

AXIS SECURITIES LIMITED
('ASL')

INTERNAL AUDIT REPORT
OF INVESTMENT ADVISORY SERVICES

FOR THE PERIOD APRIL 01, 2022
TO MARCH 31, 2023

Prepared by:
SDG & CO
Chartered Accountants
912-Corporate Annex , Sonawala Road ,
Goregaon East, Mumbai – 400 063
Mob: 9833506461

TERMS OF REFERENCE AND METHODOLOGY

1. Terms of Reference and Scope of internal audit

1.1 In accordance with the terms of reference contained in email/appointment letter and scope of internal audit as mentioned in para 1.2 below, we have carried out internal audit of Axis Securities Limited (hereinafter referred as "ASL") Investment Advisory Services (IAS) for the period from April 01, 2022 to March 31, 2023 (hereinafter referred to as "Audit Period").

1.2 The scope of the internal audit is as under:

- 1.2.1 Verification of Compliance with SEBI (Investment Advisers) Regulation, 2013.
- 1.2.2 Review of the processes and controls with respect to new client acceptance, net worth of the client, risk profiling and risk assessment of the client, maintenance of KYC records of the client, calculation of fees and any areas related thereto, as applicable for the Audit Period.
- 1.2.3 Review of the quality of internal procedures being followed by the Investment Adviser.
- 1.2.4 Verification of the process of providing the investment advice, whether written or oral, as applicable for the Audit Period
- 1.2.5 Review of the basis/rationale for arriving at a particular investment advice, as applicable for the Audit Period
- 1.2.6 Verification of the register/record containing the list of the clients, the date of advice, nature of the advice, the product/securities in which the advice was rendered and the fee charged for such advice, as applicable for the Audit Period.
- 1.2.7 Verification of the Investment Advisory fees charged on sample basis, as applicable for the Audit Period
- 1.2.8 Review of detailed financial plans/reports issued to clients based on their investment objectives, risk appetite and net worth, as applicable for the Audit Period.



1.3 Source of Information:

1.3.1 In performing the internal audit, we had called for various documents/information from various departments of ASL.

1.3.2 We were provided computer printouts including, scanned images, photocopies and electronic copies (spreadsheets) of various documents / data relating to the IAS operations. We have assumed the accuracy and completeness of these printouts and copies (photocopies and spreadsheets etc.) provided to us.

1.3.3 We have relied entirely on those documents/information made available to us and also on written and verbal representation and on the discussions with the officials of ASL.

1.4 Methodology

1.4.1 We have referred to the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (hereinafter referred to as "SEBI Regulations") and amendments thereto from time to time and relevant circulars issued by SEBI.

1.4.2 The documents, information and data furnished to us were verified with the relevant records made available to us.

1.4.3 This verification was conducted in accordance with the Generally Accepted Auditing Practices, which included testing the accuracy of the records on test check basis. However, the independent confirmation from external sources was not carried out as per scope agreed with ASL.

1.5 Usage of this report

1.5.1 This report is provided for the sole use of the management of ASL. This report is to be treated in strict confidence and shall not confer any rights or remedies up to/ upon any other person.



DETAILED REPORT

Our major findings/observations during the course of audit are as under:

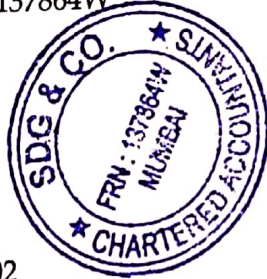
1. ASL has a valid certificate of registration granted under regulation 9 of SEBI Regulations bearing SEBI registration number INA000000615. The certificate is valid from April 02, 2019 to April 01, 2024.
2. ASL has net worth as required by SEBI Regulations.
3. We hereby confirm and Report that, on the basis of written representation and on verification, ASL has complied with the provisions related to Clients level segregation of Advisory and Distribution activities. ASL on monthly basis reconciled all customers, who have signed up for Investment Advisory Services as per the defined process. Based on the PAN data base shared with ASL, Axis bank has freeze such customer's investment IDs if found in the IPS system of Axis Bank for the purpose of group level segregation.
4. We hereby confirm and Report that, on the basis of Sample Verification of documents, ASL has entered the agreement with the clients as per the SEBI regulations.
5. We hereby confirm and Report that, on the basis of Sample Verification of documents, ASL has charged the Investment Advisory Fees as per the SEBI regulations w.r.t. Investor Advisory services.
6. We hereby confirm and Report that, ASL is not involved in proprietary trading and therefore the provisions of regulation 15(7) and 15(10) of the SEBI Regulations related to transactions on its own account is not applicable.
7. We hereby confirm and Report that, ASL has complied with the requirements of certification and qualification under Regulation 7.



8. We hereby confirm and Report that, ASL complied with the requirement to abide by the code of conduct as laid down in Schedule III of SEBI (Investment Advisers) Regulation, 2013.
9. We hereby confirm and Report that, ASL has not received any complaints from the clients w.r.t. Investment Advisory services during the period covered under Audit.
10. We hereby confirm and Report that, the provisions of regulation 19(1) of the SEBI Regulations related to maintenance of records are complied with.

For SDG & Co
Chartered Accountants
Firm Registration No.: 137864W

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Ajay S Yadav
Partner

Membership No.: 170602

ICAI UDIN: 24170602BKCAZK6224

Place : Mumbai

Date: 29/03/2024

Annual Compliance Audit Reporting for F. Y 2022-2023

Regulation	Particulars	Compliance Status	Reason for non-compliance/ non-applicability	Action taken on adverse findings (Duly approved by the individual IA/management of the non-individual IA)
Regulation 3	Application for grant of certificate (1) No person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations.	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable		
Regulation 6	Consideration of application and eligibility criteria Regulation 6 states all matters, which are relevant for the purpose of grant of certificate of registration.	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable		
Regulation 7	Qualification and certification requirement. An individual investment adviser or a principal officer of a non-individual	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable		

SEBI/HO/IMD/DF1/CIR/P/2
020/182
(Dated September 23, 2020)
Clause (iv)

investment adviser registered as an investment adviser under these regulations and persons associated with investment advice shall have minimum qualification and certification requirements as mentioned in Regulation 7(1) and

Qualification and certification requirement.

Existing individual IAs above fifty years of age shall not be required to comply with the qualification and experience requirements specified under Regulation 7(1) (a) and 7(1) (b) of the amended IA Regulations. However, such IAs shall hold NISM accredited certifications and comply with other conditions as specifies under Regulation 7(2) of the amended IA regulations at all times.

- Complied IA is non Individual
 Not- Complied
 Not Applicable

Regulation 8

Net worth

(1) Investment advisers who are non-individuals shall have a net worth of not less than fifty lakh rupees.

(2) Investment advisers who are individuals shall have net tangible assets of value not less than five lakh rupees.

- Complied
 Not- Complied
 Not Applicable

Regulation 13

Conditions of certificate

- Complied

No such change in Material information submitted.

	(b) The investment adviser shall inform the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted.	<input type="checkbox"/> Not- Complied <input checked="" type="checkbox"/> Not Applicable	
SEBI/HO/IMD/DF1/CIR/P/2 020/182 (Dated September 23, 2020) Clause 2(v)	<p>Registration as Non-Individual Investment Advisor.</p> <p>An individual IA, whose number of clients exceed one hundred and fifty in total, shall apply for registration as non-individual investment adviser within such time as specified under this clause.</p>	<input type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input checked="" type="checkbox"/> Not Applicable	IA is Corporate Entity and Registered as Non-Individual Investment Advisor.
Regulation 15	<p>General Responsibility</p> <p>The regulation 15 imposes certain responsibilities on the Investment Adviser for the transactions it undertakes on behalf of its clients.</p>	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable	
Regulation 15 A	<p>Fees</p> <p>Investment Adviser shall be entitled to charge fees for providing investment advice from a client in the manner as specified by the Board.</p>	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable	
SEBI/HO/IMD/DF1/CIR/P/2 020/182 (Dated September 23, 2020) Clause 2(iii)	<p>Fees</p> <p>Investment Advisers shall charge fees from the clients in either Assets under Advice (AUA) mode or Fixed fee mode.</p>	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable	
Regulation 16	Risk profiling	<input checked="" type="checkbox"/> Complied	

Regulation 17	This involves profiling, assessing the risk appetite of each client individually, and communication of such profile to the respective client.	<input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable
	Suitability Investment adviser shall ensure suitability of the advice being provided to the client.	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable
SEBI/HO/IMD/DF1/CIR/P/2 020/182 (Dated September 23, 2020) Clause 2(viii)	Risk profiling and suitability for non-individual clients. (b) In case of non-individual clients, IA shall use the investment policy as approved by board/management team of such non-individual clients for risk profiling and suitability analysis. (c) The discretion to share the investment policy/relevant excerpts of the policy shall lie with the non-individual client. However, IA shall have discretion not to onboard non-individual clients if they are unable to do risk profiling of the non-individual client in the absence of investment policy.	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable
Regulation 18	Disclosure to clients	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable

	This involves disclosure of all necessary information by the investment adviser to its clients.	
Regulation 19	<p>Maintenance of records</p> <p>This regulation requires maintenance of certain records, preservation of the same and audit of such records by the prescribed professional.</p>	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable
SEBI/HO/IMD/DF1/CIR/P/2020/182 (Dated September 23, 2020) Clause 2(vi)	<p>Maintenance of record.</p> <p>IA shall maintain and preserve records of interactions, with all clients including prospective clients, where any conversation related to advice has taken place, in the form as specified under this clause.</p>	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable
SEBI/HO/IMD/DF1/CIR/P/2020/182 (Dated September 23, 2020) Clause 2(ii)	<p>Agreement between IA and the client.</p> <p>IA shall enter into an investment advisory agreement with its clients as prescribed under this clause and shall ensure that neither any investment advice is rendered nor any fee is charged until the client has signed the aforesaid agreement.</p>	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable
Regulation 20	<p>Appointment of Compliance officer</p> <p>An investment adviser shall appoint a compliance officer who shall be responsible for monitoring the compliance by the investment adviser.</p>	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable
Regulation 21	Redressal of client grievances	<input checked="" type="checkbox"/> Complied

	Investment adviser shall redress client grievances promptly through an adequate procedure.	<input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable	
Regulation 22	<u>Client level segregation of advisory and distribution activities.</u> (1) Has the annual client level segregation requirement been certified by an auditor (in case of individual IA) and its statutory auditor (in case of a non individual IA) [Certificate of auditor to be attached alongwith] (2) An individual investment adviser shall not provide distribution services. (3) The family of an individual investment adviser shall not provide distribution services to the client advised by the individual investment adviser and no individual investment adviser shall provide advice to a client who is receiving distribution services from other family members. (4) A non-individual investment adviser shall have client level segregation at group level for investment advisory and distribution services.	<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not-Complied <input type="checkbox"/> Not Applicable	

	<p>(5) Non-individual investment adviser shall maintain an arm's length relationship between its activities as investment adviser and distributor by providing advisory services through a separately identifiable department or division.</p>	
<p>SEBI/HO/IMD/DF1/CIR/P/2 020/182 (Dated September 23, 2020) Clause 2(i)</p>	<p>Client Level Segregation of Advisory and Distribution Activities Compliance and monitoring process for client segregation at group or family level shall be in accordance with the guidelines as specified under this clause.</p>	<p><input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable</p>
<p>Regulation 22A</p>	<p>Implementation of advice or execution (1) Investment adviser may provide implementation services to advisory clients, provided no consideration shall be obtained directly or indirectly either at group level or at family level. (2) Investment adviser shall provide implementation services only through direct schemes. (3) Investment adviser or group or family of investment adviser shall not charge any implementation fees from the client. (4) The client shall not be under any obligation to avail implementation</p>	<p><input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable</p>

<p>SEBI/HO/IMD/DF1/CIR/P/2020/182 (Dated September 23, 2020) Clause 2(ix)</p>	<p>services offered by the investment adviser.</p> <p>Display of details on website and in other communication channels.</p> <p>IAs shall prominently display the information as specified under this clause, on its website, mobile app, printed or electronic materials, know your client forms, client agreements and other correspondences with the clients.</p>	<p><input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable</p>	
<p>(SEBI/HO/MIRSD2/DOR/CIR/P/2020/221 dated November 03, 2020)</p>	<p>Compliance of the SEBI circular for Advisory for financial Sector Organizations regarding Software as a Service (SaaS) based solutions for half-yearly ended 31st March 2022 and 30th September 2022.</p>	<p><input type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input checked="" type="checkbox"/> Not Applicable</p>	<p>IA is not using SAAS Solutions for broking Operations.</p>
<p>SEBI/HO/IMD/IMD-II CIS/P/CIR/2021/0686 (Dated December 13, 2021)</p>	<p>Publishing Investor Charter and disclosure of Investor Complaints</p> <p>(2) All registered investment advisers are required to publish investor charter on their websites and mobile applications. If registered investment adviser does not have websites/mobile applications, then as a one-time measure, send investor charter to the investors on their registered e-mail address.</p> <p>(3) All registered investment advisers are required to disclose the details of</p>	<p><input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not- Complied <input type="checkbox"/> Not Applicable</p>	

	<p>investor complaints by seventh of the succeeding month on a monthly basis on their websites and mobile applications. If investment adviser does not have websites/mobile applications, then send status of investor complaints to the investors on their registered email on a monthly basis.</p>
<p>Name and Contact Details of Principal Officer</p>	<p>Pranav Haridasan ceo@axisdirect.in</p>
<p>Name and Contact Details of Compliance Officer</p>	<p>Jatin Sanghani asl.compliance@axissecurities.in</p>
<p>Total No. of Clients as on 31-03-2023</p>	<p>262</p>
<p>Cyber Security Awareness</p>	<p>Whether any planned Cyber Security Awareness carried out among employees, stakeholders and clients, If Yes, details of Cyber Security Awareness programme conducted in the Audit FY</p> <p>Yes, IA used to send an Email regarding Cyber Security Awareness among it employees and stakeholders and clients.</p>
<p>SEBI / BASL Inspections</p>	<p>Last SEBI / BASL Inspection carried out date and Whether complied with inspection Observations.</p> <p> <input type="checkbox"/> Complied No such Inspection carried out by SEBI/BASL <input type="checkbox"/> Not- Complied <input checked="" type="checkbox"/> Not Applicable </p>