

Annexure A

CONCURRENT AUDIT OF RISK PRONE AREAS OF DP OPERATIONS

The Concurrent Auditors should verify below mentioned areas on 100% basis:

Account Opening:

1. Proof of identity is obtained from all holders of a non-body corporate as per SEBI, PMLA and CDSL requirements.
2. Proof of Address is collected from all holders as per SEBI, PMLA and CDSL requirements.
3. Proof of identity and address of third party is obtained and due diligence is done as prescribed by SEBI, PMLA and CDSL, in case third party address is obtained as correspondence address.
4. The DP has obtained the proof of correspondence address and kept on record, if the BO is registered with KRA and does not want to use the correspondence address mentioned in the KRA system.
5. All KYC documents are self-attested by the BO(s) and signature(s) of client(s)/ authorised signatories provided on account opening form and KYC documents is/are matching.
6. The DP has actually verified documents with originals and affixed the stamp accordingly on all KYC documents.
7. Translation into English is on record of the DP, if any proof of identity or proof of address is in foreign language.
8. The DP has captured the KYC information for sharing with the Central KYC Records Registry in the manner mentioned in the PMLA Rules, as per the KYC template for "individuals" finalised by CERSAI.
9. The DP has uploaded the existing clients' KYC details with Central KYC Records Registry (CKYCR) System.
10. The requirement of obtaining PAN card details has been complied with.
11. PAN details are verified with the database of Income Tax Department and stamp of "PAN Verified" has been affixed on the photocopy of the PAN card(s) for all the account holders.
12. The DP has correctly & adequately entered PAN details in CDSL system.
13. The DP does "In person verification" as prescribed by SEBI, PMLA and CDSL guidelines and maintains record of in-person verification.
14. Photograph(s) of BO(s) is/are collected and is signed across by the account holder.
15. The DP has performed initial KYC and uploaded the information in KRA system and furnished the scanned images of the KYC documents to the KRA (within 10 days from the date of execution).
16. Corrective actions are taken by DP, for cases kept on hold / rejected by KRA
17. The DP downloads/ fetches the documents from KRA site and maintains electronic records of KYCs of BOs where initial KYC is registered through other intermediary.
18. The DP has uploaded the modification / missing data in the MF-KYC verified cases on the KRA system.

19. Necessary documents / information as per guidelines prescribed by SEBI and CDSL have been collected from different types of BOs such as individual investors (Minor, HUF, and NRIs etc), CMs, Corporate, OCBs, Trusts, etc.
20. The procedures prescribed by CDSL for opening the demat account of illiterate / disabled person/ blind or person suffering from cerebral palsy/autism/mental retardation and multiple disabilities are being complied with.
21. Partnership / proprietorship firm accounts are opened as per operating instruction 2.4.5.
22. There is a mechanism to ensure that the details of account opening forms are entered correctly in the CDAS and opened under appropriate category.
23. PMS Demat account opened by the DP is as per the guidelines issued by CDSL /SEBI.
24. The procedure prescribed by CDSL for opening & operating the AMC CM accounts for settlement of Mutual Fund units is being complied with.
25. Nomination is made as per the procedure prescribed by CDSL and nomination form is duly filled, executed and updated in CDAS.
26. Proof of bank details is obtained as prescribed by CDSL and same has been entered in CDAS.
27. The information on Financials of BOs is obtained in the account opening form.
28. The DP has opened BSDA account as per guidelines issued by SEBI and CDSL.
29. The DP has given Rights & Obligations document to the BOs and kept acknowledgement on record in case of new demat accounts opened.
30. The DP has not done any alterations in the contents of the SEBI specified Rights and Obligations document.
31. The DP-CM agreement has been executed for CMs of BSE, in case of CM account opened by the DP.
32. The DP has not executed any Supplementary agreement/undertaking with the BO, which is contradictory to SEBI specified Rights and Obligations document.
33. Signatures of authorised signatories are properly scanned in CDAS and Back Office System along with mode of operation as per Board resolution.
34. BO signatures have been appropriately scanned in CDAS and Back office system.
35. Client Master Report has been provided to the BOs. (Through email, physical, through DP's web site etc.).
36. Tariff Sheet has been signed by the BO at the time of account opening.
37. The DP has created master POA ID for all POA holders in CDSL system and mapped to the respective demat accounts where DIS is issued to POA holder.
38. The DP ensures that separate mobile number and email address is being captured for each client by checking against existing demat accounts within the same DP. (Refer Communiqué 5139)
39. DP opens demat account using SARAL account opening form which is as per SEBI/ CDSL guidelines.
40. DP has obtained FATCA/CRS declaration from the BOs.

41. The DP is in Compliance with SEBI Circular on Implementation of the Multilateral Competent Authority Agreement and Foreign Account Tax Compliance Act
42. Special care is taken to check genuineness of the client if disproportionately large numbers of accounts are opened with the same or similar names and/or same address and/or with the same bank account details.

BO Account data modifications including POA:

1. Modification to account details is done only after accepting account modification form/letters duly signed by BO(s) except for the demographic details.
2. Modification to account details is updated in CDAS and Back office system and intimated to the BO.
3. In case of Change of address, self-attested proof of address has been obtained from the BO & procedure prescribed by KRA is followed by the DP.
4. In case of change in address of the BO, confirmation letter is sent to BO at old as well as new address.
5. In case of change in name of the BO, DP has followed the procedure and obtained the documents as prescribed by SEBI/CDSL & procedure prescribed by KRA is followed.
6. Rectification in the name of the BO (individuals and non-individuals) on account of typographical error at DP end is carried out as prescribed in the Communiqué 5141 and required documents are kept on records.
7. In case of change of signature of the BO (Individual or Corporate), procedure as prescribed by CDSL and SEBI is followed.
8. Mode of operation is specified correctly in the CDAS and Back office system while effecting change in signature.
9. Change in bank account details with proof has been obtained and entered in CDAS as prescribed by SEBI and CDSL.
10. Nomination is modified / updated / captured as per CDSL guidelines
11. Power of Attorney modification is done as per CDSL guidelines.
12. DP has mandatorily registered the BO for SMART (SMS Alert) facility, at the time of setting up POA (in case of POA given to Broker / DP)
13. PAN details have been modified / updated / captured correctly in CDAS and Back office system and procedure prescribed by KRA is followed.
14. Account modification in respect of change in email address and Mobile no. has been carried out only on the basis of the instructions received from the BO.

Issuance of Delivery Instruction Slips (DIS):

1. The DP has issued standardised DIS as per SEBI Circular CIR/MRD/DP/ 01/2014 dated January 07, 2014 and CDSL communiqué 4488 dated June 9, 2014.
2. The DP has entered / uploaded the issuance details of DIS booklet issued to BOs in CDAS.
3. There is a control over issue of instruction slips to the BOs e.g. proper records of instruction slip serial numbers vis-à-vis account number. (DIS issue register and Back office system).
4. There is a proper inventory control mechanism for instruction slip booklets.
5. The physical inventory is tallied with the inventory records at prescribed intervals.
6. The first instruction slip booklet is being issued as per the procedure prescribed for the same.
7. In case of first instruction slip booklet is not issued to the BO, (only in case where BO has given power of attorney to CM or PMS Manager), consent of the BO has been obtained for the same.
8. Instructions slips have been issued to the BO for the account under BSDA as per SEBI guidelines.
9. There is a system to issue delivery instruction booklets to the BOs based ONLY on the requisition slip which forms part of the earlier issued instruction slip booklet and is signed by all account holders.
10. Signature of BO in the CDAS system and Back office software, matches with the requisition slip and issuance register.
11. If any instruction slip booklet is issued on the basis of letter instead of requisition slip, the procedure prescribed under operating instructions 6.5.1.12 is followed.
12. DIS issued on the basis of requisition slip to person other than BO (to the bearer), signature of the bearer is attested by the BO on the requisition slip / authority letter and acknowledgement is obtained for the receipt of the DIS booklet.
13. Requisition slip has pre-stamped BOID and pre-printed instruction slip serial number range / booklet no. of the DIS booklet of which it forms a part.
14. The DIS issued to BOs have pre-stamped BO ID and pre-printed serial number.
15. Issuance of loose delivery slips to BOs, if any, is as per the procedure prescribed by SEBI / CDSL.
16. The DP has not issued more than 10 loose DIS to any account holder in a financial year (April to March).
17. The DP has captured details of Undelivered DIS serial numbers in CDAS on receipt of the information. (Refer communiqué 5327)

Execution of Instruction Slips (DIS):

1. There is a system to verify the instruction slip number against the issue details at the time of receipt from the BO
2. There is a system for blocking of DIS serial numbers that are already used or reported lost/misplaced/stolen
3. There is a system to ensure that DIS having transactions with value more than Rs. 5 lakhs are verified by a senior official and additionally checked by another employee (two step verification).
4. The DP has systems and procedures to double check transactions originating from dormant accounts as a risk containment measure and DP verifies transactions originating from dormant accounts independently with the account holders before execution and records the details of verification on instruction slip (O.I - 6.5.4.9)
5. All debit transactions pertaining to the government securities have been executed only after receipt of authorization from the BO
6. DP does scanning and uploading of all DISs entered/executed in the system within stipulated time period and checks from DPU4 report for pendency of scanning and uploading of DIS
7. The DP uses its 'easiest' login for processing of instruction(s) at least once in a month (Note: DP does processing of instruction(s) based on DIS and enters DIS serial number for files uploaded by DPs through easiest, DIS serial no. will be required.)
8. For all the transactions executed during the day, the duly signed DIS are available on record of the DP and all such DIS are scanned and uploaded in CDSL system within stipulated time period.

Transaction Statements:

1. The details of statement of transactions generated from back office match with the statements generated from CDAS system.
2. Records for transaction statements provided to BO, giving details such as account number, date of dispatch; period for which the statement was dispatched etc. is maintained.
3. Main DP sends the statement of account (transaction/holding statement) to all BOs as per SEBI and CDSL guidelines.
4. The DP has obtained written consent of the BO, if the statements are being sent in electronic form and in accordance with guidelines prescribed by CDSL.
5. The statements of account are sent under digital signature of DP official, if sent in electronic form.
6. If the job of dispatch of transaction and holding statements is assigned to CDSL for specific BOs, Main DP dispatches the same to the remaining BOs.

Account closure initiated by DP:

1. Notice not less than 30 days is given to the BO before closing his account, in case account closure is initiated by DP.

Transmissions:

1. The transmission requests are processed in accordance with the procedure prescribed by CDSL / SEBI/ PMLA like obtaining duly filled TRF and notarized /attested (by a Gazetted officer) copy of death certificate ,and processing the same within 7 days of receipt of the same etc.

BO Grievances / Redressal:

1. There is a system in place to record and redress all grievances of BOs arising at the DP and at its service centres within the stipulated time of 30 days, including grievances received through e-mails, depository, and SEBI.
2. Any BO grievance was pending for more than 30 days for reason other than 'pending demats' and whether the same was appropriately reported to CDSL.

Non Disposal Undertakings (NDUs):

1. Set-up /Modification / Termination of Non Disposal Undertakings (NDUs) is done appropriately.

Freeze/Unfreeze Instructions:

1. Freeze/Unfreeze instructions are processed as per procedure prescribed by CDSL/SEBI (SEBI Circular SEBI/HO/MRD2/DDAP/CIR/P/2020/137 dated July 24,2020)
2. Freeze instructions initiated as per statutory orders.

Pledge/Unpledge Instructions:

1. Pledge/Unpledge/hypothecation instructions are processed as per prescribed procedure
2. Margin Pledge/Repledge instructions are processed as per prescribed procedure.

Back Office:

1. Back office software is being used extensively for all DP activities and all transactions are uploaded in CDAS.
2. Back office is updated daily for the transactions done on the CDAS.

Details of the Audit Firms to be provided (Mandatory requirement) :

Name of the Audit Firm conducting risk prone concurrent Audit	:	
Address of the Audit Firm	:	
Name of the Contact Person	:	
Office Phone No.	:	
Mobile No.	:	
Email id of the Firm	:	
Membership No. of the Auditor	:	
NISM – DOCE / CPE Certificate no. [of any one person conducting the risk prone concurrent audit] name of the person to be mentioned.	:	
Date till which certificate is valid	:	DD-MMM-YYYY

Stamp/Seal & Signature of the Concurrent Auditors : _____ **Date:** _____

Management Comments : _____

Stamp and Signature of the Depository Participant : _____ **Date:** _____