Circular No.: NSDL/POLICY/2017/0053 Date: September 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/2017/0041 dated July 5, 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 July 1, 2017, then it can submit first audit report for period July 1, 2017– March 31, 2018.

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 requested to note that the audit report format provided in this circular is applicable for audit period October 1, 2017 to March 31, 2018 and onwards. In respect of the audit period from April 1, 2017 to September 30, 2017 which is scheduled to be submitted to NSDL by November 15, 2017, Participants are requested to continue to refer to the audit format provided vide Circular no. NSDL/POLICY/2017/0041 dated July 5, 2017.

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**

**Ashish Kini**
**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 |
| Networth Certificate and Audited Financial Statements | September 30th every year. | By hard copy to Participant Interface Department. | Circular No. NSDL/PI/98/414 dated September 1, 1998. |

Digitally signed by
Name : Ashish Kini
Date : 9/5/2017 5:24:16 PM
Reason : Authentication