

<b>Department: Inspection</b>	<b>Segment: All</b>
<b>Circular No: MSE/INSP/17060/2025</b>	<b>Date : April 23, 2025</b>

**Subject: Internal Audit of Trading Members**

To All Members,

This is to inform that all Trading Members are required to carry-out complete Internal Audit for the half year ended March 31, 2025, and submit the report electronically through the Inspection Portal. The Exchange shall accept the internal audit report certified by empanelled auditor only.

It is to be noted that the due date to submit the Internal Audit Report is within two months from the end of the half year i.e., for the half year ended March 31, 2025, the due date is **May 31, 2025**. The penalties/disciplinary actions for late/non-submission of the Internal Audit Report and non-compliances observed in the Internal Audit Report, shall be applicable as mentioned below:

<b>Penalty/Disciplinary action</b>
<p><b>A. For late/non-submission of the Internal Audit Report</b></p> <p><b><u>Timeline for submission: 2 Months</u></b></p> <ol style="list-style-type: none"> <li>For 1st week after due date, Charges of Rs. 2,500/- per day.</li> <li>Charges of Rs. 5000/- per day from second week after due date.</li> <li>In case of non-submission within three weeks from the due date of submission, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report. The disablement notice issued to the member shall be shared with all the Exchanges for information.</li> <li>In case of non-submission within four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report.</li> </ol>
<p><b>B. For non-compliances observed in the Internal Audit Report as per Exchange Circular no. MSE/INSP/IAR-20-21(2)/10356/2021 Dated April 26, 2021.</b></p>

The members are also required to submit an undertaking with respect to "short/non collection of upfront margins from clients" digitally signed by the proprietor or partner or the designated director of the Trading Member. The Internal Auditor shall not be able to submit the Internal Audit Report unless the said undertaking is submitted by the Trading Member.

Members shall comply with the provisions pertaining to Appointment and Rotation of Internal auditors as prescribed by SEBI vide Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

Further, the Internal Auditors are advised to take note of below while carrying out the Internal Audit:

- Details of sample dates/clients applicable for certain checklist points have been made available in respective Auditor's login to enable the auditor to select samples as per the sampling criteria prescribed

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in Annexure III. Auditors are advised to get their registration done from members and retrieve the aforesaid data and samples from their respective logins before initiating the audit.

- II. The Exchange has also made available the data submitted by the members to the Exchange towards holding statements for the sample dates and the details of Authorized persons (AP)s in the auditor's login for verification.
- III. The samples for parameters/ criteria other than provided above, shall be as per the "methodology for sample selection" prescribed in Annexure III, and the data required for the same may be sourced from the member.
- IV. There are certain changes in the sampling criterion and methodology for sample selection compared to the previous half year submission. Auditors are advised to refer to Annexure III carefully before initiating the audit.
- V. For each "Not complied" observation, wherever applicable, the auditor shall mandatorily provide the "no. of instances verified" and "Amount/value involved where non-compliance is observed" while submitting the Audit Report. Further, for each "Not Applicable" Points, appropriate remarks are mandatory to be provided.
- VI. Auditors are also required to provide the compliance status of observations of previous inspections/internal audit. For this purpose, a separate page has been provided which is required to be filled by auditors. The internal auditor shall not be able to submit the internal audit report unless the said compliance is submitted by the Internal Auditor.

Please find enclosed the following Annexures applicable for the Internal Audit Report for half year ended March 31, 2025:

- Internal Audit Certificate – **Annexure I.**
- Format of Internal Audit Report – **Annexure II. (Excel File)**
- Guidelines on sample selection & other points to be noted – **Annexure III.**
- List of indicative processes & reference of Exchange/SEBI circulars – **Annexure IV.**
- Detailed manual for submission of Internal Audit Report by Members & Auditors – **Annexure V.**
- Procedure for empanelment for the auditors for conducting the internal audit of Trading Members – **Annexure VI.**
- Format for Internal Audit Report for Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs) – Applicable only for QSB -**Annexure VII**

All Members are advised to take note of the above and comply.

In case of any query kindly contact Inspection Department on (022) 6112 9000, Extn. 9039, 9040 & 9041 or mail on '[compliancemsx@msei.in](mailto:compliancemsx@msei.in)' or '[inspectionmsx@msei.in](mailto:inspectionmsx@msei.in)'.

**For and on behalf of  
Metropolitan Stock Exchange of India Limited**

**Chirag Sodawaterwalla  
AVP – Inspection and Membership Department**