

Circular No.: NSDL/POLICY/2023/0141

October 04, 2023

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/2023/0048 dated April 01, 2023 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 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 01, 2023, then it can submit first audit report for period January 01, 2023 – September 30, 2023.
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. Concurrent audit includes following areas:



- 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 April 01, 2023 to September 30, 2023 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 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. It is recommended to appoint / rotate Internal Auditor by the Participants to break any continued long term association of an audit firm / partner with the management of a Participants.

For any information/clarifications, Participants are requested to email Participant-Interface@nsdl.com or contact Mr. Rohit Kumar at rohik@nsdl.com.

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

**Arockiaraj
Manager**

Enclosed: One

FORTHCOMING COMPLIANCE			
Particulars	Deadline	Manner of sending	Reference
Investor Grievance Report (Monthly)	By 10 th of the following month	Through e-PASS	Para 20 of NSDL Master Circular for Participants on 'Grievance Redressal' chapter.
Networth Certificate and Audited Financial Statements (yearly)	October 31 st	Through e-PASS	Para 27 of NSDL Master Circular for Participants on Internal Controls/Reporting to NSDL / SEBI chapter and Circular Nos. 1.NSDL/POLICY/2023/0069 dated June 16, 2023, 2.NSDL/POLICY/2023/0122 dated September 11, 2023, 3.NSDL/POLICY/2023/0131 dated September 25, 2023.
Artificial Intelligence /Machine Learning Reporting Form (if offering or using such technologies as defined) (Quarterly)	By 15 th of the following month.	Through e-PASS	Para 10 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 2.59 of NSDL Master Circular for Participants on 'Internal Controls/Reporting to NSDL/SEBI' chapter.
Internal/ Concurrent Audit Report (April - September)	November 15 th	Through e-PASS	Para 20.4 of NSDL Master Circular for Participants on 'Internal Controls/Reporting to NSDL/SEBI' chapter and Circular No. NSDL/POLICY/2023/0141 dated October 04, 2023.
Risk Assessment Template (April - September)	October30 th	Through e-PASS	Para 7 of NSDL Master Circular for Participants on 'Internal Controls/Reporting to NSDL/SEBI' chapter.
Reporting of status of the surveillance alerts generated by Participants- (Quarterly)	Within 15 days from end of the quarter	Through e-PASS	Para 11.7 of NSDL Master Circular for Participants on 'Internal Controls/Reporting to NSDL/SEBI' chapter.

