Circular No.: MCX/CTCL/345/2016 October 7, 2016

System Audit of Trading Member (Type - III)

In terms of provisions of the Rules, Bye-Laws and Business Rules of the Exchange and in continuation to Exchange circular no. MCX/CTCL/315/2016 dated September 29, 2016 Members of the Exchange are hereby notified as under:

As per Master Circular for CTCL circular no. MCX/CTCL/315/2016 (Chapter 11) dated September 29, 2016 related to System Audit of Members of the Exchange wherein half yearly system audit has been prescribed for Trading Member having Exchange approval for "Algorithmic Trading Facility" (ATF). The Trading Member is required to undertake system audit of their software for the period April 01, 2016 to September 30, 2016, through System Auditor appointed as per Auditor Selection Norms as mentioned in Master Circular No. MCX/CTCL/315/2016 (Chapter 11) dated September 29, 2016 and submit the System Audit Report to the Exchange within the timeline as mentioned in the table below:

Categories	Due Date for Submission of Reports		
	System Audit Report	Action Taken Report, if applicable	Follow-on Audit Report, if applicable
Half Yearly System Audit (April-September 2016)	December 31, 2016	January 31, 2017	March 31, 2017

Auditor Selection Norms

a) The Auditor shall have minimum 3 years of experience in IT audit of Commodities/Securities market participants e.g. exchanges, clearing corporations, depositories, stock brokers, depository participants etc. The audit experience should cover all the major areas mentioned under Terms of Reference (ToR) of the system audit specified by SEBI / stock exchange from time to time.

b) The appointed Auditor's resources should possess at least one of the following certifications:
   - CISA (Certified Information System Auditors) from ISACA
   - DISA (Post Qualification Certification in Information Systems Audit) from Institute of Chartered Accountants of India (ICAI)
   - CISM (Certified Information Securities Manager) from ISACA
   - CISSP (Certified Information Systems Security Professional) from International Information Systems Security Certification Consortium, commonly known as (ISC)

c) The Auditor should have experience of IT audit/governance frameworks and processes conforming to industry leading practices like CobiT.

d) The Auditor shall not have any conflict of interest in conducting fair, objective and independent audit of the Trading Member. Further, the directors / partners of Auditor firm shall not be related to any Trading Member including its directors or promoters either directly or indirectly.

e) The Auditor shall not have any cases pending against its previous audited companies/firms, which fall under SEBI's jurisdiction, which point to its incompetence and/or unsuitability to perform the audit task.

f) The Auditor can perform maximum of 3 successive system audits of the Trading member. Follow-on audits conducted by the auditor shall not be considered in the successive audits.

The members are once again advised to submit the a) System Audit Report along with Executive summary, b) Action Taken Report & c) Follow-on report, with management comments if applicable, as per the time line provided to:

CTCL Department
Multi Commodity Exchange of India Limited
Exchange Square, Suren Road,
Chakala, Andheri (East),
Mumbai-400 093.

Late submission charges of Rs. 500/- per day will be levied on trading members failing to submit the said reports for the period of non-submission. Further, Non-compliant members shall render themselves liable for action as may be deemed fit by the Exchange.

For the detailed scope of audit and format of audit report, refer Master Circular for CTCL circular no. MCX/CTCL/315/2016 (Chapter 11) dated September 29, 2016.

Members are requested to take note of the above and ensure compliance.

Sandeep Doshi
VP – Technology

Kindly contact Customer Service Team on 022 – 6649 4040 or send an email at customersupport@mcxindia.com for any clarification.