

National Stock Exchange of India Limited

Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/56678	Date: May 11, 2023
Circular Ref. No: 37/2023	

To All Members,

Sub: Framework for Empanelment of Auditors for conducting Internal Audit of Trading Members/Clearing Members

SEBI vide Circular No. MIRSD/DPSIII/Cir-26/08 dated August 22, 2008 and Exchange vide Circular no. NSE/INSP/11172 dated August 22, 2008, made it mandatory for all Trading Members/Clearing Members to carry out complete internal audit on a half yearly basis. Further, SEBI vide Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, prescribed additional requirements for internal audit, viz. appointment, rotation of internal auditors, formulation of objective sample criteria, monitoring of quality of internal audit reports, timelines for submissions of internal audit reports, etc. Further, Exchange vide Circulars NSE/INSP/50574 dated December 13, 2021, NSE/INSP/51939 dated April 06, 2022, and NSE/INSP/54080 dated October 14, 2022, has prescribed additional eligibility criteria for the auditors qualified to conduct internal audit of members.

With an objective to further strengthen the internal audit process/mechanism, it has been decided to put in place a framework for empanelment of auditors, who are desirous of taking up assignments relating to internal audit of Trading Members/Clearing Members as mentioned in **Annexure A**. The Exchange shall accept the internal audit report certified by empanelled auditor only with effect from the half year ending September 30, 2023 onwards.

The auditors shall be empanelled through an online portal of the Exchange. Detailed procedure of empanelment of auditors along with relevant guidelines shall be communicated through a separate Circular in due course.

All Members are advised to take note of the above and bring the provisions of this Circular to the notice of their respective internal auditors and ensure compliance of the above requirement.

National Stock Exchange of India Limited

For and on behalf of
National Stock Exchange of India Limited

Harinatha Reddy M
Chief Manager

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

Regional Office	CONTACT NO.	E MAIL ID
Ahmedabad (ARO)	079-49008632	inspectionahm@nse.co.in
Chennai (CRO)	044- 66309915/17	inspection_cro@nse.co.in
Delhi (DRO)	011-23459127 / 38 / 46	delhi_inspection@nse.co.in
Kolkata (KRO)	033-40400412 / 405	inspection_kolkata@nse.co.in
Mumbai (WRO)	Board Line : 022-25045000 / 022-61928200 Direct Line : 022 2504 5138/022 25045144 Extn: 28144/28138	compliance_wro@nse.co.in
Central Help Desk	compliance_assistance@nse.co.in	

Empanelment of Auditors for conducting Internal Audit of Trading/Clearing Members

1. Eligibility criteria for empanelment

- i. Auditor should be an independent qualified Chartered Accountant who is in practice and who do not have any conflict of interest.
- ii. The Auditor/ Audit firm should have a minimum of 5 years' experience in carrying out audits, preferably in securities markets.
- iii. The Audit firm should have at least five partners at all times; of which at least two partners should be full time partners.
- iv. The Auditor/ Audit firm is not debarred or restrained from issuing any certificate by ICAI, ICSI, ICMAI, RBI, SEBI or by other regulator/law enforcement agency.
- v. Auditors and/or at least one partner/employee is Certified Information Systems Auditor (CISA), or Diploma in Information Systems (DISA) qualified.
- vi. Auditors and/or its employees or partners signing the internal audit report to have a valid certification on "Financial Market & Securities Laws" as provided by ICAI or equivalent certification offered by any other institution.

2. Procedure for Empanelment

- i. Auditor/Audit Firm desirous of getting empaneled with the Exchange will be required to submit an online application form with required documents.
- ii. Exchange will provide the online system to submit the application and the same shall be communicated through the separate circular.
- iii. Auditor/Audit Firm will also be required to submit an Undertaking-cum-Affidavit in a prescribed format which is attached as **Annexure -1**.
- iv. The applications will be reviewed and considered by the Exchange for Empanelment.

- v. Empanelment of the Auditor/Audit Firm shall be at sole discretion of the Exchange and binding on the Auditor/Audit Firm.

- vi. The empanelment of the Auditor/Audit Firm shall stand valid subject to such Auditor/Audit Firm submitting Internal Audit Report of minimum one Trading Member/Clearing Member within six months from the date of empanelment, failing which the Auditor/Audit Firm shall cease to be empaneled.

3. **Disciplinary Actions**

The Exchange may, where deemed necessary, initiate disciplinary actions including discontinuation from conducting the said internal audit, or dis-empanelment from any assignment related to any registered Trading Member and/or Clearing Member, after giving an opportunity to the Auditor/Audit Firm to submit explanations.

Undertaking-cum-Affidavit

I / We _____, an individual / a firm registered under the Indian Partnership Act, 1932 / a LLP registered under Limited Liability Partnership Act, 2008, residing at / having our principal place of business/ registered office at _____ accredited by ___(Institution name)___ having accreditation number ___(registration number)___ (hereinafter referred to as "I/We") (which expression shall unless repugnant to the context or meaning thereof include its successors and assigns) give this UNDERTAKING-cum-AFFIDAVIT on this _____ day of _____ at _____ IN FAVOUR of National Stock Exchange of India Limited, a company incorporated under the Companies Act of 1956, with its registered office at "Exchange Plaza", Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051 (hereinafter called the "NSE/Exchange" which expression shall unless repugnant to the context or meaning thereof include its successors and assigns).

WHEREAS

The Exchange vide its circular no NSE/INSP/50574 dated December 13, 2021, NSE/INSP/51939 dated April 06, 2022, and NSE/INSP/54080 dated October 14, 2022, has laid down eligibility criteria for Internal Auditors qualified to conduct internal audit of members.

NOW THEREFORE IN CONSIDERATION THEREOF, I / WE HEREBY IRREVOCABLY AND UNCONDITIONALLY UNDERTAKE AND AGREE TO ABIDE BY AND BE BOUND BY THE FOLLOWING COVENANTS:

- a. I/We affirm that I/ We am/are an independent qualified Chartered Accountant who is/are in practice with a minimum of 5 years' experience in carrying out internal audits.
- b. I/We affirm that I/ We am/are not debarred or restrained from issuing any certificate for internal audit by ICAI, ICSI, ICMAI, RBI, SEBI or by other regulator/law enforcement agency and I/We further undertake to inform the Exchange regarding any direction/decision/disciplinary action by any of the above-mentioned authorities.
- c. We affirm that our partnership firm/LLP has at least five partners at all times; of which at least two partners are full time partners (*Applicable only for partnership firm/LLP*)

- d. I/We affirm that I/at least one partner/employee of our partnership firm/LLP is Certified Information Systems Auditor (CISA), or Diploma in Information Systems (DISA) qualified.
- e. I/We affirm that I/ We and/or employees or partners of our partnership firm/LLP signing the internal audit report have a valid certification on "Financial Market & Securities Laws" as provided by ICAI or any equivalent certification.
- f. I/We affirm to abide by all the applicable Byelaws, Rules, Regulations, and Circulars issued by the NSE, and applicable laws, Rules, and Regulations under SEBI Act, 1992, SEBI (Stockbrokers) Regulations, 1992, Securities Contracts (Regulation) Act, 1956, Securities Contracts (Regulation) Rules, 1957, and all other applicable laws, Rules and Regulations as amended from time to time.
- g. I/We undertake to keep myself/ourselves updated with all the applicable laws, Rules, and Regulations, as amended from time to time.
- h. I/We undertake to verify all the areas of verification in the Internal Audit checklist with prescribed parameters/methodology as defined by the Exchange in respective circulars from time to time.
- i. I/We further affirm and undertake to abide and continue to abide by the eligibility criteria as may be prescribed by the Exchange at its sole discretion from time to time.
- j. I/We undertake that in breach of any of the terms of this Undertaking, the Exchange may issue any directions including discontinuation from conducting the said internal audit and/or dis-empanelment from any assignment related to any registered Trading Member and/or Clearing Member and such decision shall be final and binding on me/us.

IN WITNESS WHEREOF this Undertaking is executed by the undersigned on the day, month, year, and the place first mentioned above.

Signed sealed and delivered by

for and on behalf of _____

Before me

Date:

Place: