

National Stock Exchange of India Limited

Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/76701	Date: October 1, 2026
Circular Ref. No: 47/2026	

To All Trading Members,

Sub: Internal Audit of Trading Members

All Trading Members are required to carry out complete Internal Audit for the half year ended September 30, 2026, and submit the report electronically through the Inspection module in the Member Portal. The Exchange shall accept the internal audit report certified by empaneled auditor only. The due date to submit the Internal Audit Report is within two months from the end of the half year, i.e., for the half year ended September 30, 2026, the due date is November 30, 2026. The penalties/disciplinary actions for late/non-submission shall be applicable as per the Exchange Circular Ref. No. NSE/INSP/73792 dated April 17, 2026.

Further, as prescribed vide Exchange Circular No. NSE/INSP/69247 dated July 22, 2025, the internal auditors shall report the critical non-compliances viz; shortfall of client funds/networth wherein such shortfalls are not recouped and offering fixed/assured/periodic returns to clients / mobilizing deposits from investors within 2 days from the date of finding of such non-compliance to the email id - DL-INTERNALAUDITOR@nse.co.in.

The members are required to close all non-compliances reported in the internal audit report within 2 months from the end of due date of submission of Internal Audit Report i.e. January 31, 2027. The penalties/disciplinary actions for non-compliances reported in the internal audit report which are not closed within 2 months or Action Taken Report is not submitted within the due date shall be applicable as per Exchange Circular Ref. No. NSE/INSP/73792 dated April 17, 2026. Further in cases where critical non-compliances viz; shortfall of client funds/networth wherein such shortfalls are not recouped and offering fixed/assured/periodic returns to clients / mobilizing deposits are reported in the internal audit report, immediate action shall be taken in accordance with Exchange Circular Ref. No. NSE/INSP/73792 dated April 17, 2026 without waiting for submission of Action Taken Report.

Clause No. 4.2 of SEBI Circular Ref. No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 prescribes the provisions pertaining to Appointment and Rotation of Internal auditors. It is reiterated that as per the aforesaid provision, an audit firm that has completed two terms of five consecutive years shall not be eligible for re-appointment as internal auditor for the same trading member for five years from the completion of such terms.

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Further, the Internal Auditors are advised to take note of the below points while carrying out the Internal Audit:

- i. Details of sample dates/clients applicable for certain checklist points shall be made available in respective Auditor's login to enable the auditor to select samples as per the sampling criteria prescribed in Annexure III. Auditors are advised to get their registration done by members and retrieve the aforesaid data and samples from their respective logins before initiating the audit.
- ii. The data submitted by the members to the Exchange towards holding statements for the sample dates, UCC wise settlement and list of Authorized persons (APs) shall be made available in the auditor login for verification.
- iii. In case SEBI has conducted inspection of the Member and issued Letter prescribing corrective measures to the Member through the Exchange, the internal auditor shall verify whether the member has submitted the "Compliance Status Report on the Corrective Actions Taken" to the Exchange in the format as prescribed in Exchange Circular Ref. No. NSE/INSP/68731 dated June 24, 2025. The Internal Auditor shall verify the veracity of the said Compliance Status Report and submit the certificate in the format prescribed as Annexure VII. The Letter issued by SEBI shall be made available in the auditor login. The internal auditor is required to submit Annexure VII to the email id - DL-INTERNALAUDITOR@nse.co.in. The Internal Audit Report shall be considered complete only after submission of Annexure VII, if applicable.
- iv. The samples for parameters/ criteria other than provided above, shall be as per the "methodology for sample selection" prescribed in Annexure III, and the data required for the same may be sourced from the member.
- v. In cases where Exchange has issued action letters during the half year period i.e., October 2025 to March 2026 for material non-compliances observed in the inspections(s), then internal auditor shall select the samples prescribed in Annexure III A for these material non-compliances. Details of such material non-compliances shall be made available in the auditor login.
- vi. There are certain changes in the sampling criteria and methodology for sample selection compared to the previous half year's submission. Auditors are advised to refer to Annexure III and Annexure III A carefully before initiating the audit.
- vii. For each "Not complied" observation, wherever applicable, the auditor shall mandatorily provide the "no. of instances verified" and "Amount/value involved where non-compliance is observed" while submitting the Audit Report. Further, for each "Not Applicable" Points, appropriate remarks are mandatory to be provided.

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- viii. The auditor is required to submit 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 or valid NISM-Series-XIV Certification on Internal Auditors for Stockbrokers, as prescribed vide Exchange Circular Ref. No. NSE/INSP/60986 dated March 4, 2024 through Inspection module.
- ix. Auditors are also required to provide the compliance status of observations of previous inspections/internal audit. For this purpose, a separate page shall be provided which is required to be filed by auditors. The internal auditor shall not be able to submit the internal audit report unless the said compliance is submitted by the Internal Auditor.
- x. Members are requested to note that submission of Internal Audit Report shall be considered complete only after Member submits the report to the Exchange and receives an acknowledgment email. Saved reports/reports submitted by auditor shall not be considered as final submission to the Exchange.

A separate circular shall be issued shortly regarding availability of system for submission of Internal Audit Report for half year ended September 30, 2026.

Please find enclosed the following Annexures applicable for the Internal Audit Report for the half year ended September 30, 2026:

- Internal Audit Certificate - Annexure I.
- Format of Internal Audit Report - Annexure II. (Excel File-"IARNSESEP26")
- Guidelines on sample selection and other points to be noted - Annexure III.
- Guidelines on sample selection where material non-compliances are observed in the action letters issued for inspections- Annexure III A
- List of indicative processes and reference of Exchange/SEBI circulars - Annexure IV.
- Eligibility criteria and the procedure for empanelment of the auditors for conducting the internal audit of the Trading Members - Annexure V
- Format for Internal Audit Report for Enhanced Obligations and Responsibilities on Qualified Stock Brokers(QSBs) – Applicable only for QSB -Annexure VI
- Format for reporting compliance of corrective actions -Annexure VII

For and on behalf of
National Stock Exchange of India Limited

Shital Lopes
Chief Manager

National Stock Exchange of India Limited

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

Regional Office	CONTACT NO.	E MAIL ID
Ahmedabad (ARO)	079-65278024/55	inspectionahm@nse.co.in
Chennai (CRO)	044- 66309915/17	inspection_cro@nse.co.in
Delhi (DRO)	011-23459146/ 127/144/ 147	delhi_inspection@nse.co.in
Kolkata (KRO)	033-40400412 / 59	inspection_kolkata@nse.co.in
Mumbai (WRO)	022-61928200	compliance_wro@nse.co.in
Central Help Desk	compliance_assistance@nse.co.in	