**Annexure 3**

**Auditor’s Certificate**

**(To be on the letterhead of the system auditor, all pages to be duly stamped and signed)**

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| --- | --- |
| TM / EV / ASP Code: |  |
| TM / EV / ASP Name: |  |
| Name of the Software: | (CTCL/IBT/DMA/STWT/SOR/AT) |
| Segment/s: |  |
| Version No: |  |
| Name of the Strategy/ies (in case of AT): |  |
| Exe/Browser/Lite (in case of IBT and STWT): |  |
| Software through which SOR shall be provided (in case of SOR): | (CTCL/IBT/DMA/STWT/AT) |

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 Comments**  **(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/SOR |  |
| 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. Quantity Limit check is also applicable for Spread Order being placed. | AT/CTCL/IBT/ STWT/DMA/SOR |  |
| 3 | Order Value Check | | Order should not exceed the limit specified by the Exchange. The order value check should be within the ranges as prescribed by Exchange circulars. Order value check is also applicable for Spread Order being placed. | AT/CTCL/IBT/ STWT/DMA/SOR |  |
| 4 | Trade Price Protection Check | | Orders shall not be released in breach of the bad trade price for the security in respective segment. System Auditor shall refer relevant NSE circulars with respect to “Pre-Trade risk controls - Market Price Protection” and “Pre-Trade risk controls - Limit Price Protection”. System auditor shall verify these checks which are designed to reduce excessive order rejections due to LPP and normally order placement is within the ranges as prescribed by Exchange circulars. | AT/SOR |  |
| 5 | Market Price Protection Check | | The pre-set percentage of LTP shall necessarily be accompanied by a limit price. Members are required to adhere to the Market Price Protection check, by not placing any algorithmic orders on the Exchange as a market order. System Auditor shall refer relevant NSE circulars with respect to “Pre-Trade risk controls - Market Price Protection”. System auditor shall verify these checks which are designed to ensure that order placement is within the ranges as prescribed by Exchange circulars. | AT/SOR |  |
| **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/SOR |  |
| 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/SOR |  |
| 8 | RBI Violation Check for FII Restricted stocks | Orders shall not be released for security restricted by RBI from time to time. | | AT/DMA/SOR |  |
| 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/SOR |  |
| 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/SOR |  |
| 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/CTCL/IBT/ STWT/DMA/SOR |  |
| 12 | Exposure Limit Check at individual client level & 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/CTCL/IBT/ STWT/DMA/SOR |  |
| 13 | Turnover Limit Check | Orders shall not be released in breach of turnover limit as defined by the trading member for the client. | | AT/CTCL/IBT/ STWT/DMA/SOR |  |
| 14 | 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/SOR |  |
| 15 | 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/SOR |  |
| 16 | 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/SOR |  |

**Declaration:**

I hereby confirm, Member has complied with the requirement of Exchange Circular NSE/INSP/53939 dated October 03, 2022, and other circulars issued from time to time on "Display of Brokerage, Statutory & Regulatory Levies to the investors" to prominently display the details of brokerage/charges to be levied for each order to the investor on the “Order placement window/screen” on their Internet Based Trading (IBT) / Wireless Trading (WT) applications prior to placement of order.

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: