



Central Depository Services (India) Limited

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COMMUNIQUE TO REGISTRAR & TRANSFER AGENTS

CDSL/AUDIT/RTA/1205

July 12, 2016

FORMAT FOR REPORT ON INTERNAL AUDIT OF REGISTRAR AND TRANSFER AGENT

Attention of Registrar and Transfer Agent (RTA) is drawn to CDSL Bye Laws 12.9 which states that every Issuer or its Registrar and Transfer Agent shall ensure that an internal audit in respect of its depository operations is conducted at intervals of not more than six months by a qualified Chartered Accountant or a Company Secretary or a Cost and Management Accountant, holding a Certificate of Practice and a copy of the internal audit report shall be furnished to the Depository.

2. In view of the above, all Issuers or its RTAs are advised to note that the guidelines provided under this communiqué will come into effect from the Internal Audit Report for the year ended **September 30, 2016** and thereafter on half yearly basis as per the schedule of due dates mentioned below. The scope, objectives, mandatory contents and the checklist of the internal audit report is enclosed as **Annexure-A**.

The schedule for submission of internal audit reports to CDSL is reiterated below: -

Half year	Period of Internal Audit	Due date for submission of the report
1 st	1 st April to 30 th September	15 th November
2 nd	1 st October to 31 st March	15 th May

3. Submission of internal audit report not in the prescribed format will be treated as non-submission. Further, the Issuer or its RTAs which have been activated during the half-year ended 30th September, 2016 should submit the internal audit report pertaining to the period from the date of activation till the end of the half year.

4. Further, as per CDSL Bye Laws 12.10, every Issuer or its Registrar and Transfer Agent shall ensure that internal audit findings along with management comments are placed before its Board of Directors in respect of its depository operations.

5. RTAs are required to bring this to the notice of the internal auditors and ensure compliance.

Queries regarding this communiqué may be addressed to **CDSL – Audit, Inspection & Compliance Department** on telephone nos. (022) 2272-5152, 2272-5097, 2272-8164 & 2272-8564.

Farokh
Jal Patel

Farokh Patel
Vice President – Audit, Inspection & Compliance

The internal audit should cover activities in respect of depository operations carried out by Registrar and Transfer Agent (RTA). A checklist of audit points is given below which stipulates the minimum areas to be verified. Over and above of the same, internal auditors may adopt more stringent requirements and expand the scope of audit or add more audit points to achieve the internal audit objectives listed below.

OBJECTIVES OF INTERNAL AUDIT: -

The following are the broad objectives of internal audit function of operations of an RTA: -

- a. To ensure that the Registrar and Transfer Agent (RTA) is complying with, Circulars issued by SEBI, Bye Laws and Operating Instructions for RTA, Communiqués issued by CDSL and the agreement entered with the CDSL.
- b. To ensure that the required internal controls, checks and risk management procedures are in place.
- c. To ensure that the manpower, procedures and systems of the RTA are adequate with respect to the current and projected business of the RTA.
- d. To ensure that appropriate risk management policy with internal control and exception reporting mechanism is in place.
- e. To ensure that the systems are managed in a manner to ensure that there is no risk to business continuity and integrity of data processing system is maintained at all times.
- f. To ensure adequacy of procedures with respect to maintenance of records. In the event of loss or destruction of data, sufficient backup of records should be available at all times.

AUDIT REPORT: -

The audit report should contain the following:

- 1) The scope, objectives, period of coverage and nature and extent of audit work performed.
- 2) The minimum sampling plan should be as mentioned in this communique under the head "Sampling Plan" and mention in the audit report as per the format provided for. The internal auditors should draw samples taking into consideration all ISINs managed (Listed/Unlisted) by the RTA/Issuers and give weightage to companies having higher volume of transactions. Also more samples should be drawn from listed Companies on exchanges.
- 3) Observations on all the checklist points should be commented highlighting the exceptions and deviations of repetitive nature. In case of any deviation from the prescribed procedure, the exact nature of deviation should be stated.
- 4) Recommendations of auditors with respect to internal controls, procedures, etc.

- 5) Management comments on all the exceptions, deviations, adverse observations and recommendations made by the auditor.
- 6) Compliance status regarding observations made in the earlier audit report/s and previous CDSL inspection. In case of any wrong compliance provided by the RTA, the internal auditor should specifically comment on the same.
- 7) In case any point / comment is of confidential nature, auditor may communicate it separately to CDSL.
- 8) The checklist points which are not applicable should be marked as **'not applicable'** indicating **the reason for the same in the remark column or else may be considered as a non compliance.** The number of instances where non-compliance has been observed should be stated under the column **'No. of instances'** and **details of the same should be provided as Annexure to the report.**
- 9) A statement by the auditor that he is not a related party to the RTA.
- 10) Auditor's membership number.

Note: Auditors are advised to refer to the Inspection Manual which is available on CDSL's website.

Name & Address of the Registrar and Transfer Agent (RTA)

RTA-ID :

Date(s) of Internal Audit:

Period for which internal audit is conducted:

Name, Telephone number and Email ID of the Compliance Officer:

Name of the Audit firm and officials conducting internal audit and contact details:

(Mention Tel.no./Mobile no. /email ID)

Sampling Plan		
Audit Area	Sample Size (In actual numbers)	Sample Size (%)
Dematerialization (at least 25%)		
De-Statementatisation (at least 25%)		
Dematerialization Rejections (at least 25%)		
De-Statementatisation Rejections (at least 25%)		
Rematerialisation (at least 25%)		
Re-Statementatisation (at least 25%)		
Rematerialisation rejection (at least 25%)		
Re-Statementatisation rejection (at least 25%)		
Grievances received in respect of RTA operations received by RTA/Issuer (100%)		
Other Areas (at least 25%) e.g. IPO / Corporate action, Distinctive Nos, transfer of locked-in securities etc...		

Audit Area	Sample Size (In actual numbers)	Sample Size (%)
Reconciliation (at least 50 ISINs) for 15 different dates spread over a half year. 25% active ISINs or 100 ISINs whichever is higher wherein 70% sample ISINs will be listed and 30% ISINs will be unlisted. In case if it is below the minimum prescribed samples, it should be 100%.		

Note - Auditors shall verify the reconciliation for different dates and submit the details of such verification as annexure.

(1) Demat / Destatemanisation/ Remat / Restatemanisation / Redemption Requests Processing

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	Whether there is a proper procedure in place for inward of requests received from Participants?	☐ Yes ☐ No		
2	Whether adequate controls exists over requests received and their respective status?	☐ Yes ☐ No ☐ N/A		
3	Whether serial number and stamp of date of receipt has been affixed on all the requests received by the RTA?	☐ Yes ☐ No ☐ N/A		
4	Whether all the requests received during the audit period have been processed within the stipulated time frame?	☐ Yes ☐ No ☐ N/A		
5	Whether date of receipt mentioned on the requests matches with the receipt date entered in CDAS?	☐ Yes ☐ No ☐ N/A		
6	Whether request forms received were duly authorised by the Participant and were completely filled?	☐ Yes ☐ No ☐ N/A		

(2) Dematerialization

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	On receipt of physical security certificates, whether the RTA verifies that all fields were completely filled and the DP has authorized the DRF?	☐ Yes ☐ No ☐ N/A		
2	On receipt of physical security certificates, whether the validity of the certificate is verified?	☐ Yes ☐ No ☐ N/A		
3	On receipt of physical security certificates, the RTA verifies whether the application for demat has been made by the person(s) whose name is recorded in the Register of member / debenture holders as the case may be?	☐ Yes ☐ No ☐ N/A		

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
4	Whether register of member (ROM) is updated on confirmation of demat requests?	☐ Yes ☐ No		
5	On receipt of physical security certificates, whether the RTA tallies the details mentioned in the DRF with details received electronically?	☐ Yes ☐ No ☐ N/A		
6	On receipt of physical security certificates, whether the RTA tallies the signature of the applicant(s) with the signature recorded by the RTA?	☐ Yes ☐ No ☐ N/A		
7	Whether Certificates received with requests were marked with words "Surrendered for Demat, DP ID, DP name and client ID mentioned on the certificate?	☐ Yes ☐ No ☐ N/A		
8	Whether received date mentioned on the DRF matches with received date entered in the system?	☐ Yes ☐ No ☐ N/A		
9	Whether RTA have created/updated the Database for Distinctive numbers of equity shares for dematerialization of listed companies and the same is verified at the time of dematerialization?	☐ Yes ☐ No		
10	Whether RTA is giving Demat credit of securities for which listing approval has been received from the relevant stock exchanges?	☐ Yes ☐ No		
11	Whether all procedures for demat as prescribed in RTA Operating Instructions are complied with?	☐ Yes ☐ No		
12	Whether RTA ensure that demat requests are honored within a period of 15 days from the date of physical receipt of the DRF?	☐ Yes ☐ No		
13	Whether RTA informs the DP about the reason for delay in honoring demat requests?	☐ Yes ☐ No ☐ N/A		
14	Whether any requests have been confirmed where there exists any prohibitory order, stop transfer, attachment order, or disputed title on the said securities?	☐ Yes ☐ No ☐ N/A		
15	Whether Issuer/RTA has accepted the demat request, wherein physical security certificate(s) have got lost in transit, and carried out the dematerialization on the basis of indemnity and proof of dispatch furnished by the Participant as per prescribed guidelines?	☐ Yes ☐ No ☐ N/A		

2. Dematerialisation Rejections

Sr. No.	Particulars Checked	Comments	No. of Instances	Remarks of Auditors
1	Whether the RTA rejects the demat requests electronically by capturing the appropriate rejection reason if certificates / documents are not received within 30 days from the date of electronic request logged into the system by the DPs?	☐ Yes ☐ No ☐ N/A		
2	Whether RTA transfers the registered ownership of securities to the name of Central Depository Services (India) Limited when the demat requests are processed?	☐ Yes ☐ No		
3	In case of rejection, whether RTA returns the certificates relating to those securities to the DP in all cases and proof of dispatch maintained?	☐ Yes ☐ No ☐ N/A		
4	Whether the rejection memo contains DP ID, client ID, rejection code and rejection reason?	☐ Yes ☐ No ☐ N/A		
5	Whether rejection reason as mentioned in memo matches with rejection reason entered in CDAS system?	☐ Yes ☐ No ☐ N/A		
6	Whether the RTA/Issuer is rejecting the request for valid reason?	☐ Yes ☐ No ☐ N/A		
7	In case of rejection of demat requests, whether all the formalities as prescribed in Operating Instruction for Issuer / RTA are complied with?	☐ Yes ☐ No ☐ N/A		
8	In case of transposition cum demat, whether proper internal controls are implemented to ensure that the transposition form contains those combinations of names in which the BO account has been opened?	☐ Yes ☐ No ☐ N/A		
9	Whether RTA maintains proper procedure and controls on demat requests received and their respective status?	☐ Yes ☐ No		

(3) Destatementization

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	On receipt of Statement of Account (SOA), whether the RTA tallies the details mentioned in the DRF with details received electronically?	☐ Yes ☐ No ☐ N/A		

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
2	Whether received date mentioned on the DRF matches with received date entered in the system?	☐ Yes ☐ No ☐ N/A		
3	Whether all procedures for destat as prescribed in RTA Operating Instructions are complied with?	☐ Yes ☐ No ☐ N/A		
4	Whether RTA ensure that destat requests are honored within a period of 15 days from the date of physical receipt of the DRF?	☐ Yes ☐ No ☐ N/A		
5	Whether RTA informs the DP about the reason for delay in honoring destat requests?	☐ Yes ☐ No ☐ N/A		
6	Whether the RTA rejects the destat requests electronically by capturing the appropriate rejection reason if SOA / documents are not received within 30 days from the date of electronic request logged into the system by the DPs?	☐ Yes ☐ No ☐ N/A		
7	In case of rejection of destat requests, whether all the formalities as prescribed in Operating Instruction for Issuer / RTA are complied?	☐ Yes ☐ No ☐ N/A		
8	Whether any transposition cum destat request is processed by RTA?	☐ Yes ☐ No ☐ N/A		
9	Whether any requests have been confirmed where there exists any prohibitory order, stop transfer, attachment order, or disputed title on the said mutual fund (MF) units?	☐ Yes ☐ No ☐ N/A		

4. Destatementization Rejections

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1.	In case of rejection, whether RTA returns the certificates relating to those securities to the DP in all cases and proof of dispatch maintained?	☐ Yes ☐ No ☐ N/A		
2	Whether rejection code and rejection reason as mentioned in the rejection memo matches with that captured in the CDAS?	☐ Yes ☐ No ☐ N/A		
3	Whether the rejection code and rejection reason selected by RTA/Issuer for rejecting the request was correct?	☐ Yes ☐ No ☐ N/A		

(5) Rematerialisation

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	Whether RTA checks that the remat request made by the BO has been authorized by the DP?	☐ Yes ☐ No ☐ N/A		
2	Whether the procedure for acceptance and rejection of remat request as prescribed in Operating Instructions for Issuer / RTA is complied with?	☐ Yes ☐ No ☐ N/A		
3	Whether the name of the BO as the Registered Owner(s) of the rematerialised securities is recorded and CDSL is debited in the Register of Members of the Issuer for the rematerialised quantity?	☐ Yes ☐ No ☐ N/A		
4	Whether the printed certificates are sent directly to the Registered Owner at the address mentioned on the RRF and proof of despatch of certificates maintained?	☐ Yes ☐ No ☐ N/A		
5	Whether RTA / Issuer has issued the repurchase / redemption warrant in case of repurchase of units?	☐ Yes ☐ No ☐ N/A		
6	Whether the process of remat is completed within 30 days of the receipt of intimation of remat request from CDSL?	☐ Yes ☐ No ☐ N/A		
7	Whether the back office records are reconciled with the CDSL records for pending remat?	☐ Yes ☐ No ☐ N/A		

6. Rematerialisation Rejections

Sr. No.	Particulars Checked	Comments	No. of Instances	Remarks of Auditors
1	Whether the rejection memo contains DP ID, client ID, rejection code and rejection reason?	☐ Yes ☐ No ☐ N/A		
2	Whether rejection memos have been sent in all cases of rejections within seven days of rejection?	☐ Yes ☐ No		
3	Whether rejection code and rejection reason as mentioned in the rejection memo matches with that captured in the CDAS by RTA/Issuer?	☐ Yes ☐ No ☐ N/A		
4	Whether proof of despatch for request rejections has been properly maintained by the RTA/Issuer?	☐ Yes ☐ No ☐ N/A		
5	Whether the RTA/Issuer is rejecting the request for valid reason?	☐ Yes ☐ No ☐ N/A		

(7) Restatementisation

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	In case of restatementisation, whether holding pattern matches as per the demat account holder on Statement of Account (SOA)?	☐ Yes ☐ No ☐ N/A		

(8) Restatementisation Rejections

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1.	Whether objection memos have been sent in all cases of rejections?	☐ Yes ☐ No ☐ N/A		
2.	Whether objection code and objection reason as mentioned in the objection memo matches with that captured in the CDAS?	☐ Yes ☐ No ☐ N/A		
3.	Whether the objection code and objection reason selected by RTA/Issuer for rejecting the request was correct?	☐ Yes ☐ No ☐ N/A		

(9) IPO / Corporate Action Processing

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	Whether RTA verifies name of the BO as appearing on the Issue Application Form against the details downloaded by CDSL (Report RT25)?	☐ Yes ☐ No ☐ N/A		
2	Whether RTA has taken appropriate action on unsuccessful allotments (Report RT38/RT98/RT24)?	☐ Yes ☐ No ☐ N/A		
3	Whether the name of CDSL is recorded as "Registered owner of Securities" in the Register of Members for securities allotted in electronic form in CDSL?	☐ Yes ☐ No ☐ N/A		
4	In case of cash corporate action, whether bank account details of the investors as provided by CDSL are used?	☐ Yes ☐ No ☐ N/A		
5	In case of cash corporate action, whether ECS facility (wherever available) is used for such distribution?	☐ Yes ☐ No ☐ N/A		
6	Whether proper controls are in place to ensure that allotments for mismatched items are made in physical form after trying to rectify the errors?	☐ Yes ☐ No ☐ N/A		

(10) Reconciliation

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	How the RTA is carrying out process of daily reconciliation?	☐ Manual ☐ Back Office software		
2	Whether ISIN balances are reconciled on daily basis?	☐ Yes ☐ No		
3	Whether separate folios for NSDL & CDSL are maintained in back office?	☐ Yes ☐ No		
4	Whether reconciliation of its records i.e. whether total number of applicants in electronic mode = Total successful allottees (electronic credit + physical credit in respect of mismatch cases) + Applications rejected) is done?	☐ Yes ☐ No		
5	Whether RTA verifies the securities held by CDSL in the books of the issuing company by reconciling the inter depository transactions on a daily basis?	☐ Yes ☐ No		
6	Whether RTA reconcile security balances of CDSL+NSDL+securities held in physical form with listed and issued capital of a company on daily basis?	☐ Yes ☐ No		
7	Whether Register for recording the Reconciliation figures for each ISIN as per the suggested Format is maintained on a daily basis?	☐ Yes ☐ No		
8	In case of mismatch found during reconciliation, whether RTA immediately informs CDSL about the same?	☐ Yes ☐ No ☐ N/A		
9	Whether RTA submits Reconciliation of Share Capital Audit Report (Quarterly) in case of any difference in issued, listed and the capital held by CDSL?	☐ Yes ☐ No ☐ N/A		

(11) Investor Grievances

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	Whether there is any system to record & redress all grievances of clients received?	☐ Yes ☐ No		
2	In case of any grievance received from the BO, whether the same is reported to CDSL through grievance report?	☐ Yes ☐ No ☐ N/A		
3	Whether RTA informs the action taken for pending grievances received regarding non-receipt of non-cash corporate action?	☐ Yes ☐ No ☐ N/A		

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
4.	Whether quarterly investor grievance reports have been submitted to CDSL as per SEBI / CDSL guidelines within stipulated timelines?	☐ Yes ☐ No ☐ N/A		

(12) System Areas

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	Whether physical access to client machine is restricted to authorized persons?	☐ Yes ☐ No		
2	Whether Variable Access Rights is implemented in CDAS?	☐ Yes ☐ No		
3	Whether there is no occasion of failure to establish connectivity with depository even through alternate means of communication?	☐ Yes ☐ No ☐ N/A		
4	Whether Back up register is maintained?	☐ Yes ☐ No		
5	Whether single point connectivity for all the work related to share registry in terms of both physical and electronic is maintained as per SEBI circular no. D&CC/FITTC/Cir-15/2002 dated 27/12/2002?	☐ Yes ☐ No		

(13) Other Areas

Sr. No.	Particulars checked	Comments	No. of Instances	Remarks of internal auditor
1	Whether the Issuer is registered as RTA as required under RTA Regulation 2g (ii) as per SEBI requirement?	☐ Yes ☐ No		
2	Whether the Issuer handling registry operations in-house has exceeded one lac limit of account holders and requires to be registered as Share transfer agent as per SEBI requirement?	☐ Yes ☐ No ☐ N/A		
3	Whether RTA operations are carried out after following all communiqués issued by CDSL/SEBI?	☐ Yes ☐ No		
4	Whether all associated persons engaged in RTA activities are NISM-Series IIA certified? (as per SEBI notification dated 04-Sep-2009)	☐ Yes ☐ No		
5	Whether the requirement of maintaining trained staff (as per RTA operating instruction chapter 8.2) is followed?	☐ Yes ☐ No		

Sr. No.	Particulars checked	Comments	No. of Instances	Remarks of internal auditor
6	Whether Issuer/RTA has processed requests for transfer of locked-in securities or securities held under suspended ISIN in case of account transfer and transmission as per operating instruction?	☐ Yes ☐ No ☐ N/A		
7	Whether change in details of Compliance Officer / Authorized Signatory / Office address in prescribed format is submitted to CDSL?	☐ Yes ☐ No ☐ N/A		
8	Whether the discrepancies and /or non-compliances observed during previous inspections / last two internal audit are rectified and /or complied with? (Please refer the non-compliance letter issued by CDSL)	☐ Yes ☐ No ☐ N/A		
9	Whether RTA/ Issuer has placed last CDSL inspection report and corrective action taken before the meeting of its Board of Directors held on _____? (same may be verified from the extract of the minutes of the Board Meeting)	☐ Yes ☐ No		
10	Whether RTA/ Issuer has placed last CDSL internal audit report and corrective action before the meeting of its Board of Directors held on _____? (same may be verified from the extract of the minutes of the Board Meeting)			
11	Whether at least one person conducting internal and/ or concurrent audit has participated training programme conducted by CDSL?	☐ Yes ☐ No		
12	Whether the internal auditors are related party to the RTA?	☐ Yes ☐ No		
13	Whether Issuer / RTA has obtained requisite details of Promoters/ Promoter Group from the listed Issuers and uploaded the same in the prescribed format on the CDSL system?	☐ Yes ☐ No		
14	Whether the Issuer / RTA, in case of any change in Promoters / Promoter Group (i.e. for Addition, Modification or Deletion), obtained the approval of the stock exchange(s) on which the securities of company is / are listed and thereafter updated the same in CDSL system?	☐ Yes ☐ No ☐ N/A		
15	Whether any requests have been confirmed where there exists any prohibitory order, stop transfer, attachment order, or disputed title on the said securities?	☐ Yes ☐ No ☐ N/A		

Sr. No.	Particulars checked	Comments	No. of Instances	Remarks of internal auditor
16	Whether RTA is updating Distinctive Number (DN) information in respect of all physical share capital and overall DN range for dematerialised share capital for all listed companies in the manner prescribed by SEBI?	☐ Yes ☐ No ☐ N/A		

(14) Record Maintenance

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	Whether original DRF, TRPF and RRFs are kept in a manner so that they can be retrieved at any time?	☐ Yes ☐ No		
2	Whether record of all the rejections sent by the Issuer / RTA along with all the necessary documents such as copies of Court orders, order of any tribunal etc. are maintained?	☐ Yes ☐ No ☐ N/A		
3	Whether all DRFs, RRFs are maintained for a minimum period of 5 years?	☐ Yes ☐ No		
4	Whether record of the Folio Nos., Distinctive Nos. and Certificate Nos. issued against any remat request is maintained?	☐ Yes ☐ No		
5	Whether all documents required for corporate action are maintained?	☐ Yes ☐ No		
6	Whether system to maintain all the records and written instructions received from DPs / BOs for a minimum period of 5 years is in place?	☐ Yes ☐ No		

Stamp/Seal & Signature of the Auditor : _____ **Date:** _____

Management Comments : _____

Stamp and Signature of the RTA : _____ **Date:** _____