**Annexure III**

**Auditor’s Certificate**

(To be on the letterhead of the system auditor. All the pages should be stamped and signed)

**Section I**

**(Applicable for all)**

I/We, M/s. (Name of the system auditor / system audit firm) have examined the reports of the tests conducted by the below mentioned NSE member in User Acceptance Testing (UAT), Exchange Mock/Simulated trading and Exchange Test Market environments. This is to certify that the member has successfully completed testing of all the areas (impacted components as well as the entire facility) including the areas as laid down by SEBI/Exchange for the below mentioned software / facilities in the said environments separately. The below mentioned software / facilities are in compliance with SEBI/Exchange circulars and other communications issued from time to time with respect to Order Management, Systems and Network, Access and Security controls, Cyber Security & Cyber Resilience framework, Risk checks, etc. and can be deployed in live environment.

|  |  |
| --- | --- |
| Trading Member Code : |  |
| Trading Member Name : |  |
| Category: | (New / Modification) |
| Name of the Software: | (CTCL/IBT/DMA/STWT/AT/SOR) |
| Segment/s: |  |
| Version No: |  |
| Name of the Strategy/ies (in case of AT): |  |
| Exe/Browser/Lite (in case of IBT and STWT): |  |
| Name of Software Vendor: |  |
| Date/s of UAT performed |  |
| Date/s of testing in Test Market Environment: |  |
| Date/s of participation in Mock or Simulated environment (as applicable): |  |
| Software through which SOR shall be provided (in case of SOR): | (CTCL/IBT/DMA/STWT/AT) |

**Section II**

**(Additionally applicable for In-House Software** **only)**

This is to certify that the above mentioned software to be used by members for connecting to the stock exchanges and for the purposes of trading and real-time risk management, is in compliance with the various SEBI/Exchange circulars relevant at the time of application, more specifically with respect to the following:

* Order Management
* Systems and Network
* Access and Security controls
* Cyber Security & Cyber Resilience framework
* Risk checks listed below

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sr. No.** | **Pre Trade Risk Control** | | **Requirement** | **Mandatory** | **Compliance (to be filled by auditor)** |
| **At Individual Order Level** | | | | | | |
| 1 | Price Check | | Orders shall not be released in breach of the price bands /dummy filters as defined by the Exchange in respective segments. | AT/CTCL/IBT/STWT/DMA |  |
| 2 | Quantity Limit Check | | Orders shall not be released in breach of order quantity limit per order as defined by the Exchange in respective segments. | AT/CTCL/IBT/STWT/DMA |  |
| 3 | Order Value Check | | Orders are not released in breach of the "value per order" (combination of price and quantity checks) as defined by the Exchange for the security in respective segments, | AT/CTCL/IBT/STWT/DMA |  |
| 4 | Trade Price Protection Check | | Orders shall not be released in breach of the bad trade price for the security in respective segments. | AT |  |
| 5 | Market Price Protection Check | | Market orders shall not be released beyond a pre-set percentage of LTP. The limit thus set shall be less than the applicable circuit limits as prescribed above. Members shall ensure that the pre-set percentage of LTP shall necessarily be accompanied by a limit price that shall form part of the order message at the time of sending to the Exchange. Algo orders with order type as Market Order are not permitted in the Commodity Derivatives Segment. | AT |  |
| **At Client Level** | | | | | |
| 6 | Cumulative Open Order Value Check | Orders shall not be released in breach of Individual client level cumulative open order value check at the client level. Open order value for a client is the total value of its unexecuted orders released from trading members system. System shall not permit the user to set “Unlimited values”. | | AT/CTCL/IBT/STWT/DMA |  |
| 7 | Net Position Vs. Available Margin Check | Orders shall not be released in breach of Net positions as against the available margin defined by the trading member for the client. | | AT/DMA |  |
| 8 | RBI Violation Check for FII Restricted stocks | Orders shall not be released for security restricted by RBI from time to time. | | AT/DMA |  |
| 9 | MWPL Violation Check | Orders shall not be released in breach of market wide position limit as defined by the Exchange for the security in respective segment. | | AT |  |
| 10 | Position Limit Check | Orders shall not be released in breach of position limit as defined by the trading member for the client. | | AT/DMA |  |
| 11 | Trading Limit Check | Orders shall not be released in breach of overall trading limits as defined by the trading member for the client. | | AT |  |
| 12 | Exposure Limit Check at individual client level and at overall level for all clients | Orders shall not be released in breach of exposure limit as defined by the trading member for the client. | | AT/DMA |  |
| 13 | Security Wise Limit Check | Orders shall not be released in breach of security-wise value limit as defined by the trading member for individual security. | | AT/CTCL/IBT/STWT/DMA |  |
| 14 | Automated Execution Check | Algo to account for all executed, unexecuted, and unconfirmed orders placed by the system before releasing further orders. Algo system to have pre-defined parameters for an automatic stoppage in event of Algo execution leading to a loop or a runaway situation. | | AT |  |
| 15 | Efficient Price Discovery and Fair Play Check | The algorithm strategy/ies are conducive to efficient price discovery and fair play and shall not take liquidity away from the market (applicable to algorithm strategy/ies in the Commodity Derivative segment). | | AT |  |

The above mentioned software can be deployed in live environment.

**Declaration:**

There is no conflict of interest with respect to the member being audited and our directors / promoters are not directly or indirectly related to the current directors or promoters of the member being audited.

Signature

(Name of the Auditor & Auditing firm)

CISA / DISA / CISM / CISSP Reg. No :

Date:

Place:

Stamp/Seal: