



GENERAL MANAGER
MIRSD – Division of Policy & Supervision - I
Tel: 26449000 Email: pgupta@sebi.gov.in

भारतीय प्रतिभूति
और विनिमय बोर्ड

Securities and Exchange
Board of India

MIRSD/DPS-1/PG/158174/2009
March 23, 2009

The Executive Director (Officiating),
Cochin Stock Exchange Ltd.,
MES Dr P K Abdul Gafoor Memorial Cultural Complex
36/1565, 4th Floor, Judges Avenue,
Kaloor, Cochin – 682017

Dear Sir,

Sub: Internal Audit of Stock brokers/Trading members/Clearing members

1. SEBI has issued circular nos. MIRSD/ DPSIII/ Cir-26/ 08 dated August 22, 2008 & MRD/DMS/Cir-29/2008 dated October 21, 2008 directing stock brokers/trading members/ clearing members (SB/TM/CM) to carry out complete internal audit on a half yearly basis w.e.f. October, 2008 by independent qualified Chartered Accountants, Company Secretaries or Cost & Management Accountants. It was specified that the scope of such audit shall cover, inter alia, the existence, scope and efficiency of the internal control system, compliance with the provisions of the SEBI Act, 1992, Securities Contracts (Regulation) Rules, 1957, SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, circulars issued by SEBI, agreements, Bye Laws of the Exchanges, data security and insurance in respect of the operations of SB/TM/CM.
2. You are hereby advised to issue a circular to SB/TM/CM of your exchange specifying the details such as applicability, scope/guidelines, submission of report and audit certificate, etc. along with the relevant regulatory provisions of SEBI as well as your exchange in this regard. It may also be specified that the internal auditor would submit the audit report to the Proprietor / Partners / Board of the respective SB/TM/CM who would place the report before its Board of Directors / Proprietor / Partners and shall forward the same along with para-wise comments to the respective stock exchange within 3 months of the end of the half year period.

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3. You are advised to analyze the audit reports received from SB/TM/CM and take appropriate action. Further, you are advised to send a confirmation to SEBI as under :

Activity	Time Period
Initiation of action against entities who have not submitted the audit reports	Within 4 months of end of the half yearly period.
Initiation of action against the entities where deficiencies are noticed in the audit reports	Within 6 months of end of the half yearly period.

Yours faithfully,

PIYOOSH GUPTA