
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No : NCDEX/MEMBER INSPECTION-012/2026

Date : April 29, 2026

Subject : System Audit of Trading Members

This is with reference to the SEBI circular no. CIR/MRD/DMS/34/2013 dated November 6, 2013, SEBI/HO/MIRSD/TPD/CIR/2025/10 dated January 31, 2025 and Exchange circular NCDEX/COMPLIANCE-004/2025 dated February 01, 2025, issued in respect of 'Framework for Monitoring and Supervision of System Audit of Stock Brokers (SBs) through Technology based Measures' and 'Annual System Audit of Stockbrokers / Trading members'

In terms of the above referred circulars, trading members are required to conduct System Audit of their software through System Auditor as per Auditor selection norms given in **Annexure E** for period ending March 31, 2026 and submit the report to the Exchange as per the timelines specified below:

Periodicity of System Audit (Audit Period)	Criteria	Type of Broker	Due date for Submission of Reports	
			Preliminary System Audit Report (TOR) along with all the required Annexures	Action taken Report (ATR) (if applicable)
Half Yearly (October 2025 - March 2026)	All Members using ATS Facility	Type of broker – III	June 30, 2026	September 30, 2026
Annually (April 2025 - March 2026)	1. Members having CTCL/ IBT/ STWT and presence in > 10 locations or have > 50 terminals 2. Trading Members who are also depository participants or are involved in offering any financial services	Type of broker – II	June 30, 2026	September 30, 2026
Once in 2 Years (April - 2024 to March-2026)	Members having CTCL/ IBT/ STWT and presence in ≤ 10 locations and have ≤ 50 terminals	Type of broker – II	June 30, 2026	September 30, 2026

Members and Appointed Auditors are required to submit the System Audit Report to Exchange electronically through **NCDEX Online Submission System (NOSS) Portal**. The procedure for submitting the same through **NOSS Portal** and other related details shall be communicated through a separate circular.

Trading members are advised to take note of the following key guidelines throughout the system audit lifecycle:

1. Ensure that only system auditors empaneled with the Exchange in accordance with the selection criteria communicated vide NCDEX/COMPLIANCE-047/2025 dated August 21, 2025, are selected/appointed for conducting audits. List of Exchange empaneled System Auditors can be accessed through the below path in Exchange website:
<https://www.ncdex.com/disclosures/system-auditor-empanelment>
2. Complete details of the audit plan and auditor appointment letter are required to be submitted through the portal after due discussion/consultation between Trading Member and Appointed Auditor in the format provided. This shall include details of the auditor, the list of systems, and the Trading Member's office locations proposed to be covered under the System Audit. These details shall be utilized for capturing the geolocation of the Trading Member's office locations. (refer **Annexure A** for format of **Audit Plan**).
3. During the physical visit for system audit, auditors must log into the Exchange portal to enable/capture geo-location. Additionally, System Auditor must submit/enter all visit-related details in Exchange portal, including date/period of visit.
4. Trading Members are required to maintain comprehensive records of the audit team members who visit their premises for a minimum period of three years.
5. System Auditors shall preserve working papers, logs, screenshots, records of visits to the premises of the entity, POC and other evidence in support of the audit for a period not less than three years.
6. As part of System Audit guidelines, auditors shall submit the list of systems/processes etc. being audited along with details of samples reviewed via portal in the format provided (refer **Annexure B** for format of **Assessment Detail Report**).
7. The Action Taken Report, if applicable, shall be validated by the same auditor who conducted the system audit.
8. QSBs are mandated to submit the system audit report after approval from the irrespective Governing Board and Standing Committee on Technology (SCOT) or equivalent Technology Committee (TC).
9. Other Trading Members are mandated to submit the system audit report on approval of Proprietor/Partner/Director or equivalent responsible official through SCOT or TC.
10. While selecting/appointing system auditors, Trading Members are advised to assess the number of members the auditor is currently servicing and the size of their audit team. This evaluation is essential to ascertain that the audit is comprehensive, and the auditors can dedicate adequate time and resources to ensure the integrity and effectiveness of the audit process is not compromised.

Further, compliance with Algo MIS is required to be submitted on the portal for each of the Trading Member's Algo IDs. The list of registered Algo IDs of the Trading Members shall be made available for ease of reference. In the event that any Algo ID is not compliant with the 38 checks prescribed under Section 4, details of the specific non-compliant Terms of Reference (ToR) point(s), along with relevant observations, shall be provided, along with appropriate management comments. In case any Algo ID is not complying with 38 checks of Section 4, auditor shall provide the details of non-compliant ToR point(s) along with their observations. Members are requested to note that disciplinary action, as specified in **Sr. No. 216 of Annexure A – Uniform Penalty Structure of**

exchange circular NCDEX/MEMBER INSPECTION-009/2026 dated April 17, 2026, shall apply if an Algo ID/s with reported non-compliances or significant deficiencies in the System Audit Report is being used for trading before submission of the audited/rectified ATR.

The detailed updated **Terms of Reference (TOR)** of System Audit applicable for audit period ending March 31, 2026 has been enclosed in **Annexure C**. All the areas included in the System Audit TOR shall be considered as Critical and accordingly System auditors are advised to perform the system audit thoroughly.

Further, the auditor shall provide compliance status for each TOR item as Compliant/Non-Compliant/Not Applicable and in case of any TOR item which is not applicable, auditor may be required to provide justification for the non-applicability of said TOR point. The Auditor is required to upload the **Executive Summary Report** (as per the format prescribed in **Annexure D**) on the portal while making the final submission, clearly and specifically detailing all **Non-Compliant points** identified in accordance with the **TOR**, along with the relevant supporting details.

The system audit report can be submitted only after submission of details of physical visit by system auditor. Submission of system audit report shall be considered complete only after trading member submits the report to the Exchange after providing management comments.

All Trading members (QSBs & Other Members) are requested to take note that, for each non-compliance reported by the auditor, trading members are required to submit corrective action taken report (ATR) and same shall be validated by the same auditor who conducted the system audit as per the above-mentioned timelines. Additionally, QSBs are mandated to submit the ATR (if applicable) after approval from their respective Governing Board and Standing Committee on Technology (SCOT) or equivalent Technology Committee (TC). Similarly, other trading members are mandated to submit ATR (if applicable) on approval of Proprietor/Partner/Director or equivalent responsible official through SCOT or TC. On reviewing details of corrective action submitted by trading members, the auditor shall submit the status of compliance as Compliant or Non-Compliant on portal.

The trading members and auditors are required to retain records of physical visits conducted during audits like name, qualification & date of visit/s of auditor, along with audit artifacts, proofs of concept (POCs), and evidence related to terms of reference (TOR) points for a minimum duration of three years.

Trading Members are requested to refer Exchange Circular No. NCDEX/MEMBER INSPECTION-009/2026 dated April 17, 2026, on actions for non-compliance observed in periodic submissions by trading members related to System Audit Report. The details of Penalties/disciplinary action(s)/charges have been provided in **Annexure F**.

Additionally, auditor will be required to provide details of vendor/in-house developed products & application being used and registered with Exchange by trading member. The system auditor shall confirm whether the trading member has deployed the latest version in live environment and provide its version number being used for each product. The details of the same should be provided as per **Annexure G**.

Members/Auditors are requested to refer to the below mentioned documents while submitting the System Audit report. All the below Annexures are available in the “**Downloads section**” on the Exchange website under System Audit Annexures March 2026. (https://www.ncdex.com/quick_links/download).

- Audit Plan with Auditor Appointment Letter – **Annexure A**
- Assessment Detail Report – **Annexure B**
- Terms of Reference System Audit (TOR for type II and Type III) – **Annexure C**
- Executive Summary Report – **Annexure D**
- Auditor Selection Norms – **Annexure E**
- Actions for Non-Compliance observed in periodic submissions by trading members related to System Audit Report – **Annexure F**
- Details of vendor or in-house developed products – **Annexure G**

For and on behalf of
National Commodity & Derivatives Exchange Limited

Pranesh Shetty
Senior Vice President – Inspection & Enforcement

For further information/clarifications, please contact

1. Customer Service Group on toll free number: 1800 26 62339
2. Customer Service Group by e-mail to : askus@ncdex.com