

Circular No.: NSDL/POLICY/2025/0047

April 11, 2025

Subject: Internal and Concurrent Audit of 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. Based on such audit, a copy of the report should be submitted to NSDL on half yearly basis.

Attention of Participants is invited to Circular No. NSDL/POLICY/2024/0147 dated October 10, 2024 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 are required to 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 three months or less 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 01, 2024, then it can submit the first audit report for period July 01, 2024 – March 31, 2025 by May 15, 2025.
4. Audit for areas which are covered under the scope of concurrent audit should be completed by the next working day. If the audit cannot be completed by next working day due to large volume, it must be completed within a week. Concurrent audit includes the following risk prone areas:

**National Securities Depository Limited**

3rd Floor, Naman Chamber, Plot C-32, G-Block, Bandra Kurla Complex, Bandra East, Mumbai - 400 051, Maharashtra, India.
Tel.: 91-22-6944 8400 / 6944 8500 | email: info@nsdl.com | Web: www.nsdl.co.in
Corporate Identity Number: U74120MH2012PLC230380

- i) Account opening,
- ii) Delivery Instruction Slip (DIS) book issuance,
- iii) Execution of DIS.
- iv) Power of Attorney modifications,
- v) Account closure requests initiated by Participant,
- vi) Investor grievances received by Participant,
- vii) Providing Transaction Statements to clearing members (process level)
- viii) KYC reconfirmation intimated by NSDL and initiated by Participant,
- ix) Replacement of Original DIS image in tamper proof storage
- x) Non Disposal Undertakings (NDU)
- xi) Modification in the name of client (including minor correction in name)
- xii) Client data modifications
- xiii) Accreditation of investors (IGP)
- xiv) Freezes due to statutory orders (freeze reason codes 15 to 33)
- xv) Pledge & Hypothecation (w.e.f October 1, 2020)
- xvi) Margin Pledge / Re-Pledge
- xvii) Online account closure by client
- xviii) Execution of Electronic/ E-DIS

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 October 01, 2024 to March 31, 2025.
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 should visit adequate number of 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. While submission of Internal Audit Report (IAR), kindly ensure that all the auditor's details are updated on e-pass portal i.e. Certification number, Certificate validity date, address of the auditor etc. as per NSDL Circular NSDL/POLICY/2024/0083 dated June 13, 2024.
11. It is recommended to rotate Internal Auditor by the Participant to break any continued long-term association of an audit firm / partner with the Participant.

For any information/clarifications, Participants are requested to email at nsdl-bp-inspection@nsdl.com or contact Mr. Rohit Kumar at rohitk@nsdl.com.

**For and on behalf of
National Securities Depository Limited**

**Arockiaraj
Manager**

Enclosures: Three

FORTHCOMING COMPLIANCE			
Particulars	Deadline	Manner of sending	Reference
Investor Grievance Report (Monthly)	By 10 th of the following month	Through e-PASS	Para 22 of 'Grievance Redressal' chapter and Para 28 of 'Internal Controls/Reporting to NSDL/SEBI' chapter of NSDL Master Circular for Participants
Compliance report w.r.t Same Mobile number and/ or email address captured for multiple accounts. (monthly)	Before 27 th of following month	Through Email.	Circular No.: NSDL/POLICY/2024/0115 dated August 21, 2024 and email communication dated March 27, 2025.
Risk based Supervision of Participants (Half yearly)	By April 30 th	Through e-PASS	Para 7 of NSDL Master Circular for Participants on 'Internal Controls/Reporting to NSDL/SEBI' chapter.
Tariff Sheet (yearly)	By April 30 th	Through e-PASS	Para 23 of NSDL Master Circular for Participants on 'Internal Controls/Reporting to NSDL/SEBI' chapter.
Reporting of status of the alerts generated by Participants (Quarterly)	Within 15 days from end of the quarter	Through e-PASS	Para 11.6 of NSDL Master Circular for Participants on 'Internal Controls/Reporting to NSDL/SEBI' chapter.
Cyber Security & Cyber Resilience framework of Depository Participants (Quarterly)	By 15 th of the following month.	Through e-PASS	Para 2.62 of NSDL Master Circular for Participants on 'Internal Controls/Reporting to NSDL/SEBI' chapter.


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