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National Stock Exchange of India

Circular

Department:	
Download Ref No: NSE/MSD/56491	Date: April 26, 2023
Circular Ref. No: 22/2023	

All ASPs,

Periodic submission of System Audit of Application Service Provider (ASP)

Empaneled ASPs of the Exchange are required to carry out Annual system audit of the (Non NEAT Frontend) NNF facility & also conduct an additional system audit w.r.t. security controls built in their ASP platform.

Report 1: For Annual system Audit of NNF facility, empaneled ASPs of the Exchange are required to submit the report to the Exchange as per the latest Terms of Reference (TOR) applicable for Type II Members audited by CISA / CISSP / CISM / DISA certified auditor. Details of the latest TOR and auditor selection norms are provided in the circular issued by Inspection team on a yearly basis.

Report 2: For submission of additional system audit w.r.t. security controls built in ASP platform & as a part of Regulatory requirement, ASPs are required to follow auditor selection norms (refer Annexure A) & provide the following information:

- Details regarding the security controls built in the ASP platform for each version/ instance (to be provided in a tabular format).
- Finding / Observations reported by the auditor to be submitted in the enclosed format (refer Annexure B and C).

ASP's shall submit both reports to the Exchange every year for the period April to March. This certificate along with the original audit report and/or re-confirmatory audit report shall be submitted to the Exchange in accordance with the below timelines.

System Audit Report as per Type II TOR and Preliminary Audit Report submission w.r.t. security controls built in their ASP platform	Re-confirmatory Audit Report submission (if applicable) w.r.t. security controls built in their ASP platform
On or before 30 June.	On or before 30 September.

Submission of system audit report shall be considered complete only after ASP submits report to the Exchange after providing management comments. ASPs may submit both the aforesaid audit reports for the period April 2022 to March 2023 and henceforth within the timelines to avoid any penal/disciplinary action, as prescribed by the Exchange from time to time.

For any clarifications, you may contact Toll free number 1800 26600 50 (Option 1).

For and on behalf of
National Stock Exchange of India Limited

Bharat Gandhi
Chief Manager

Enclosure

- Annexure A - Auditor Selection Norms for system audit report w.r.t. security controls built in ASP platform
- Annexure B – Preliminary System Audit
- Annexure C – Re-confirmatory System Audit

Annexure A

Auditor Selection Norms for system audit report w.r.t. security controls built in ASP platform

1. ASPs shall appoint an agency who will review the security controls built-in these platforms as per the standards such as ISO 27001, OWASP TOP 10, etc.

2. Additionally, the following criteria should be considered while appointing the agency:
   - The audit agency should be CERT-In empaneled
   - The audit agency must not have any conflict of interest in conducting fair, objective and independent audit of the platform provided by the ASPs
   - The audit agency may not have any cases pending against its previous auditees, which fall under SEBI's jurisdiction, which point to its incompetence and/or unsuitability to perform the audit task.

3. The audit agency will develop a report outlining the status of security controls built-in platforms and highlight observations/findings/gaps, if any.

4. Subsequent to the submission of the report, the ASPs will have to ensure closure of all the observations/findings/gaps.

5. A re-confirmatory testing shall be undertaken by the audit agency and a certificate stating that the "Platform is free from security vulnerabilities" shall be shared by the audit agency.

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Annexure B

Preliminary System Audit

Audit Period	Observation No	Description of finding	ASP Name	Status / Nature of findings	Risk Rating of Findings as per Auditor	Audited By	Root Cause Analysis	Impact Analysis	Corrective Action Proposed by auditor	Deadline for the Corrective Actions	Management response in case of acceptance of associate risk

Description of relevant table heads:

1. Audit Period - This indicates the period of the audit.

2. Description of Finding / Observations - Description of the findings in sufficient details, referencing any accompanying evidence.

3. Status / Nature of Findings - The category can be specified for example:

    a. Non-Compliant (Major/Minor)-

    b. Work In progress

    c. Observation

    d. Suggestion

4. Risk Rate of Findings - A rating has to been given for each of the observations based on their impact and severity to reflect the risk exposure, as well as suggested priority for action.

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Rating	Description
HIGH	Weakness in control those represent exposure to the organization or risks that lead to instances of noncompliance with the requirement of the TOR's. These risk need to be addressed with utmost priority.
MEDIUM	Potential weakness in controls, which could develop into an exposure or issues that represent areas of concerns and may impact internal controls. These be should addressed responsible promptly.
LOW	Potential weakness in controls, which in combination with other weakness can develop into an exposure. Suggested improvements for situation not immediately/directly affecting controls.

5. Root Cause Analysis - A detailed analysis on the cause of the non-conformity
6. Impact Analysis - An analysis of the likely impact on the operations/ activity of the organization,
7. Corrective Actions - The action taken to correct the non-conformity.

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Annexure C

Re-confirmatory System Audit

Preliminary Audit Date	Preliminary Audit Period	Preliminary Observation Number	Preliminary Status	Preliminary Corrective Actions as proposed by Auditor	Current Findings	Current Status	Revised Corrective Action, if any	Deadline for the Revised Corrective Action	Reason for delay in Implementation/Compliance

Description of relevant table Heads:

1. Preliminary Status – The original finding as per the preliminary System Audit Report
2. Preliminary Corrective Actions – The original corrective action as prescribed in the preliminary System Audit Report
3. Current Findings - Current findings w.r.t. the issue.
4. Current Status - Current status of the issue via Compliant, Non-Compliant, Work In Progress (WIP).
5. Revised Corrective Actions - The Revised Corrective Action prescribed w.r.t. the Non-Compliant / WIP issues