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**NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED**

Circular to all members of the Exchange

Circular No. : NCDEX/RISK- 007/2022

Date : September 28, 2022

Subject : Cyber Security and Cyber Resilience Audit – ATF Members (Type III)

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This is with reference to the Exchange circular no. NCDEX/TECHNOLOGY-065/2018 dated December 4, 2018 and NCDEX/TECHNOLOGY011/2019 dated March 25, 2019 and NCDEX/RISK- 002/2019 dated October 18, 2019 on “Cyber Security & Cyber Resilience Framework for Members”. Members having Exchange Approved Algo Trading Software (ATS) are required to submit Cyber Security and Cyber Resilience audit report as per the norms specified therein.

The Cyber Security and Cyber Resilience audit report is required to be submitted to the Exchange in digitally signed soft copy within the timelines indicated below. The said reports are to be sent as an attachment only to email ID: [infosec@ncdex.com](mailto:infosec@ncdex.com)

			Due date for Submission of Reports		
Periodicity of System Audit (Audit Period)	Criteria	Type of Broker	Preliminary Audit & Executive Summary Report (Annexure –A & B)	Action taken Report (ATR) (if applicable)	Follow-on Audit Report (if applicable) (Annexure -C)
Half Yearly (April 2022 - September 2022)	All Members using ATS Facility	Type of broker – III	November 30, 2022	February 28, 2023	May 31, 2023

Preliminary audit will be conducted as per the Terms of reference (ToR) specified for Type III Broker as given in Annexure – A. The same is available in the downloads section on the Exchange website under Cyber security and Cyber Resilience Audit – Annexures September 2022.

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For findings / observations during the preliminary audit, the auditor must also report such findings in ‘EXECUTIVE SUMMARY REPORT’ as per format given in Annexure – B highlighting the major findings of the preliminary audit. The same is available in the downloads section on the Exchange website under Cyber Security and Cyber Resilience Audit – Annexures September 2022.

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The audit report should be submitted to the Exchange with management comments on any non-compliance/ non-conformities (NCs) and observations mentioned in the report and take corrective action for the observations made by the auditor on each non-compliance / non-conformities (NCs) and submit Action Taken Report (ATR), if applicable.

If Follow-on audit has been recommended by the auditor, the same may be carried out after taking necessary corrective actions. The Follow-on Audit Report is to be submitted as per Annexure – C to the Exchange. The same is available in the downloads section on the Exchange website Cyber Security and Cyber Resilience Audit - Annexures September 2022.

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### **Auditor Selection Norms**

1. The Auditor shall have minimum 3 years of experience in IT audit of 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 or cyber security and cyber resilience audit specified by SEBI / stock exchange from time to time.
2. Resources employed for the purpose of audit shall have relevant industry recognized certifications e.g. D.I.S.A. (ICAI) Qualification, CISA (Certified Information System Auditor) from ISACA, CISM (Certified Information Securities Manager) from ISACA, CISSP (Certified Information Systems Security Professional) from International Information Systems Security Certification Consortium, commonly known as (ISC2).
3. The Auditor should have experience of IT audit / governance frameworks and processes conforming to industry leading practices like CobiT.
4. The Auditor shall not have any conflict of interest in conducting fair, objective and independent audit of the Member. Further, the directors / partners of Auditor firm shall not be related to any Member including its directors or promoters either directly or indirectly.
5. 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.
6. Auditor has not conducted more than 3 successive Cyber Security and Cyber Resilience audits of the member. Follow-on audits conducted by the auditor shall not be considered in the successive audits.

The members are advised to submit the following documents in a digitally signed soft copy in PDF format to the Exchange:

- Cyber Security and Cyber Resilience Audit Report (Annexure – A) along with Executive summary (Annexure – B).
- Action Taken Report, if applicable.
- Follow-on report with management comments if applicable (Annexure – C), as per the time line provided.

Non/late submission of Cyber Security and Cyber Resilience Audit Report shall attract penal charges as mentioned below:

- Penalty of Rs. 200/- per day on members failing to submit the said reports within 1 month from the end of due date of submission,

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- Penalty of Rs. 500/- per day after 1 month but within 3 months from the end of the due date for submission and
  - Disablement of trading facility across segments after giving 2 weeks' notice for non-submission within 3 months from the end of due date for submission.
  - Disablement notice issued to the member shall be shared with all the Exchanges for information.
  - Member will be enabled only after submission of Cyber Security and Cyber Resilience Audit Report.

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

For and on behalf of  
**National Commodity & Derivatives Exchange Limited**

Sanjay Jain  
Senior Vice President and CISO – Enterprise Risk and Governance

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For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 26 62339
2. Customer Service Group by e-mail to : [askus@ncdex.com](mailto:askus@ncdex.com)