

DEPUTY GENERAL MANAGER
MARKET REGULATION DEPARTMENT
DIVISION OF MARKET SUPERVISION
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MRD/DMS/Cir-29/2008
October 21, 2008

The Managing Director / Executive Director
of all Stock Exchanges

Dear Sir,

Sub: Internal Audit for stock brokers/trading members/clearing members

In partial modification of SEBI circular No. MIRSD/ DPSIII/ Cir-26/ 08 dated August 22, 2008 on the above subject, it has now been decided that stock brokers/trading members/clearing members shall carry out complete internal audit on a half yearly basis by chartered accountants, company secretaries or cost and management accountants who are in practice and who do not have any conflict of interest.

The Stock Exchanges are advised to:

1. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately,
2. bring the provisions of this circular to the notice of the member brokers /clearing members of the Exchange and also to disseminate the same on the website, and
3. communicate to SEBI, the status of the implementation of the provisions of this circular in the Monthly Development Report.

It may be noted that the other provisions of the said circular remain unchanged.

This circular is being issued in exercise of the powers conferred by Section 11 (1) of Securities and Exchange Board of India Act, 1992 to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,

MANOJ KUMAR