Metropolitan Stock Exchange of India Limited

Department: Inspection **Segment: All Segments**

Circular No: MSE/INSP/IAR-19-20(1)/8229/2019 **Date: October 15, 2019**

Sub: Submission of Internal Audit Report for the Half Year ended September 30, 2019

In terms of the provisions of Rules, Bye-Laws and Regulations of the Metropolitan Stock Exchange of India Ltd. (Exchange), the Members are notified as under:

SEBI has stipulated the requirement of carrying out internal audit of the trading members / clearing members on a half yearly basis by Chartered Accountants, Company Secretaries or Cost and Management Accountants who are in practice and who do not have any conflict of interest in or relation with the member other than the internal audit assignment.

In this regard, the Exchange has provided a facility to upload / submit the requisite data through a web-based application at the link https://inspection-os.msei.in/MemberLogin.aspx (best viewed with the latest version of Google Chrome or Mozilla Firefox browsers). Details of login Id and password for accessing the system will be sent to the email Id's of the compliance officer of the members.

Accordingly, all the trading members / clearing members, who have traded / cleared at least one trade on any segment during the half year period April 01, 2019 to September 30, 2019, irrespective of trades done on PRO / Client accounts, are required to submit the internal audit report electronically latest by **November 30, 2019. No physical copies are required to be submitted to the Exchange.**

Please find enclosed herewith, following Annexures applicable for the internal audit report for half year ended September 30, 2019:

- 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 for Member as well as Auditor - **Annexure V**

Auditors are requested to mandatorily adhere to the sample selection guidelines specified therein (Annexure-III) and mention the sample size selected along with details of the instances of non-compliance (if any) against each of the checklist points. All working papers and records with respect to the audit should be retained by the auditors for verification by the Exchange as and when required.

As per Exchange circular MSE/INSP/8205/2019 dated October 09, 2019 all Internal Audit Certificate shall mandatorily contain Unique Document Identification Number (UDIN). A provision to enter the UDIN by the Auditor has been provided in the system.

Action in case of violations:

The revised penalty structure for non-compliances observed in the internal audit report is given in **Annexure VI**.

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Action for late submission / non submission of internal audit report (IAR):

Following penalties shall be levied on members for late submission / non submission of Internal Audit Reports:

For Active Trading Members (who are required to submit the internal audit report)

Due time for submission : 2 Months (i.e. November 30, 2019)

1. For 1st month after due date (from December 1, 2019), Fine of Rs.200/- per day
2. Charges of Rs.500/- per day from 2nd month after due date (i.e. January 1, 2020 onwards) till date of submission or disablement

2 weeks' notice shall be given to the Member after the 3rd month from the due date (i.e. from March 1, 2020), subsequent to which the **Member shall be disabled in all segments of the Exchange.**

Further, the members also need to follow the norms for selection of Internal Auditors as stipulated by SEBI vide circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

All the members are advised to ensure compliance with the above requirements and submit the internal audit report positively by November 30, 2019

For and on behalf of
Metropolitan Stock Exchange of India Limited

Mahendra Choudhari
Asst. Vice President, Inspection Department

In-case of any query kindly contact Inspection Department on 61129000 or mail on compliancemsx@msei.in