

# National Stock Exchange of India Limited

## Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/ 60986	Date: March 04, 2024
Circular Ref. No: 13/2024	

To All Members

### **Sub: Framework for Empanelment of Auditors for conducting Internal Audit of Trading Members**

This is with reference to Exchange Circular No. NSE/INSP/59789 dated December 15, 2023 wherein detailed procedure for empanelment of the auditors eligible for conducting the Internal Audit of Trading Members was intimated to the Members.

In this respect, 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 empaneled with any of the Exchange(s), shall be eligible to conduct internal audit of the Trading Members of any of the Exchange(s). The Trading Members may choose any of the empaneled auditors at any of the Exchange(s).

In this regard, the eligibility criteria and detailed procedure for empanelment of the auditors as prescribed in the Exchange Circular No. NSE/INSP/59789 dated December 15, 2023, is once again enclosed as **Annexure 1**.

As mentioned in the aforementioned Circular, the Audit Firms who meet the prescribed eligibility criteria may submit an online application for empanelment for undertaking assignments relating to internal audit of Trading Members of the Exchange by using the following URL on the Exchange website -

<https://www.nseindia.com/>

Further the format of Undertaking-cum-Affidavit to the Exchange to be submitted by the Audit Firm is also again enclosed as **Annexure 2**. The said format may also be downloaded from the aforementioned link.

It is reiterated that the Exchange shall accept the internal audit report certified by empaneled auditor only with effect from the half year ending March 31, 2024, onwards.

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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.

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

**Jayalakshmi Iyer  
Chief Manager**

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

<b>Regional Office</b>	<b>CONTACT NO.</b>	<b>E MAIL ID</b>
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/ 59	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

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# National Stock Exchange of India Limited

## Annexure -1

### Empanelment of Auditors for conducting Internal Audit of Trading Members

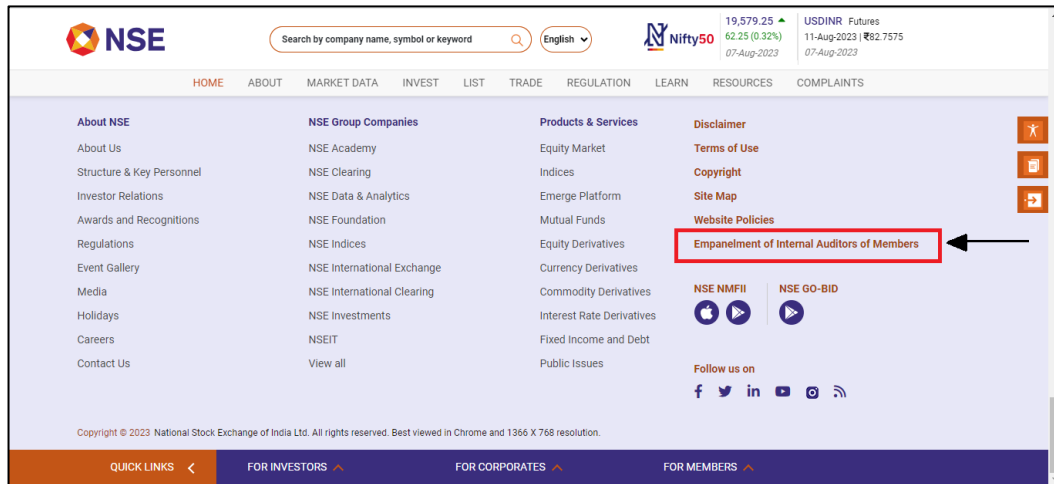
#### 1. Eligibility criteria for empanelment

- i. Auditor in the Audit Firm should be an independent qualified Chartered Accountant or Company Secretary or Cost and Management Accountant who is in practice and who does not have any conflict of interest.
- ii. The Audit firm should have a minimum of 5 years' experience in carrying out audits, preferably in securities markets.
- iii. The Audit Firm shall have at least two partners at all times.
- iv. The 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. Any partner/employee of the Audit Firm shall have a valid NISM Series III-A: Securities Intermediaries Compliance Certification or certification of "Financial Market & Securities Laws" as provided by ICAI or equivalent certification offered by any other institution. Further, any partner/employee of the Audit Firm having valid certification of NISM-Series-XIV: Internal Auditors for Stockbrokers is also eligible till the expiry of the Certification.
- vi. In addition to the above, the Audit Firm which undertakes the Internal Audit of Qualified Stock Brokers ("QSBs") shall have at least five partners at all times; of which at least two partners should be full-time partners.

#### 2. Procedure for Empanelment

- i. Audit Firm desirous of getting empaneled with the Exchange will be required to submit an online application form through Exchange website. The link is available on the Home Page- [www.nseindia.com](http://www.nseindia.com) as shown below:

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ii. Audit Firm will also be required to submit an Undertaking-cum- Affidavit in a prescribed format which is attached as **Annexure -2**.

iii. The audit firm shall also submit original Undertaking-cum-Affidavit within 7 days from the submission of application through the online portal at the following address:

Inspection Department  
National Stock Exchange of India Ltd.  
Exchange Plaza,  
Plot no. C/1, G Block, Bandra-Kurla Complex,  
Bandra (E), Mumbai - 400 051.

iv. The applications for empanelment shall be reviewed and considered by the Exchange.

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

vi. The list of Audit Firms empaneled with the Exchange shall be displayed on the website of the Exchange.

vii. The Audit Firm is required to submit Internal Audit Report of minimum one Trading Member for the half year ended March 31/September 30, as may be applicable, following the half year in which the Audit Firm is empaneled, failing which the Audit

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Firm shall cease to be empaneled.

For e.g.

### Scenario -1

The Audit Firm is empaneled on March 31, 2024. The half year following the aforesaid date of empanelment is September 30, 2024. In this scenario, the Audit Firm can do the internal audits from the half year ended March 31, 2024 onwards. However, they shall cease to be empaneled if they fail to submit the internal audit report of minimum one Trading Member for the half year ended September 30, 2024.

### Scenario -2

If the Audit Firm is empaneled on April 10, 2024, Audit Firm can do the internal audits from the half year ended March 31, 2024, onwards. However, they shall cease to be empaneled if they fail to submit the internal audit report of minimum one Trading Member for the half year ended March 31, 2025.

## vii. 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, after giving an opportunity to the Audit Firm to submit explanations.

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**National Stock Exchange of India Limited****Annexure -2**

To be executed on Rs. 100/- stamp paper. Duly Notarized, signed, stamped & sealed by Authorized Signatory on all pages.

**Undertaking-cum-Affidavit**

We \_\_\_\_\_, 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 "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**

Annexure A of Exchange Circular no. NSE/INSP/58709 dated September 29, 2023, prescribes the eligibility criteria for Internal Auditors qualified to conduct the internal audit of the members.

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

- a. We affirm that we are independent practising qualified Chartered Accountant(s) or Company Secretary(ies) or Cost and Management Accountant(s) and partners of the Audit firm.
- b. We affirm that we are in practice with a minimum 5 years' experience of carrying out audits.
- c. We affirm that our partnership firm/LLP shall have at least two partners at all times.

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- d. We affirm that in case we undertake the Internal Audit of Qualified Stockbrokers ("QSBs"), we have at least five partners at all times, of which at least two partners are full time partners.
- e. We affirm that we are not debarred or restrained from issuing any certificate by ICAI, ICSI, ICMAI, RBI, SEBI or by other regulator/law enforcement agency. We further undertake to inform the Exchange regarding any direction/decision/disciplinary action by any of the above-mentioned authorities.
- f. We affirm that we and/or employees or partners of our Audit Firm have a valid NISM Series III-A: Securities Intermediaries Compliance Certification or valid certification of "Financial Market & Securities Laws" as provided by ICAI or equivalent certification offered by any other institution or valid NISM-Series-XIV Certification on Internal Auditors for Stockbrokers.
- g. We undertake to participate in trainings/seminars conducted by the Exchanges once in every half year.
- h. 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.
- i. We undertake to keep ourselves updated with all the applicable laws, Rules and Regulations as amended from time to time.
- j. 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.
- k. 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.
- l. We hereby give our consent to display firm name, address of the firm, and contact information (mobile number and email address) of the firm on the Exchange's website; post empanelment with the Exchange.
- m. We undertake that in event of 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-

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empanelment from any assignment related to any registered Trading Member and/or Clearing Member and such decision shall be final and binding on 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: