



Central Depository Services (India) Limited

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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/A,I&C/DP/POLCY/2019/498

October 01, 2019

RISK ASSESSMENT TEMPLATE

DPs are requested to refer to communiqué CDSL/A,I&C/DP/POLCY/2019/165 dated March 29, 2019 on Risk Assessment Template.

2. SEBI had formulated a “Risk Assessment Template” in consultation with depositories and directed to provide the data/information related to the DPs to SEBI, on half yearly basis. Risk assessment template has been divided into three parts viz. Profile of DP, Risk categories and Impact Parameters. The data/information in the Risk Assessment Template for Profile of DP and Risk categories is required to be provided by the DPs.

3. The information provided by the DP for the half year period from 01.10.2018 to 31.03.2019 in “Profile of the DP” and “Risk Categories” can be viewed and the DP will be required to verify and make necessary changes if any for the period from 01.04.2019 to 30.09.2019 in the Risk Assessment Template Module on WebCDAS application. The DPs will be responsible for accuracy of all the information which will be provided in Risk Assessment template. Hence, the DPs should ensure that maker-checker concept is followed and correct data/information is provided. Refer communiqué [CDSL/A,I&C/DP/POLCY/4954](#) dated January 21, 2015 for detailed procedure, for creation of log in, for user class “maker” and “Compliance officer”.

4. For entering/updating of data/information, in Risk Assessment Template, the process is given below:-

- DPs should enter/update the data/information in Risk Assessment Template for the period from 01.04.2019 to 30.09.2019 on WebCDAS on or before 31st October 2019.
- All fields in the Risk Assessment Template must be filled in by the DPs. The information in the template is required to be given either in “Number” or in “Text”. If a DP has nothing to report under a particular item, the comment should be “Zero” (0) in case of information to be provided is a “Number” and in case of information to be provided is a “Text”, the comment should be “Not Applicable”.(NA).
- Data entered by maker can be modified using Modify option until it is verified by the checker.



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- Main DP should consolidate the data pertaining to its live connected branches with Main DP and submit the same. The details of Head Operations, Compliance officer, Principal Officer and Designated Director should pertain to Main DP only.
- The maker can only modify the data in Risk Assessment Template till such time the Compliance officer does not click the “Accept” button.
- Print report option is available in the inquiry menu. This report is in pdf format.
- After cutoff date, system will not allow a DP user to enter/modify data.

5. The DPs are advised to refer to Annexure A (copy enclosed) relating to common errors observed by CDSL, before entering the data/information in the Risk Assessment Template.

Queries regarding this communiqué may be addressed to CDSL–Audit on telephone no. (022) 2305- 8679, 8691, 8678 and 8513.

Latha Nair
Assistant Vice President – Audit, Inspection & Compliance

Annexure - A

(A) - Description in the Template	(B) - Expected information from the DP	(C) - Error Observed
<p>Number of clients categorized as high risk clients</p>	<p>Information on total count of high risk clients or clients in special category from inception of DP operations should be provided</p>	<p>Error 1) it was observed that the information was given only for the account opened during the period from 01.10.2018 to 31.03.2019.</p> <p>Error 2) As per Communiqué 2236, the "Special Category Clients" are: NRI / Foreign Nationals/ PEP / Trust , Charities, NGOs / High Net worth clients / Companies having close family shareholdings or beneficial ownership etc. It was observed that DPs had accounts in the above mentioned category but the information was given as NIL.</p> <p>The information needs to be bifurcated into two segments as mentioned in the column D.</p>
<p>Number of clients categorized as clients in special category.</p>		
<p>Total no. of persons associated in DP activities.</p>	<p>Total no. of persons associated with DP operations eg: Maker, Checker, Verifier, Compliance Officer, Head of Operations, Principal Officer, Designated Director etc (whoever is involved in DP operations)</p>	<p>DPs had only given the count of Maker, Checker and Verifier i.e. persons employed in the DP and the rest were left out.</p>
<p>Name, address, contact details of Key Management Personnel</p>	<p>Header</p>	<p>Header</p>
<p>Phone No. of the Head of DP operations</p>	<p>As per the description (Details were to be filled in horizontally in different columns).</p>	<p>Complete phone numbers were not given e.g.: mobile number should have 10 digits but only 8 or 9 digits were mentioned. Similar mistakes were made for landline numbers.</p>
<p>Email Id of the Head of DP Operations</p>	<p>It has been bifurcated into 2 different rows</p>	
<p>Phone No. of the Head of the Compliance Officer</p>	<p>As per the description (Details were given in horizontal manner in different columns)</p>	<p>Complete phone numbers were not given e.g.: mobile number should have 10 digits but only 8 or 9 digits were mentioned. Similar mistakes were made for landline numbers.</p>
<p>Email Id of the Compliance Officer</p>	<p>It has been bifurcated into 2 different rows</p>	
<p>Phone No. of the Principal Officer</p>	<p>As per the description (Details were given in horizontal manner in different columns)</p>	<p>Complete phone numbers were not given e.g.: mobile number should have 10 digits but only 8 or 9 digits were mentioned. Similar mistakes were made for landline numbers.</p>
<p>Email Id of the Principal Officer</p>	<p>It has been bifurcated into 2 different rows</p>	
<p>Phone No. of the Designated Director</p>	<p>As per the description (Details were given in horizontal manner in different columns)</p>	<p>Complete phone numbers were not given e.g.: mobile number should have 10 digits but only 8 or 9 digits were mentioned. Similar mistakes were made for landline numbers.</p>

(A) - Description in the Template	(B) - Expected information from the DP	(C) - Error Observed
Email Id of the Designated Director	It has been bifurcated into 2 different rows	
Name and % of holdings for top 10 shareholders (wherever applicable)	Names and % of holding of the top 10 share holders in the descending order should be provided.	The data was captured in the template as provided by the DP in previous Internal Audit Report. The DPs were required to verify and do the rectification and to provide only the details of top 10 Shareholders, which many DPs did not do.
Name of Outsourcing Agency (excluding services outsourced to CDSL)	Information on name of the vendors / agency to whom the DP activities have been outsourced (excluding activities outsourced to CDSL)	<p>Error 1) Under Risk categories one point was – “No. of activities outsourced (excluding outsourced to CDSL” The DPs had provided the number of activities but the name of the agency to whom they were outsourced was not given e.g.: DP had mentioned 3 activities outsourced but name of Outsourcing agency was not given and VICE VERSA i.e. Name of the outsourcing agency was provided but count was given as NIL.</p> <p>Error 2) The DPs were required to give the information only for the activities outsourced to agencies other than CDSL. However, many DPs had mentioned as “CDSL”</p>
Types of activities outsourced (excluding services outsourced to CDSL)	Information on types of DP activities outsourced (excluding activities outsourced to CDSL).	<p>Error 1) Under Risk categories one point was - “No. of activities outsourced (excluding outsourced to CDSL)” The DPs had provided the information on Types of activities outsourced. However, the number of activities was given as "0" and vice versa. e.g. 3 activities outsourced but no details provided for type of activities outsourced.</p> <p>Error 2) The DPs were required to give the information only for the activities outsourced other than depository. However, many of the DPs had mentioned as Despatch of Transaction Statements to CDSL.</p>
Governance and Oversight / Ownership : Constitution of Board of Directors	Header	Header

Annexure - A

(A) - Description in the Template	(B) - Expected information from the DP	(C) - Error Observed
No. of Independent Directors	As per the description	The DPs had given no. of directors. and Independent directors as the same. Independent Director means a director appointed as Independent Director who is neither a managing Director nor Whole time Director nor a nominee of a shareholder and who is not a promoter of the company or its holding, subsidiary or associate company and who is not related to promoter/director of the company and who has no pecuniary (relating to or involving money; "monetary rewards";) relationship with the company/its holding company/or its subsidiary company)
(A) - Description in the Template	(B) - Expected information from the DP	(C) - Error Observed
Disciplinary actions initiated / pending against the following by SEBI, Depository or any other regulatory authority.	Header	Header
Out of the total no. of associated persons in DP activities, percentage (%) of associated persons mandatorily to have NISM certification.	The information required was in percentage terms and not absolute count. The DP should calculate the percentage of total count of persons (excluding junior/elementary level persons) eligible for NISM certification to total no. of associated persons in DP activities e.g.: if out of 10 associated persons 8 have to have mandatory NISM certificated, then DP should mention 80 (i.e. 8/10*100)	Error 1) Instead of percentage DPs had given the absolute count Error 2) DP had excluded senior level associated persons for e.g. Designated Director / Principal Officer etc. from the count of associated persons who are required to have mandatory NISM certificate. The description has been modified as mentioned in the column D.
Out of the total no. of associated persons mandatorily to have NISM certification, percentage (%) of associated persons not completed NISM certification.	The information required was in percentage terms and not absolute count. The DP had to calculate the percentage of total count of persons not completed NISM to the total associated persons required to have mandatory NISM certification eg: If out of 8 associated staff who were required to have mandatory NISM certification and 2 associated persons are still not completed NISM, then DP should mention 25 (i.e. 2/8*100)	Error 1) Instead of percentage DPs had given the absolute count Error 2) DP had excluded senior level associated persons for e.g.: Designated Director / Principal Officer etc. from the count of associated persons who are required to have mandatory NISM certificate. Error 3) The information required was of associated persons not completed NISM but many DPs gave the information of all associated persons who had completed NISM. The description has been modified as mentioned in the column D.
House Keeping	Header	Header

(A) - Description in the Template	(B) - Expected information from the DP	(C) - Error Observed
Whether DP has computerized / automated system to process instructions received from POA holders to debit the clients account. (Processed through easiest or digitally signed)	As per the description	NA
Amount (in Lakhs) where compensation was paid to client due to errors of DP	The information was required in rupees in lakhs for eg: 2.00 (i.e for 2 lakhs) / 0.10 (i.e for 10 thousand)	The DPs had mentioned the actual figure e.g. 200000 or 10000 instead of rupees in lacs with decimals as mentioned in column B.
Outsourcing Risk	Header	
Any DP related activity outsourced (excluding outsourced to Depository) - No. of DP activities	Count of DP activities outsourced excluding the activities outsourced to Depository (e.g.: despatch of transaction statement to CDSL)	<p>Error 1) In profile of the DP two points are mentioned as - Type of activities outsourced and Name of Outsourcing Agency</p> <p>The DP had provided count under No. of DP activities outsourced. However, under Type of activities outsourced and Name of Outsourcing Agency no information was provided and vice versa. i.e. under Type of activities outsourced and Name of Outsourcing Agency information was provided but count under No. of DP activities outsourced was given as "0"</p> <p>Error 2) As the information required was excluding activity outsourced to Depository, many of the DPs had added the same in the count.</p>
Review of audit and compliance function.	Header	Header
Whether Depository inspection report and corrective action taken has been put before the board?	The information was to select Drop down for selection of Yes / No / NA. PS: As per the requirement even clean report needs to be placed before the board	If the DP is new and no inspection is carried out by CDSL, then the DP should select "NA". OR In case of an existing DP, if CDSL has not conducted inspection during the half year or no board meeting of the DP is held after CDSL inspection, then only the DP should select "NA".
Whether SEBI inspection report and corrective action taken has been put before the board?	The information was required to be selected from bullet selection Yes / No / NA. PS: As per the requirement even clean report needs to be placed before the board	If no SEBI audit has taken place during the half year or no board meeting of the DP is held after SEBI inspection, then only the DP should select "NA".

Annexure - A

(A) - Description in the Template	(B) - Expected information from the DP	(C) - Error Observed
Whether where Internal Audit report / Concurrent Audit report and corrective action taken has been put before the Board?	The information was to select Drop down for selection of Yes / No / NA. PS: As per the requirement even clean report needs to be placed before the board	Only for new DP, if the Internal audit is done for the 1st time and there was no board meeting conducted thereafter, the DP should select option "NA".
Whether board of the DP was satisfied with the corrective actions taken?	The information was to select Drop down for selection of Yes / No / NA. PS: As per the requirement even clean report needs to be placed before the board	In case of new DP, if no CDSL / SEBI inspection or Internal audit has been conducted or if conducted, no Board meeting of the DP is held thereafter, the DP should select option "NA".