Circular No.: NSDL/POLICY/2017/0041 Date: July 5, 2017

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 twice a year and a copy of the report should be submitted to NSDL.

Attention of Participants is invited to Circular No. NSDL/POLICY/2017/0013 dated March 17, 2017 in which guidelines related to scope of the audit and format of the audit report were provided. 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 are enclosed as **Annexure 3**. Participants are advised to take note of the following:

1. Audit should cover all facets of the depository operations. Auditor may expand the scope of audit / add more audit points to achieve the objectives enclosed as Annexure 3. 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, 2016, then it can submit first audit report for period January 1, 2016– September 30, 2016.

4. Audit work for areas which are covered under the scope of concurrent audit should be completed by 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 both audits are being done by different auditors, then two separate reports must be submitted.

6. Participants are advised to note that the audit report format provided in this circular is applicable for audit period April 1, 2017 to September 30, 2017 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 found to be not satisfactory or the audit is not carried out as per guidelines.

8. The auditors may visit service centers (on sample basis) to check whether proper procedures are being followed at such centers.

9. Any one person conducting the internal and/or concurrent audit (risk prone areas) should obtain certification from the National Institute of Securities Markets (NISM) by passing the NISM-Series-VI: Depository Operations Certification Examination DOCE). Alternatively, such persons, if eligible, may undergo Continuing Professional Education (CPE) program for depository operations (details available on www.nism.ac.in).

10. Internal/concurrent audit report needs to be submitted in electronic form through e-PASS platform as mentioned in circular NSDL/POLICY/2016/0091 dated November 9, 2016.

For and on behalf of
National Securities Depository Limited

Ravindra Sahu
Senior Manager

Enclosed: Three

FORTHCOMING COMPLIANCE			
Particulars	**Deadline**	**Manner of sending**	**Reference**
Investor Grievance Report (Monthly)	By 10th of the following month.	Through e-PASS	Circular No. NSDL/POLICY/2015/0096 dated October 29, 2015
Compliance Certificate (January - June)	July 31st every year	Digitally signed compliance certificate by email at nsdl-bp-inspection@nsdl.co.in Alternatively, by hard copy to Inspection Department.	Circular No. NSDL/ POLICY/2006/0023 dated July 6, 2006 and Circular No. NSDL/POLICY/2010/0017 dated February 22, 2010

Digitally signed by
Name : Ravindra Sahu
Date : 7/5/2017 4:51:44 PM
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