit report as the case maybe through email at [compliancemsx@msei.in](mailto:compliancemsx@msei.in).

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”.

All Members are advised to take note of the above and comply.

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

- Auditor Selection Norms – **Annexure A**
- Terms of Reference (TOR) for System Audit, Executive Summary Report (Part B) & (Part C), Annexure I (ATR) and Annexure II (FOR) – **Annexure B (Excel File)**
- Penalty/disciplinary action for Delay/Non-submission of Preliminary Audit Report / Corrective Action Taken Report/ Follow on audit report and non-Closure of observations – **Annexure C**

**For and on behalf of**

**Metropolitan Stock Exchange of India Limited**

**Mahendra Choudhari**

**AVP – Inspection and Membership Department**

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