

<b>Department: Inspection</b>	<b>Segment: All</b>
<b>Circular No: MSE/INSP/17548/2025</b>	<b>Date: July 23, 2025</b>

**Subject: Reporting of critical non-compliances observed in the internal audit of Trading Members**

To All Members,

SEBI vide Circular No. MIRSD / DPSIII / Cir-26 / 08 dated August 22, 2008, and Exchange vide Circular No. MCX-SX/LEG/23/2008 dated October 24, 2008, made it mandatory for all Trading Members to carry out complete internal audit on a half yearly basis. Further, SEBI vide Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, prescribed additional requirements for internal audit, viz. appointment, rotation of internal auditors, formulation of objective sample criteria, monitoring of quality of internal audit reports, timelines for submissions of internal audit reports, etc.

With an objective to further strengthen the internal audit process/mechanism and to initiate immediate actions in critical cases where the non-compliances pertaining to shortfall of client funds/shortfall of networth etc. are observed in the internal audit, the Internal auditor shall not wait till the submission of Internal Audit Report for reporting these non-compliances and shall report the critical non-compliances to the Exchange within 2 days from the date of finding of such non-compliance. Critical non-compliances for the purpose of reporting in terms of this Circular are as under-

1. Shortfall of client funds / securities / commodities wherein such shortfall is not recouped
2. Shortfall of networth /Incorrect reporting of net worth to the Exchange resulting in shortfall (below the minimum prescribed net worth) / Not meeting the minimum Net-worth criteria for providing Margin Trading Facility wherein such shortfall is not recouped
3. Offering fixed/assured/periodic returns to clients / mobilizing deposits from investors

The Internal Auditors shall report the aforesaid non-compliances observed during the internal audit of the Trading Member(s) by an email to the following email id – [inspectionmsx@msei.in](mailto:inspectionmsx@msei.in)

Trading Members are advised to bring the contents of this circular to the notice of their Internal Auditors and ensure compliance to the above requirement.

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

In case of any query kindly contact Inspection Department on (022) 6112 9000, Extn. 9039, 9040, 9041, 9042 & 9078 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**

**Metropolitan Stock Exchange of India Limited**