

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**

MIRSD/ DPSIII/ Cir-26/ 08  
August 22, 2008

The Managing Director / Executive Director  
of all Stock Exchanges

Dear Sir,

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

In continuation with the Circular No.F.1/5/SE/83 dated May 31, 1984 of Government of India, Ministry of Finance, Department of Economics Affairs, Stock Exchange Division, you are advised to direct your stock brokers/clearing members to carry out complete internal audit on a half yearly basis by independent qualified Chartered Accountants.

The scope of such audit shall cover, interalia, the existence, scope and efficiency of the internal control system, compliance with the provisions of the SEBI Act, 1992, Securities Contracts (Regulation) Act 1956, SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, circulars issued by SEBI, agreements, KYC requirements, Bye Laws of the Exchanges, data security and insurance in respect of the operations of stock brokers/clearing members. The first such audit period should be from October 1, 2008 to March 31, 2009.

The exchanges shall ensure compliance of the above mandatory requirements by all the stock brokers/clearing members.

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.

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**