

**EXTRACTS OF THE AGENDA OF THE 84<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS OF NATIONAL SECURITIES DEPOSITORY LIMITED HELD ON WEDNESDAY, NOVEMBER 01, 2023 AT 12:27 P.M. AT BOARD ROOM, 5<sup>TH</sup> FLOOR, TRADE WORLD, 'A' WING, KAMALA MILLS COMPOUND, SENAPATI BAPAT MARG, LOWER PAREL, MUMBAI - 400013.**

➤ **Circular resolutions passed through circulation since last Board Meeting:**

**Circular Resolution approved on October 18, 2023:**

**To revise the penalty actions for non-compliances by DPs for not converting eligible demat accounts into BSDA**

The penalty amount of Rs. 5000/- per occasion as proposed was not enough to deter any DP from continuing with the practice of not converting eligible BOs to BSDA. The penalty is proposed to be revised after having a joint discussion with both the Depositories.

Accordingly, after deliberations and discussions, both the depositories have agreed upon the revised proposal for the aforesaid non-compliance, as follows:

Sr. No.	Nature of non-compliances	Penalty action submitted earlier	Revised penalty proposal	Rationale
1.	Demat accounts not converted into BSDA, after assessing the eligibility at the end of the current billing cycle as per respective depository / SEBI guidelines.	Rs.5000/- per occasion	<ul style="list-style-type: none"> <li>Rs.500/- per account, with a maximum cap of Rs.25,000/-</li> <li>If such deviation is observed in two consecutive inspections, penalty would be Rs. 1,000/- per account, with a maximum cap of Rs.50,000/-</li> <li>If such deviation is observed in three</li> </ul>	The new penalty proposed is on per account basis warranting for higher penalty in case of deviation observed for multiple accounts.

Sr. No.	Nature of non-compliances	Penalty action submitted earlier	Revised penalty proposal	Rationale
			consecutive inspections, matter would be referred to respective depository's Member Committee for further action, if any.	

➤ **Introduction of a new penalty head for provision to be made for non-compliances by Depository Participants (DPs) for non-submission of response within stipulated time for the surveillance alerts shared by depository**

As an ongoing exercise of strengthening the compliance and while reviewing the compliance requirements arising out of various NSDL circulars, it is observed that currently, there is no specific penal provision against DPs for non-submission of response for the surveillance alerts shared by depository within stipulated time in accordance with point no. 4 (d) of NSDL circular dated July 15, 2021, on Surveillance Obligations for DPs.

As both the Depositories have adopted a uniform penalty structure for DPs, the proposed new penalty head is in-principally agreed between both depositories.

The new penalty head and amount proposed is detailed below:

Sr. No.	Nature of non-compliance	Proposed Penal Action (in ₹)/ Action
1.	DP has not submitted response for the surveillance alerts shared by depository within stipulated time.	₹200 per alert plus additional ₹500 for any delay per fortnight.  If total monetary penalty imposed under this head is more than or equal to ₹1,00,000/- during last consecutive six months, matter would be referred to Member Committee.

In view of the above, following is proposed:

- To insert aforesaid new penalty head in Business Rule 18.1.1
- Once approved, make amendments to the provision of Chapter 18.1 of Business Rules of NSDL.

The Board is requested to approve introduction of new penalty and amendment in the business Rule 18.1.1 for incorporating the aforesaid penalty.

➤ **Amendment in Business Rules relating to the Investor grievance redressal timelines**

Pursuant to amendment to SEBI (Depositories & Participants) Regulations, 2018 wherein the timeline for resolution of Investor Grievance by Depositories, Depository Participants (DPs) and Registrar and Transfer Agents (RTAs) is revised from 'thirty days' to 'twenty-one' days. The said changes are made in following regulation:

**(1) Change related to Depositories:**

*in regulation 7, in clause (g), for the words "thirty days", the words "twenty-one calendar days" shall be substituted;*

**(2) Change related to DPs:**

*in regulation 36, in sub-regulation (2), in clause (f), for the words "thirty days", the words "twenty-one calendar days" shall be substituted;*

**(3) Change related to Issuer/ RTAs:**

*regulation 72 shall be substituted with the following, namely –*

*"Redressal of investor grievances*

*72. (1) The issuer or its agent or any person who is registered as an intermediary under these regulations shall redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance and in such manner as may be specified by the Board.*

*(2) The Board may also recognize a body corporate for handling and monitoring the process of grievance redressal within such time and in such manner as may be specified."*

In view of aforesaid amendment, it is proposed to make changes in following clause of Business Rules related to DPs:

- i. Clause 29 of Rule 18.1.1 and
- ii. Clause 24 of Annexure 'K'.

Further, the change in regulation 7(g) related to Depository are noted. With respect to changes in regulation 72 for Issuer/RTA, same are being examined and proposed amendments shall be made separately.

➤ **Amendments to existing NSDL Bye Law 13 and 14 and NSDL Business Rule 19**

Online Dispute Resolution mechanism is introduced for resolution of complaints/ disputes between investors/ clients and listed companies (including their registrar and share transfer agents) or any of the specified intermediaries / regulated entities in securities market (collectively “Market Participants”).

The MIIs (NSE, BSE, MSEI, MCX, NCDEX, NSDL and CDSL) in consultation with their empaneled ODR Institutions have with joint efforts established, developed and operationalized a Common Online Dispute Resolution Portal (“ODR Portal”) named as “SMARTODR Portal” that can be accessed through: <https://smartodr.in/login>.

The ODR Portal is made live and functional in two phases within prescribed timelines mentioned below:

(i) 1st Phase:

- (a) Development of the ODR Portal, empanelment of ODR Institutions by the MIIs, empanelment of conciliators and arbitrators by such ODR Institutions on or before August 1, 2023, and
- (b) Registration of Trading Members and Depository Participants on the ODR Portal by August 15, 2023, and.
- (c) On and from August 16, 2023, commencement of registering of companies / disputes against trading members/brokers and depository participants and their resolution.

(ii) 2nd Phase:

- (a) Registration of all other Market Participants on the ODR Portal by September 15, 2023;
- (b) Commencement of registering of complaints/disputes against all other Market Participants and their resolution on from September 16, 2023, and

(c) Implementation of related procedures and requirements effective from September 16, 2023.

In order to facilitate online conciliation and arbitration, NSDL has empaneled Webnyay, an ODR Institution. The existing members of Investor Grievance Redressal Committee and Arbitrators empaneled with NSDL, have been onboarded as conciliators and

arbitrators with Webnyay. The said ODR Institution will be responsible for conducting the conciliation and arbitration proceedings within the prescribed timelines including allocation of matters, appointment of conciliators and arbitrators and conducting the proceedings.

Under the earlier dispute resolution mechanism, the MIIs were required to conduct and manage the proceedings of IGRC and arbitration and accordingly, detailed provisions of arbitration were included in the NSDL Byelaws and Business Rules.

In the light of the new dispute resolution mechanism, it is proposed to replace the existing NSDL Bye Law 13 and 14 with a new Bye Law 13. Similarly, existing NSDL Business Rule 19 be replaced with a new Business Rule 19.