

# National Stock Exchange of India Limited

## Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/56308	Date: April 10, 2023
Circular Ref. No: 32/2023	

To All Trading Members,

**Subject: Penalties/disciplinary action(s)/charges for non-compliances/non-closure reported in System Audit Report & Cyber Security and Cyber Resilience Audit Report of Trading Members.**

This has reference to SEBI Circulars CIR/MRD/DMS/34/2013 dated November 6, 2013, and SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018 & Exchange Circulars NSE/CMTR/24928 dated November 08, 2013 and NSE/ITRC/40081 dated January 30, 2019 regarding System Audit of Stock Brokers/Trading Members and Cyber Security & Cyber Resilience framework for Stock Brokers/Depository Participants respectively.

In order to ensure strict adherence to the regulatory requirements by Members with the prescribed framework applicable for System Audit & Cyber Security and Cyber Security resilience audit reports, following penalty has been prescribed and shall be applicable for Non-Compliances reported in preliminary audit report submissions made for the half year ended September 2023 and onwards as provided under Table – A:

**Table-A**

Risk rating reported by auditor	Applicable Penalty for each High/Medium/Low risk Non-Compliance reported	
	System Audit Report	Cyber Audit Report
High Risk	₹ 15,000/-	₹ 50,000/-
Medium Risk	₹ 7,500/-	₹ 25,000/-
Low Risk	₹ 2,500/-	₹ 5,000/-

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Further, vide aforesaid circulars, members are also required to submit closure status of all the Non-Compliances reported in System Audit and Cyber Security and Cyber Resilience Audit by submitting 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 non-closure of observations reported in ATR submissions (i.e. within three months of submission of due date of preliminary audit report) made for half year ended March 2023 due date of which shall be September 30, 2023 and onwards:-

**Table-B**

Risk rating reported by auditor	Applicable Penalty for each High/Medium/Low risk non-compliance, which has not been closed in ATR (i.e. within three months of submission of due date of preliminary audit report)	
	System Audit Report	Cyber Audit Report
High Risk	₹ 30,000/-	₹ 1,00,000/-
Medium Risk	₹ 15,000/-	₹ 50,000/-
Low Risk	₹ 5,000/-	₹ 10,000/-
<ul style="list-style-type: none"> <li>• In case observations are not closed by member 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).</li> <li>• The disablement notice issued to the 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, Member shall be disabled in all segments till closure of observations(s).</li> </ul>		

Further, disciplinary actions for delay/non submission of Preliminary Audit Report/ATR/Follow on audit report of System Audit Report and Cyber Security and Cyber Resilience Audit report as per Exchange circular NSE/INSP/53530 dated September 02, 2022 and NSE/INSP/54386 dated November 11, 2022, shall continue to be applicable.

All members are advised to take note of the above and put in place adequate systems and procedures to ensure strict adherence to the compliance requirements.

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## National Stock Exchange of India Limited

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

**Ajinkya Nikam  
Senior Manager – Inspection**

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

<b>Regional Office</b>	<b>E MAIL ID</b>	<b>CONTACT NO.</b>
Ahmedabad (ARO)	inspectionahm@nse.co.in	079- 49008632
Chennai (CRO)	inspection_cro@nse.co.in	044- 66309915 / 17
Delhi (DRO)	delhi_inspection@nse.co.in	011- 23459127 / 38 / 46
Kolkata (KRO)	inspection_kolkata@nse.co.in	033- 40400411 / 405
Mumbai (WRO)	compliance_wro@nse.co.in	Board Line: 022-25045000 / 022-61928200 Direct Line: 022-25045138 / 022-25045144 Extn: 28144/28138
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