

NSE Clearing Limited

Department: Compliance	
Download Ref No: NCL/CMPL/74723	Date: June 15, 2026
Circular Ref. No: 22/2026	

To All Clearing Members (Clearing for other Stock-Broker and/or Custodial Participants Code),

Sub: Ease of Doing Compliance- Submission of Action Taken Report for non-compliance(s) reported in the Internal Audit Report

This is with reference to half yearly internal audit report submissions done by clearing members to NSE Clearing Limited.

It may be noted that currently enforcement actions are initiated against the Clearing Members for the non-compliances reported in the internal audit reports, in accordance with NCL/CMPL/ 59930 dated December 26, 2023 or any other relevant circular that may be issued by NCL from time to time.

In order to provide ease of compliance and to ensure timely closure of the non- compliances reported in the Internal Audit Reports, in line with the circulars issued by the Exchanges, the following framework is prescribed for closure of non-compliances reported in the internal audit report :-

1. Action Taken Report shall be submitted by clearing members for the areas where non-compliance is reported.
2. Clearing Members shall be 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. due date for submission of Action Taken Report for Internal Audit Period ended March 31 and September 30 shall be July 31 and January 31 respectively.
3. Action Taken Report shall be certified by the empaneled Internal Auditor of the Clearing Member, confirming the status of compliance and shall cover at least a period of one month for sample verification.
4. The details of the procedure to submit Action Taken Reports shall be communicated subsequently through issuance of a circular.

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5. In case the observations are not closed in the Action Taken Report or Action Taken Report has not been submitted within the due date, prescribed enforcement actions shall be initiated in accordance with NCL/CMPL/59930 dated December 26, 2023 or such other penalty circulars issued by NCL from time to time.

The aforesaid framework shall be applicable for all the internal audit reports received from the half year ended March 31, 2026 and onwards.

Further in cases where critical non-compliances are observed indicating misutilisation of client collaterals, net worth related observation or any other non-compliances as deemed critical, immediate action shall be taken in accordance with NCL/CMPL/59930 dated December 26, 2023, (or such other penalty circulars issued by NCL from time to time) without waiting for submission of Action Taken Report.

All members are advised to take note of the above and bring the provisions of this Circular to the notice of their respective internal auditors and ensure compliance of the above requirement.

Appointment and Rotation of Internal auditors

NCL in its previous circulars has stated that members should 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.

The relevant provisions of clause 4.2. of the said SEBI circular dated September 26, 2016 is reproduced below:

“4.2. Appointment and Rotation of Internal auditors

4.2.1. Stock Exchanges shall ensure that;

4.2.1.1. Stock Broker obtains from the internal auditor the following details and shares the same with the Stock Exchange:

a. Declaration stating that the internal auditor or its directors/partners have no interest in or relation with the stock broker concerned other than the proposed internal audit assignment, and

b. Details of the internal auditor viz., Name, Address, PAN, Designation of Auditor, Name & Address of the Audit Firm, registration number of the Auditor and the Audit firm, any regulatory action taken against internal auditor/partner/director, if any, etc.

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4.2.1.2. No stock broker shall appoint or re-appoint—

*a) an individual as internal auditor for more than one term of five consecutive years;
and*

b) an audit firm as internal auditor for more than two terms of five consecutive years:

Provided that—

4.2.1.3. An individual internal auditor who has completed his term under clause 4.2.1.2 (a) above shall not be eligible for re-appointment as internal auditor for the same stock broker for five years from the completion of his term;

4.2.1.4. An audit firm which has completed its term under clause 4.2.1.2 (b) above, shall not be eligible for re-appointment as internal auditor for the same stock broker for five years from the completion of such term;

Provided further that as on the date of appointment no audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a stock broker immediately preceding the financial year, shall be appointed as internal auditor for the same stock broker for a period of five years”

For and on behalf of
NSE Clearing Limited

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Chief Manager

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