

XVIII. AUDIT & COMPLIANCE

1. What are the documents which a DP should submit to CDSL periodically?

Following documents should be submitted by a DP to CDSL within the prescribed time limit:

Sr. No.	Particulars	Periodicity for submission of reports	Due dates for submitting reports
1.	BO Grievances Report	Monthly	10 th of the following month
2.	Internal Audit Reports and concurrent audit of risk prone areas	Half yearly	15 th May for half year ended 31 st March & 15 th November for half year ended 30 th September
3.	Audited Net Worth Certificate	Yearly	30 th September, after end of each financial year.
4.	Audited Financial Statements	Yearly	30 th September, after end of financial year
5.	Submission / Dissemination of DP Tariff / Charges structure	Yearly	On or before 30 th April every year or as and when tariff structure is revised
6.	Compliance Officer Details	If new officer appointed or any change in the office	Immediately
7.	Change of Registered office Address	In case of change of registered office address of the DP	Immediately
	Change of Operational office address	In case of change of operational office address of the DP	Immediately
	Change of Name of the DP	In case of change of name of the DP	Immediately
	Change in Directors	In case of change in names of directors	Immediately

	Change in shareholding pattern	In case of change in shareholding pattern	Immediately
8.	Compliance report for Internal audit/ Inspection	As and when received by the DP	The same is to be submitted within 30 days of the receipt.

2. Are there any other reporting requirements for a DP?

In addition to the above documents / reports which are to be submitted to CDSL on periodic basis, every DP, upon discovering any loss of any securities, instruments or documents that may have come into its hands in the course of its business, notify CDSL , the concerned Issuer or its RTA and BO in that behalf.

Further, clause 16 of the agreement between CDSL and DP lays down the events which a DP should notify CDSL immediately.

3. How can a stock broker DP monitor the limit prescribed by SEBI on the aggregate value of portfolio of securities (AVPS) held by its BOs?

SEBI has prescribed that a stock broker DP having net worth of less than Rs. 10 crores shall ensure that the AVPS of the beneficial owners held in demat form through him, shall not exceed 100 times of the net worth of the stock broker.

CDSL monitors the aforementioned limit for its stock broker DPs on daily basis and intimates the stock broker DP when the multiple of its AVPS to its net worth crosses 75 times. The stock broker DP should take necessary precautions and /or increase its net worth. When the multiple of AVPS to net worth crosses 90 times, CDSL restrains such stock broker DP from opening new accounts till the time it brings the exposure below the required limit or increase its net worth by 25%.

4. Who can conduct internal audit and/or concurrent audit of risk prone areas of the DPs?

The internal and /or concurrent audit of risk prone areas of the DP should be conducted by an independent qualified Chartered Accountant or Company Secretary in practice. At least one person conducting the internal and /or concurrent audit of risk prone areas should be either BCCD certified or should have participated in the training programme conducted by CDSL. The report should contain a declaration to that effect.

A DP can appoint the same auditor firm for conducting internal audit and concurrent audit of risk prone areas.

5. Is there any specific format for the report on internal audit and concurrent audit of risk prone areas ?

The scope and areas to be covered by the internal and concurrent audit of risk prone areas are specified by CDSL from time to time. The DPs are required to instruct their auditors to follow such format prescribed by CDSL from time to time.

6. What are the salient features of the penalty structure of CDSL?

Penalties are of two types, viz. penalty points and monetary penalty. The penalty points are converted into monetary penalty after reaching the threshold limit. The schedule of penalties, forming part of the Operating Instructions for the DPs, lays down the non-compliances for which monetary penalty / penalty points are levied.

If the DP sends the compliance report within the prescribed time limit for the non-compliances which attract penalty points, the proceedings for imposition of penalty points may be dropped. But, the monetary penalty is imposed for the non-compliance observed irrespective of confirmation of compliance at a later date.

7. Whether Power of Attorney (POA) copy needs to be notarized & Stamped?

The POA must be duly stamped. Notarization thereof, is at the discretion of the DP. In case a copy of the POA document is submitted, the same should be certified as a "TRUE COPY" by the BO(s).

8. Is PAN mandatory for opening a demat account?

To open a demat account PAN is mandatory. Obtaining Pan Card details of all the holders is compulsory for all categories of demat account holder(s). PAN would be the sole identification number for all participants transacting in the securities market irrespective of the amount of transaction. Except Certain categories of BOs viz Custodian, Governor, Commodity accounts, President of India, Sikkim Resident, UN entities/Multilateral Agencies, Deceased Holder who are exempted from obtaining PAN card details.

9. Who can carry out in-person verification of applicants at the time of opening demat accounts of non body corporates?

DP staff has to carry out the 'in-person' verification at the time of opening demat accounts

10. Can DP freeze an account of the BO ?

DP can not freeze an account of the BO unless

- The BO has given an instruction for the same or
- Order from statutory / regulatory authority is received for freezing of such an account.