

NSE Clearing Limited

Circular

DEPARTMENT: COMPLIANCE

Download Ref No: NCL/CMPL/61288

Date: March 22, 2024

Circular Ref. No: 5/2024

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 further to NCL circular no. NCL/CMPL/58437 dated September 18, 2023 wherein it was informed that all Clearing Members undertaking clearing activities, 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).

NCL through its circular no. NCL/CMPL/ 58850 dated October 10, 2023 had prescribed the eligibility criteria for auditors who can carry internal audit of clearing members in Annexure A of the said circular.

We further refer to NSE circular no. NSE/INSP/60986 dated March 4, 2024 which prescribes the framework for empanelment of auditors for conducting internal audit of trading members. It is hereby clarified that Audit firms which are empanelled by NSE in terms of the above circular (as updated from time to time) are eligible to conduct internal audit of clearing members for half year ended March 31, 2024. Further, as advised by SEBI and to enhance the ease of doing compliance and reduce operational difficulties faced by Members/Audit Firms, it has been decided that the auditors empanelled with any of the Exchange(s), shall be eligible to conduct internal audit of the Clearing Members of any of the Clearing Corporations.

Clearing members undertaking clearing activities for atleast one trade during the period from October 1, 2023 to March 31, 2024 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. The process for submission of IAR for the half year ended March 31, 2024 including format of Internal Audit Certificate, Format of Internal Audit Report, Guidelines on sample selection etc. shall be communicated separately through a circular.

It is once again reiterated that the following penalties/disciplinary actions for late/non-submission of the Internal Audit Report shall be applicable: -

NSE Clearing Limited

Details of Violation	Penalty/disciplinary actions
<p>Failure to furnish Internal Audit report to Clearing Corporation for half year ending 30th September/31st March within the due date</p>	<p>1. For 1st week after due date, Charges of Rs. 2,500/- per day</p> <p>2. Charges of Rs. 5,000/- per day from second week after due date</p> <p>3. In case of non-submission within three weeks from the due date of submission, New TM/CP registration for clearing to be prohibited and notice of 7 days for disablement of clearing facility till submission of data/report. The disablement notice issued to the member shall be shared with all the CCs for information.</p> <p>4. In case of non-submission within four weeks from the due date of submission, member shall be disabled in all segments till submission of data/report.</p> <p>Penalty for Repeat Violation In case of a repeat instance by the Member, levy of applicable monetary penalty along with an escalation of 50%.</p> <p>In case of non-submission within three weeks from the due date of submission, New TM/CP registration for clearing to be prohibited and notice of 7 days for disablement of clearing facility till submission of data/report.</p> <p>The disablement notice issued to the member shall be shared with all the CCs for information. In case of non-submission within four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report.</p>

NSE Clearing Limited

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 NCL/CMPL/59930 dated December 26, 2023 as deemed fit.

For and on behalf of
NSE Clearing Limited

Divya Potdar
Senior Manager

Telephone No	Fax No	Email id
1800 266 0050	022-26598243	internalaudit@nsccl.co.in