



STRENGTHENING THE GUIDELINES AND RAISING INDUSTRY STANDARDS FOR RTA, ISSUER COMPANIES AND BANKER TO AN ISSUE¹

1. SEBI constituted a Committee on “Strengthening the Guidelines and Raising Industry Standards for RTAs”, which included representatives from RTAs, Issuer Companies, Depositories and Bankers to Issue. The objective of the Committee was to suggest guidelines to streamline and strengthen the procedures and processes with regard to handling and maintenance of records, transfer of securities and payment of dividend/interest/redemption by the RTAs, Issuer Companies and Bankers to Issue.
2. Based on recommendation of Committee, the guidelines as annexed to this Circular are being issued. These guidelines cover the following broad areas:
 - i. Provisions with respect to Payment of Dividend/interest/redemption.
 - ii. Provisions with respect to Transfer/Transmission/ Correction of errors etc.
 - iii. Compulsory internal audit of RTAs
3. Unless otherwise indicated in the annexure, the records /documents described in annexure shall be maintained for period not less than eight years after completion of the relevant transactions by Bankers to issue, Issuer Companies, and/or by RTAs on behalf of Issuer Companies
4. RTAs, BTIs and Issuer Companies shall strictly comply with guidelines (annexed). Issuer companies shall strictly monitor the activities of their RTAs and ensure compliance of provision of this circular. It is clarified that where share transfer agent activities are carried out in-house by issuer companies, the issuer companies shall ensure that their in-house share transfer activities comply with the relevant norms as applicable to them.
5. RTAs, Bankers to issue, and the Issuer Companies can put in place more stringent internal checks and controls if they so desire.
6. These guidelines issued through this circular shall be effective with immediate effect except where a timeframe has been prescribed in the guidelines itself.
7. Stock Exchanges are advised to bring the contents of this circular to entities listed on their respective Exchange.
8. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

¹ Available at: https://www.sebi.gov.in/legal/circulars/apr-2018/strengthening-the-guidelines-and-raising-industry-standards-for-rta-issuer-companies-and-banker-to-an-issue_38749.html

Annexure

The detailed contents of the annexure is available at <https://www.sebi.gov.in/legal/circulars/apr-2018/strengthening-the-guidelines-and-raising-industry-standards-for-rta-issuer-companies-and-banker-to-an-issue-38749.html>

Wherein the provisions related to **Compulsory Internal Audit of RTAs** is as below:

Compulsory Internal Audit of RTAs

1. All RTAs are required to carry out internal audit on annual basis by independent qualified Chartered Accountants or Company Secretaries or Cost and Management Accountants and Certified Information Systems Auditor (CISA) who don't have any conflict of interest.
2. Eligibility of auditors for conducting the Internal Audit of the RTA
 - I. The audit firm shall have a minimum experience of three years in the financial sector.
 - II. An auditor shall be appointed for a maximum term of five years, with a cooling-off period of two years.
3. The audit shall cover all aspects of RTA operations including investor grievance redressal mechanism and compliance with the requirements stipulated in the SEBI Act, Rules and Regulations made thereunder, and guidelines/circulars issued by SEBI from time to time. The scope of the audit shall cover all issues concerning the functioning of RTAs.
4. The report shall state the methodology adopted, deficiencies observed, and consideration of response of the management on the deficiencies.
5. The report shall include a summary of operations and of the audit, covering the size of operations, number of transactions audited and the number of instances where violations / deviations were observed while making observations on the compliance of any regulatory requirement.

The report shall comment on the adequacy of systems adopted by the RTAs for compliance with the requirements of regulations and guidelines issued by SEBI and investor grievance redressal.

7. The RTA shall submit a copy of report of the internal audit to Issuer Company within three months from the end of the financial year. Copy of the same shall also be preserved by the RTA.
8. The Governing Council (i.e. Board of Directors, Board of Partners, proprietor etc.as applicable) of the RTA shall consider the report of the internal auditor and take steps to rectify the deficiencies, if any. The RTA shall send the Action Taken Report to Issuer Company within next one month and a copy thereof shall be maintained by the RTA.
9. The Action Taken report shall be submitted in the following format:

Serial No	Audit period & name of Issuer Company	Observations of the Auditor	Comments of the Board of the RTA	Corrective actions taken

10. The audit observations along with the corrective steps taken by the RTA shall be placed before the Board of Directors of the Issuer Company.
11. The Issuer Companies shall satisfy themselves regarding the adequacy of the corrective measures taken by the concerned RTA. If not satisfied with the corrective measures, Issuer Company may ask RTA to take more stringent corrective measures.

Team ICSI

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