

Policy for Appointment of Statutory Auditors  
**J.P. Morgan Securities India Private Limited**  
August 2021

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## 1. Introduction

The policy and procedures outlined in this document applies to appointment/reappointment of Statutory Auditors (“SAs”) by J.P. Morgan Securities India Private Limited (the “Company”), and has been prepared pursuant to circulars and guidelines issued by the Reserve Bank of India (the “RBI”) “Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)” dated April 27, 2021 (the “RBI Guidelines”) along with FAQ issued by RBI on the subject matter on June 11, 2021

In addition to the RBI Guidelines, the Company shall ensure to comply with the applicable provisions of the Companies Act, 2013 (‘the Act’) and the corresponding rules.

## 2. Scope

Lines of Business	CIB	
Sub-Lines of Business	CEM	
Function(s)	N/A	
Locations	India	
Legal Entities	J.P. Morgan Securities India Private Limited	SAP code: 0343

## 3. Intimation to RBI

The Company is required to inform the Central Office of RBI (Department of Supervision) about the appointment of SCAs/SAs for each year by way of a certificate in Form A (as prescribed by RBI in the Guidelines) within one month of such appointment.

## 4. Number of Statutory Auditors

- The Company’s current asset size is less than Rs. 15,000 crores, accordingly as per the RBI Guidelines the Company shall appoint a minimum of one audit firm for conducting statutory audit [Partnership firms/Limited Liability Partnerships (LLPs)].
- Further, considering the relevant factors such as the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc. and the requirements of the Company, the actual number of SAs to be appointed shall be decided by the Board of Directors (the “Board”), subject to the following limits:

S.N.	Asset Size of the Entity	Maximum Numbers of SAs
1.	Upto ₹5,00,000 crore	4
2.	Above ₹ 5,00,000 crore and Upto ₹ 10,00,000 crore	6
3.	Above ₹ 10,00,000 crore and Upto ₹ 20,00,000 crore	8
4.	Above ₹ 20,00,000 crore	12

## 5. Eligibility Criteria of Auditors

The Company is required to appoint audit firm(s) as its SA(s) fulfilling the eligibility norms as prescribed in Annexure I and also in the RBI guidelines.

## 6. Independence of Auditors

- The Audit Committee of the Board (the “ACB”) shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard may be flagged by the ACB to the Board and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- Concurrent auditors of the Company should not be considered for appointment as SAs. The audit of the Company and any other entity with large exposure to the Company for the same reference year should also be explicitly factored in while assessing independence of the auditor.
- The time gap between any non-audit works (services mentioned at Section 144 of the Act, Internal assignments, special assignments, etc.) by the SAs for the Company or any audit/non-audit works for the group entities (as Regulated by RBI per the FAQ) should be at least one year, before or after its appointment as SAs. However, during

the tenure as SA, an audit firm may provide such services to the group entities which may not normally result in a conflict of interest, in consultation with the ACB.

- The restrictions as detailed in bullet point 2 and 3 above, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

## 7. Professional Standards of SAs

The ACB shall review the performance of SAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the ACB, with the full details of the audit firm.

## 8. Tenure and Rotation

- The Company shall appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, the Company can remove the audit firms during the above period and shall inform the Central office of RBI (Department of Supervision) about it, along with reasons/justification for the same, within a month of such a decision being taken.
- An audit firm would not be eligible for reappointment for six years (two tenures) after completion of full or part of one term of the audit tenure. However, audit firms can continue to undertake statutory audit of other group entities, as per RBI guidelines prescribed from time to time.
- One audit firm can concurrently take up statutory audit of a maximum of four Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], eight UCBs and eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules.
- A group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of SA accordingly. Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible. The incoming audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

## 9. Audit Fees and Expenses

- The audit fees for SAs of the Company shall be decided in terms of the relevant statutory/regulatory provisions.
- The audit fees for SAs of the Company shall be reasonable and commensurate with the scope and coverage of audit, size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting, etc.
- The fees for the audit firms would be approved by the Board on recommendation from the ACB.
- The appointment of SAs and their remuneration is approved / confirmed at the Annual General Meeting of Shareholders.

## 10. Appointment Procedure

- Policy approved by the Board to be hosted on its official website/public domain.
- The Company shall obtain a certificate, along with relevant information as per Form B (as prescribed in the RBI Guidelines), from the audit firm(s) proposed to be appointed as SAs by the Company to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. Such certificate should be signed by the main partner/s of the audit firm proposed for appointment of SAs of the Entities, under the seal of the said audit firm.

## 11. Document Information

Framework Owner / Primary Contact	Akhil Choudhary (Associate)
Framework Owner's Function	Legal Entity Controller
Framework Approver	Board of Directors
Last Review Date	NA
Contact Group Email	India_IB_LEC@jpmorgan.com

### Annexure - I

#### **Basic Eligibility basis total assets of the Company:**

S.N.	Criteria	Applicable Requirement
1.	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years (Note 1)	3
2.	Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years	2
3.	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification (Note 2)	1
4.	Minimum No. of years of Audit Experience of the firm (Note 3)	8
5.	Minimum No. of Professional staff (Note 4)	12

**Note 1:** There should be at least one-year continuous association of partners with the firm as on the date of shortlisting for considering them as FTP. Further, for appointment as SAs at least two partners of the firm shall have continuous association with the firm for at least 10 years.

The full-time partner's association with the firm would mean exclusive association. The definition of 'exclusive association' is based on the following criteria:

- The full-time partner should not be a partner in other firm/s.
- She/He should not be employed full time / part time elsewhere.
- She/He should not be practicing in her/his own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2(2) of the Chartered Accountants Act, 1949.
- ACB shall examine and ensure that the income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.

**Note 2:** There should be at least one-year continuous association of paid CAs with CISA/ISA qualification with the firm as on the date of shortlisting for considering them as paid CAs with CISA/ISA qualification for the purpose.

**Note 3:** Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ UCBS/NBFCs/ AIFIs. In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be effected immediately for this purpose.

**Note 4:** Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but excludes typists/stenos/computer operators/ secretaries/subordinate staff, etc. There should be at least one-year continuous association of professional staff with the firm as on the date of shortlisting for considering them as professional staff for the purpose.

#### **Additional Consideration**

- The audit firm, proposed to be appointed as SAs, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Act.
- The audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.

- The Company shall ensure that appointment of SAs is in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.
- If any partner of a Chartered Accountant firm is a director in the Entity, the said firm shall not be appointed as SCA/SA of any of the group entities of that Entity.
- The auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the Entities where the accounting and business data reside in order to achieve audit objectives.

**Continued Compliance with basic eligibility criteria**

- In case any audit firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death etc. of any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators, etc.), shall promptly approach the Company with full details. Further, the audit firm shall take all necessary steps to become eligible within a reasonable time and in any case, the audit firm should be complying with the above norms before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit.
- In case of any extraordinary circumstance after the commencement of audit, like death of one or more partners, employees, etc., which makes the firm ineligible with respect to any of the eligibility norms, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.