
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No : NCDEX/ MEMBER INSPECTION -008/2026

Date : April 17, 2026

Subject : Submission of Internal Audit Report for the half year ended on March 31, 2026

This is in continuation to Exchange circular no. NCDEX/COMPLIANCE-016/2016/239 dated September 27, 2016 on Enhanced Supervision of Stock Brokers/Depository Participants and circular no. NCDEX/COMPLIANCE-038/2021 dated August 09, 2021 on Uniform formats for Internal Audit Report and Risk Based Supervision (RBS) across exchanges, all members of the Exchange are directed to carry out internal audit for the period October 01, 2025 to March 31, 2026.

The audit shall be conducted only by independent qualified Chartered Accountants, Company Secretaries or Cost and Management Accountants who are in practice and who do not have any conflict of interest and against whom no regulatory action is taken.

Members attention is drawn to the Exchange circulars NCDEX/COMPLIANCE-103/2023 dated October 06, 2023 and NCDEX/COMPLIANCE-023/2024 dated March 26, 2024 regarding eligibility criteria for internal auditors.

The internal audit report is required to be submitted to the Exchange in digitally signed soft copy On or before May 31, 2026 by way of sending the same as an attachment only to email ID: iar_submission@ncdex.com. The members are required to close all non-compliances reported in the internal audit report within 2 months from the end of due date of submission of Internal Audit Report i.e. latest by July 31, 2026. The penalties/disciplinary actions for non-compliances reported in the internal audit report which are not closed within 2 months, or Internal Audit Report / Action Taken Report is not submitted within the due date shall be applicable as per Exchange Circular Ref. No. NCDEX/COMPLIANCE-56/2025 dated October 10, 2025. Further in cases where critical non-compliances viz; shortfall of client funds/networth wherein such shortfalls are not recouped and offering fixed/assured/periodic returns to clients / mobilizing deposits are reported in the internal audit report, immediate action shall be taken in accordance with Exchange Circular Ref. No. NCDEX/COMPLIANCE-56/2025 dated October 10, 2025 without waiting for submission of Action Taken Report. The Exchange will initiate appropriate actions remedial, penal or disciplinary – against the members where deficiencies / non-compliances / violations are noticed in audit reports/ATR or where audit report has not been received on time and the same will be intimated separately as per Exchange circular no. NCDEX/COMPLIANCE-56/2025 dated October 10, 2025.

The internal auditor shall submit a digitally signed Internal Audit Certificate i.e. Annexure I, Internal Audit checklist i.e. Annexure II and Samples selected i.e. Annexure IV (A to AA) to the member including comments of the management with regard to audit observations. The Internal Audit Certificate shall mandatorily contain Unique Document Identification Number (UDIN). Member shall place it before its Board of Directors/Proprietor/Partners and shall forward the same to the Exchange within the timelines specified above, along with an undertaking i.e. Annexure VI confirming that the penalty levied by clearing corporations on account of “short/non-collection of upfront margins from clients” is not being passed on to respective clients under any circumstances in accordance with the Exchange circular no. NCDEX/COMPLIANCE-40/2022 dated June 24, 2022. The undertaking submitted by the member shall be digitally signed by the proprietor or partner or the designated director of the company. Kindly refer process manual available in the downloads section on the Exchange website

https://ncdex.com/quick_links/download as “**User manual - Internal Audit Submission**” .

Auditors are requested to mandatorily adhere to the sample selection guidelines specified in the **Annexure III and IIIA** of the circular and the data required for the same can be sourced from the member. Mention the details of actual sample in Annexure IV (A to AA). There are certain changes in the sampling criterion and methodology for sample selection compared to previous half year submission. Auditors are advised to refer **Annexure III and IIIA** carefully before initiating the audit.

Auditors are also required to give the details of the instances of non- compliance (if any) against each of the checklist points in Annexure II. Auditors are requested to submit Annexure I, II, IV, VII (Applicable only for QSB) to the Member and IX (if applicable).

For each “Not Complied” Points, Auditors should mandatorily provide appropriate remarks. In case of non-compliance(s) reported, Auditors should give instance wise details of such non-compliance along with amount and also attach the relevant supporting documents for the said non-compliance. The auditor shall mandatorily provide the “no. of instances verified”, “% of instances where non-compliance is observed” and “Amount/value involved where non-compliance is observed”. All the workings and records with respect to the Audit should be retained by the Auditors for verification by the Exchange as and when required.

Internal auditor shall report directly to the Exchange in the event of non-cooperation by the member by sending an email at iar_submission@ncdex.com. In case of resignation by the auditor from Internal Audit Assignment, Internal auditor shall communicate the reason for such resignation to the Exchange.

As per the Exchange circular no. NCDEX/COMPLIANCE-035/2025 dated June 27, 2025, regarding “Monitoring corrective actions taken by the Members pursuant to Inspection by SEBI”. Additional submission of “Certificate of Compliance on the Corrective Actions Taken by Trading Member” is applicable to all those members, where SEBI has issued Administrative Warning Letters (AWL) and member has submitted their response in “Compliance Status Report”.

Empaneled Internal Auditor shall check the veracity of the said “Compliance Status Report” submitted by member to exchange and submit a certificate as per the format given (Annexure IX) certifying the corrective actions taken by the Trading Member as directed by SEBI along with the corresponding half yearly internal audit report. Member response on Administrative Warning Letter - “Compliance Status Report” shall be made available on request from the Auditor over email id – iar_submission@ncdex.com .

The internal auditors are also required to immediately report critical non-compliances viz; shortfall of client funds/net worth wherein such shortfalls are not recouped and offering fixed/assured/periodic returns to clients / mobilizing deposits from investors observed during the internal audit of trading members by an email to the email id – iar_submission@ncdex.com as per Exchange Circular No. NCDEX/COMPLIANCE-042/2025 dated July 29, 2025.

Members may kindly note that review or appeal request with respect to the actions initiated by the Exchange shall not be considered if received beyond a period of 45 days from the date of such action letter.

Members are advised to adhere to the norms prescribed under clause 4.2 of SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, w.r.t Appointment and Rotation of Internal auditors. Accordingly, members shall not appoint or re-appoint the internal auditor who has completed its term as specified under clause 4.2.1.2 (a) and 4.2.1.2 (b) of aforesaid circular.

The Exchange shall initiate appropriate action against the members where deficiencies are noticed in audit reports. **Please note that incomplete submission will be treated as non submission. Members are required to send Annexure I, II, IV, VI, VII (Applicable for QSB's) and IX (if applicable) to the Exchange at iar_submission@ncdex.com.**

With effect from half year ended March 31, 2026, the following information that was previously required to be submitted by the member in Risk Based Supervision shall be now submitted in the Internal Audit Report by the internal auditor (as mentioned in Annexure I) –

1. Whether there are any subsidiaries/ branches/representative offices in other countries and whether regulatory approval taken for the same?
2. Number of instances of non-compliances and amount of penalties levied by SEBI on the Member during assessment period with regard to fraud instances by the Member – Nature of the frauds, amount involved, whether involving client assets or Member's own assets, whether actions taken against employees, APs etc. w.r.t Broking Operation
3. Details of inspection undertaken by SEBI during the assessment period, details of adverse observations and penalties/regulatory action, if any, w.r.t. Broking Operations.

The following annexures for the internal audit report for the half year ended March 31, 2026 are available in the downloads section on the Exchange website. https://ncdex.com/quick_links/download as “**Internal Audit Annexure for the half year ended March 31, 2026**”.

- Internal Audit Certificate – Annexure I (PDF format with Digital signature & UDIN)
- Format of Internal Audit Report – Annexure II (Excel File)
- Guidelines on sample selection and other points to be noted – Annexure III
- Guidelines on sample selection where material non-compliances are observed in the action letters issued for inspections – Annexure IIIA
- Actual Sample selected by Auditor – Annexure IV A to AA (Excel File)
- List of Indicative Processes & reference of Exchange & SEBI Circulars – Annexure V
- Undertaking on Margin collection & reporting - Annexure VI (PDF format with Digital signature)
- Format for Internal Audit Report for Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs) – Applicable only for QSB Members - Annexure VII

- Relevant abstract of SEBI circular nos. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, CIR/HO/MIRSD/MIRSD2/CIR/PB/2017/107 dated September 25, 2017 – Annexure VIII
- Corrective measures related certificate, if applicable – Annexure IX

It may be noted that submission of Internal Audit Report shall be considered complete only after Member submits **digitally signed soft copy of Annexure I, II, IV, VI, VII (Applicable for QSB's) and IX (if applicable) to the Exchange.**

Members and Auditors are advised to take note of the same and comply.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Kunal Sanghani
Vice President – Inspection & Enforcement

For further information/clarifications, please contact

1. Customer Service Group on toll free number: 1800 266 2339
2. Customer Service Group by e-mail to : askus@ncdex.com