

**NATIONAL STOCK EXCHANGE OF INDIA LIMITED****DEPARTMENT : MEMBER SERVICE**

Download Ref.No.: NSE/MSD/34461

Date : March 24, 2017

Circular Ref.No.: 010/2017

To All Members,

**System Audit of Stock Brokers / Trading Members**

In accordance with Exchange circular download no. NSE/CMTR/26285 dated March 25, 2014 in relation to system audit, Stock Brokers / Trading Members are required to carry out system audit of their trading facility for the period ending March 2017, as per applicability criteria (Annexure – A). The time lines (on or before) for submission of Preliminary audit report, Action Taken Report (ATR) and Follow-on audit report is as given in the following table:

| <b>Audit Period</b>                   | <b>Preliminary Audit Report</b> | <b>Action taken Report (ATR) (if applicable)</b> | <b>Follow-on Audit Report (if applicable)</b> |
|---------------------------------------|---------------------------------|--------------------------------------------------|-----------------------------------------------|
| Half Yearly (October 16 – March 17 )  | June 30, 2017                   | September 30, 2017                               | December 31, 2017                             |
| Annual (April 16 – March 17)          |                                 |                                                  |                                               |
| Once in 2 years (April 15 – March 17) |                                 |                                                  |                                               |

Submission of system audit report shall be considered complete only after stock broker / trading member submits the report to the Exchange after providing management comments. Late submission charges of Rs.100 /- per day will be levied to stock brokers / trading members failing to submit the system audit report through NSE ENIT.

Stock brokers / trading members shall comply with any non-compliance/ non-conformities (NCs) pending for system audit report for the previous audit periods by submitting ATR and/or Follow-on audit report through ENIT.

Kindly refer to the guidelines for submitting the audit report (Annexure 'B').

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

**Khushal Shah**  
**Chief Manager**

| <b>Telephone No</b> | <b>Fax No</b>   | <b>Email id</b>      |
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## Annexure A

| Sr. No. | Category of Member                                                                                                         | Members using the trading software                                          |                    |                                                                      |                    |                                                       |                    |
|---------|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|--------------------|----------------------------------------------------------------------|--------------------|-------------------------------------------------------|--------------------|
|         |                                                                                                                            | NNF and having presence in $\leq 10$ locations and have $\leq 50$ terminals |                    | NNF and having presence in $> 10$ locations or have $> 50$ terminals |                    | NNF and ALGO (irrespective of location and terminals) |                    |
|         |                                                                                                                            | Terms of Reference (ToR)                                                    | Frequency of audit | Terms of Reference (ToR)                                             | Frequency of audit | Terms of Reference (ToR)                              | Frequency of audit |
| 1       | Stock Brokers / Trading Members                                                                                            | Type - II                                                                   | Once in 2 years    | Type - II                                                            | Annual             | Type - III                                            | Half yearly        |
| 2       | Stock Broker/Trading Members who are also depository participants or are involved in offering any other financial services | Type - II                                                                   | Annual             | Type - II                                                            | Annual             | Type - III                                            | Half yearly        |

**Note:** Trading software provided by the Exchange (NEAT / NEAT+) and software provided by Application Service Provider (ASP) shall not be covered in the system audit.

## Annexure B

### Guidelines to submit the systems audit report

- i. Kindly refer Exchange circular download no. NSE/CMTR/26285 dated March 25, 2014 for auditor selection norms, submission process of Preliminary audit report, Action Taken Report (ATR) & Follow-on audit report and relevant Annexures.
- ii. Steps to submit the Preliminary audit report:

| Category                                                                                                                                                | Create login id in Member Portal                                            | System Audit Registration & assign Audit Period in ENIT                                | Preliminary audit report submission in ENIT                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| New member<br>(Member undergoing system audit for the 1 <sup>st</sup> time)                                                                             | Yes                                                                         | Yes                                                                                    | <div>1. System auditor shall submit the Preliminary system audit report to member.</div> <div>2. Trading member shall enter management comments in the field provided and submit the Preliminary system audit report to the Exchange.</div> |
| Existing member with a new auditor<br>(Member has already undergone systems audit earlier, however wishes to change the auditor for the current period) | No                                                                          | Yes<br>(Mention existing login details, new audit firm’s details and new audit period) |                                                                                                                                                                                                                                             |
| Existing member with old auditor<br>(Member has already undergone systems audit earlier and wishes to conduct the current audit with existing auditor)  | No                                                                          | Yes<br>(Mention existing login details, audit firm’s details and new audit period)     |                                                                                                                                                                                                                                             |
| Help Files                                                                                                                                              |                                                                             |                                                                                        |                                                                                                                                                                                                                                             |
| Relevant help files on ENIT                                                                                                                             | Member System Audit > System Audit Help File > User Creation -Member Portal | Member System Audit > System Audit Help File > Auditor Registration                    | Member System Audit > System Audit Help File > Auditor Submission / Member Submission                                                                                                                                                       |