



CIRCULAR

CIR/CDMRD/DEICE/01/2015

November 16, 2015

To

**The Managing Directors / Chief Executive Officers
All National Commodity Derivatives Exchanges**

Sir/Madam,

Sub: Annual System Audit, Business Continuity Plan(BCP) and Disaster Recovery (DR)

1. Pursuant to Section 131 of the Finance Act, 2015 and Central Government notification F.No. 1/9/SM/2015 dated August 28, 2015, all recognized associations under the Forward Contracts (Regulation) Act, 1952 are deemed to be recognized stock exchanges under the Securities Contracts (Regulation) Act, 1956 with effect from September 28, 2015. This circular applies to National Commodity Derivatives Exchanges (Exchanges) as defined in the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2015.
2. While technological developments and innovations bring efficiency to the markets, they may also pose certain risks to the stability and integrity of the markets, if not identified and managed effectively. Further, any events of disaster will disrupt trading systems adversely, thereby impacting the market integrity and the confidence of investors. Exchanges should therefore have robust Business Continuity Plan (BCP) and Disaster Recovery (DR) to ensure continuity of operations.
3. In view of above, the guidelines relating to Annual System Audit, BCP and DR are as follows:

A. Annual System Audit

- I. The exchanges shall conduct annual system audit as per the prescribed audit framework which includes, audit process, auditor selection norms, Terms of Reference (TOR) and audit report guidelines in accordance



with SEBI circular no. CIR/MRD/DMS/13/2011 dated November 29, 2011.

- II. First Annual System Audit of Exchanges shall be conducted on or before June 30, 2016 for the year 2015-16 as per the provisions of the above mentioned circular. The Systems Audit Report and compliance

status should be placed before the governing board of the exchange and communicated to SEBI along with their comments.

B. Business Continuity Plan(BCP) and Disaster Recovery (DR)

- I. The exchanges shall have BCP& DR policy in place and implement the broad guidelines regarding the setting up of Disaster Recovery Site (DRS) and Near Site (NS), Configuration of DRS/NS with Primary Data Centre (PDC), DR drills / Testing, BCP DR policy document as per the provisions of SEBI circular no. CIR/MRD/DMS/12/2012 dated April 13,2012 read with circular no. CIR/MRD/DMS/17/2012 dated June 22,2012.
- II. The exchanges having DRS / NS shall align their entire set up in accordance with the provisions as mentioned in the circulars at Point B(I) on or before April 01, 2016
- III. The exchanges which do not have DRS / NS presently shall set up DRS/NS on or before September 30, 2016 in accordance with the provisions as mentioned in the circulars at Point B(I).
- IV. The exchanges shall submit their BCP – DR policy along with detailed plan of action for implementation to SEBI on or before April 01, 2016.

4. The national commodity derivatives exchanges are advised to:-

- Make necessary amendments to relevant bye-laws for the implementation of this circular
 - Communicate SEBI, the status of implementation of the provisions of this circular
5. All the provisions of this circular shall be implemented by national commodity derivatives exchanges, unless otherwise approved by SEBI.
 6. The circular is issued in exercise of the powers conferred under section 11(1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

7. The circular is available on SEBI website at i.e. www.sebi.gov.in.

Yours faithfully,

B J DILIP
GENERAL MANAGER
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Commodity Derivatives Market Regulation Department
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