National Securities Depository Ltd.

Participant Interface
Circular

Circular No.: NSDL/POLICY/2012/0047 Date: April 19, 2012

Subject: Internal and Concurrent Audit for depository operations.

Participants are aware that as per Bye Law 10.3, each Participant is required to have its depository operations audited by a qualified Chartered Accountant or a Company Secretary or a Cost and Management Accountant holding a Certificate of Practice. Such audit should be conducted at least twice a year and a copy of the report should be submitted to NSDL.

Participants are advised to refer to Circular No. NSDL/POLICY/2011/0031 dated April 8, 2011 in which guidelines related to scope of the audit and format of the audit report were provided. In light of the new KRA Regulations and KYC guidelines issued by SEBI and certain audit areas requiring further clarity, the audit report format has been modified and enclosed as Annexure 1 in track change mode and as Annexure 2 (without highlighting the changes). The broad objectives / guidelines for the internal / concurrent audit remain unchanged and are enclosed as Annexure 3. Participants are advised to take note of the following:

1. Audit program should cover all facets of the depository operations. Auditor may expand the scope of audit / add more audit points to achieve the objectives as enclosed herewith. Participants are advised to extend full co-operation to their auditors to enable them to perform an effective audit. All circulars / guidelines issued by NSDL / SEBI from time to time and other information / records desired by the auditors should be made available to them within a reasonable time.

2. Participants should forward the audit report as per schedule given below to NSDL -

Audit Period	**Due date for submission of report to NSDL**
April 1 to September 30	November 15
October 1 to March 31	May 15

3. The Participants which remain operational for less than three months in an audit period can submit audit report for that audit period along with the audit report for next audit period. For example, if a Participant is made operational by NSDL on January 1, 2012, then it can submit first audit report for period January 1, 2012 – September 30, 2012.

4. Concurrent audit should be done by the next working day. If audit cannot be completed by next working day due to large volume, it must be completed within a week.

5. Participants may appoint same auditor for concurrent and internal audit. If both audits are done by same auditor, then a consolidated report must be submitted instead of two separate reports. If two audits are being done by different auditor, then two separate reports must be submitted.

6. Participants are advised to note that the guidelines provided in this circular are applicable for audit period April 1, 2012 to September 30, 2012 and onwards.

7. Participants are hereby informed that internal and/or concurrent audit reports which are not as per guidelines will be treated as non submission of the report. NSDL reserves the right to advise a Participant to change its auditor if quality of the report is not satisfactory or the audit is not carried out as per guidelines.

8. Participants may encourage their auditors to acquire certification under NISM-Series-VI: Depository Operations.

For and on behalf of
National Securities Depository Limited

Samar Banwat
Senior Vice President

Encl: a/a

Signature Not Verified
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