DEPUTY GENERAL MANAGER
INVESTMENT MANAGEMENT DEPARTMENT

SEBI/IMD/CIR No. 9/176988/2009
September 16, 2009

The All Mutual Funds, Asset Management Companies (AMCs),
Association of Mutual Funds in India (AMFI)

Sir/Madam,

Sub: Systems Audit of Mutual Funds

Considering the importance of systems audit in the technology driven asset management activity, it has been decided that mutual funds shall have a systems audit conducted by an independent CISA/CISM qualified or equivalent auditor.

The systems audit should be comprehensive encompassing audit of systems and processes *inter alia* related to examination of integration of front office system with the back office system, fund accounting system for calculation of net asset values, financial accounting and reporting system for the AMC, Unit-holder administration and servicing systems for customer service, funds flow process, system processes for meeting regulatory requirements, prudential investment limits and access rights to systems interface.

Accordingly, you are advised to get the above systems audit conducted once in two years. You are further advised to place the Systems Audit Report and compliance status before the Trustees of the mutual fund. The systems audit report/findings alongwith trustee comments should be communicated to SEBI. For the financial years April 2008 – March 2010, the systems audit should be completed by September 30, 2010.

This circular is being issued in exercise of the powers conferred by Section 11(1) of Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 77 of the SEBI (Mutual Funds) Regulations, 1996, to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,

ASHA SHETTY