

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

Download Ref No : NSE/MSD/37358

Date : March 28, 2018

Circular Ref. No : 007/2018

To All Members,

Sub: 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 2018, 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:

Audit Period	Preliminary Audit Report	Action taken Report (ATR) (if applicable)	Follow-on Audit Report (if applicable)
Half Yearly (October 17 – March 18)	June 30, 2018	September 30, 2018	December 31, 2018
Annual (April 17 – March 18)			
Once in 2 years (April 17 – March 19)			

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

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Annexure A

Sr. No.	Category of Member	Members using the trading software					
		NNF and having presence in ≤ 10 locations and have ≤ 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 (Member undergoing system audit for the 1 st time)	Yes	Yes	1. System auditor shall submit the Preliminary system audit report to member. 2. Trading member shall enter management comments in the field provided and submit the Preliminary system audit report to the Exchange.
Existing member with a new auditor (Member has already undergone systems audit earlier, however wishes to change the auditor for the current period)	No	Yes (Mention existing login details, new audit firm’s details and new audit period)	
Existing member with old auditor (Member has already undergone systems audit earlier and wishes to conduct the current audit with existing auditor)	No	Yes (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