

EXTRACTS OF THE MINUTES OF THE 93RD MEETING OF THE BOARD OF DIRECTORS OF NATIONAL SECURITIES DEPOSITORY LIMITED HELD ON TUESDAY, AUGUST 13, 2024, AT 02.00 P.M. AT 6TH FLOOR, NAMAN CHAMBERS, G BLOCK, PLOT NO- C-32, BANDRA KURLA COMPLEX, BANDRA EAST, MUMBAI, MAHARASHTRA 400051.

1. Circular resolutions passed through circulation since last Board Meeting

The Board took note of the circular resolution No. 9/2024-25 dated 4th August 2024, passed with requisite majority on August 05, 2024:

To approve the settlement pursuant to Settlement Application filed in the matter of alleged non-compliance of Hon'ble Securities Appellate Tribunal Order dated October 12, 2022, by NSDL

"RESOLVED THAT the Board approved the proposal of filing the settlement terms with SEBI, with an amount of Rs 3,12,00,000 in relation to the Settlement Application filed by the Company on February 29, 2024, in accordance with the SEBI (Settlement Proceedings) Regulations, 2018 to settle the violations alleged in the Show Cause Notice dated February 8, 2024.

RESOLVED FURTHER THAT the Managing Director & CEO, Executive Director and the Compliance Officer are authorized to do all such acts, deeds and things as may be required for implementing the said resolution."

2. To review of Product, Services and Revenue Stream

The Board was informed that as per the Code of Conduct for Governing Board, Directors, Committee members and Key Management Personnel prescribed under the revised SEBI (Depositories and Participants) Regulations, 2018 read with and SEBI circular dated June 25, 2024 on Statutory Committees at MIIs, the Governing Board is required to review periodically all existing products, services, revenue streams.

The Board was further informed that NSDL had enhanced its existing products and services on a regular basis in accordance with regulatory guidelines and business requirements. NSDL had undertaken a detailed review of its existing 25 services/products which contribute 99% of the operational revenue. In addition to the above, review of 12 other operational services/products was also undertaken, where there was no revenue. The Board was further informed that the Regulatory Oversight Committee in its meeting held on October 26, 2023 had suggested exploring the

possibility of generating revenue from the aforesaid products/services and if required, taking it up with SEBI, wherever these services are rendered at the behest of SEBI.

The Board was further informed that an internal review had been carried out considering the Regulatory Oversight Committee suggestions and details of the same were placed before the Board. 6 products/services where revenue generation was possible and 6 products/services where there was no possibility of revenue generation were placed before the Board.

The aforesaid matter was considered and reviewed by the Regulatory Oversight Committee in its meeting held on August 12, 2024 and had recommended the same to the Board.

The Board after due deliberation reviewed the Product, Services and Revenue Stream.

3. To review the fees and charges

It was informed that under Regulation 31(4) of the SEBI (Depositories and Participants) Regulations, 2018, a depository is required to submit its fee and charge structures for review by its Oversight Committee. NSDL conducts a comprehensive review of its fees and charges at least annually, with the latest review conducted by the Board during its meeting on January 4, 2024.

The attention of the Board was drawn to three recent circulars of SEBI:

- (a) The circular dated June 25, 2024 titled 'Statutory Committees at Market Infrastructure Institutions (MIIs) mandates the Regulatory Oversight Committee to periodically review and comment on the appropriateness of the fees and charges levied by a depository, including at every instance of change.
- (b) The circular dated June 28, 2024 titled 'Facility for Basic Services Demat Account (BSDA) for Financial Inclusion and Ease of Investing' enhanced the value of holding from ₹4 lakh to ₹10 lakh for BSDA benefits.
- (c) The circular dated July 1, 2024 titled "Charges levied by Market Infrastructure Institutions - True to Label" requires the Depository to adhere to the following principles when levying fees recovered from clients:
 - (i) The Depository should ensure that the amount charged by DPs from clients matches the fees payable to it;
 - (ii) The fee levied by a Depository should be uniform and equal for all its DPs instead of based on slabs of volume of transactions; and

- (iii) The new charge structure decided by the Depository should give due consideration to the existing per-unit charges to ensure that any reduction in charges benefits clients.

After a thorough examination, the Board reviewed the fees levied by the Depository and identified a need for revisions in the fee structure, specifically with regard to the settlement and custody fees.

Settlement fee

It was informed that in 2023-24, NSDL moved from a flat settlement fee structure to a slab-based settlement fee, which remains the only fee it levies on a slab basis. This structure requires modification to comply with the ‘True to Label’ principle. It was further informed that, during 2023-24, five DPs consistently paid a settlement fee @ ₹4.25 per debit instruction, determined by the slab corresponding to their monthly transaction volumes. Only one DP paid a settlement fee @ ₹4.00 per debit instruction for a few months, based on its volume slab.

Management presented a table outlining various scenarios for transitioning to an alternate flat settlement fee per debit instruction. Analysis of the data indicated that NSDL would achieve revenue neutrality if a flat fee of ₹4.50 per debit instruction were applied uniformly across all transactions. However, this change would disadvantage the DPs currently enjoying ₹4.00 per debit transaction. After extensive deliberations, the Board recommended implementing a flat fee of ₹4.00 per debit instruction. This adjustment would benefit the clients of smaller DPs without adversely affecting any stakeholder. While this may slightly reduce NSDL's revenue based on 2023-24 volumes, the impact on revenue for 2024-25 is expected to be marginal, given the current volume trends.

Extant Settlement Fee Structure			
Monthly Settlement Fee Bill	₹/ Debit Instruction	No. of Debit Instructions (In crore)	Revenue (₹ crore)
Less than ₹1,00,000	5.00	14	62
₹1,00,001 to ₹10,00,000	4.75		
₹10,00,001 to ₹25,00,000	4.50		
₹25,00,001 to ₹1,00,00,000	4.25		
More than ₹1,00,00,000	4.00		
Proposed Flat Fee			
Uniform Rate	4.50	14	63
	4.25	14	60
	4.00	14	56

Management presented that out of the 1.62 crore demat accounts opened by NSDL in the preceding three years, 43.3 lakh were opened by individuals under the age of 24 (youth). To promote financial inclusion, management proposed a settlement fee holiday for these youth accounts. After thorough deliberation, the Board recommended implementing a settlement fee waiver for three years on transactions in accounts opened by youth. This incentive would apply for three years from the account's opening date and be available for accounts opened within one year from the launch of this initiative. The Board also suggested that this fee holiday could be extended beyond one year based on a review of its impact.

Additionally, it was decided that NSDL would instruct DPs to disclose depository fees separately on client bills, rather than bundling them with other fees.

Custody Fee

It was informed that NSDL levies an ACF @ ₹11 per folio from issuers, subject to a minimum amount linked to the nominal value of admitted securities. SEBI had periodically approved revisions to this fee. In 2009-10, SEBI allowed an increase in the ACF from ₹5 to ₹8 per folio. When it approved a further revision to ₹11 in 2015-16, it stipulated that 20% of the incremental revenue generated from the increase should be allocated as incentives to DPs for opening BSDA accounts.

BSDA is a financial inclusion initiative promoted by SEBI, offering the following incentives: (a) ₹100 in the year of opening, and (b) ₹2 for every transaction. The ₹100 incentive is given for each newly opened BSDA account, while the ₹2 incentive applies to every transaction in all existing BSDA accounts. With the recent increase in the threshold value from ₹4 lakh to ₹10 lakh for BSDA benefits, the number of beneficiaries is expected to rise significantly. As a result, the 20% share of incremental revenue from ACF may no longer be sufficient to cover the growing demand for BSDA incentives. Management presented the following projections: (a) In 2023-24, revenue-generating demat accounts contributed an average of ₹1.36 each to support BSDA incentives. This contribution is expected to rise to ₹5.05 by the end of 2028-29, and (b) The average incentive paid per BSDA account is projected to increase from ₹12.75 in 2023-24 to ₹47.25 by 2028-29. It presented the workings in the following table:

Financial Year	No. of Revenue Accounts at the beginning of the year	No. of BSDA Accounts opened during the year	Total Incentive Paid/ Payable for opening BSDA Accounts	Total Incentive Paid / Payable for transactions in BSDA Accounts	Average amount paid per BSDA Account (₹)	Average amount borne by every revenue Account (₹)
Actual						
19-20	1,10,34,571	7,88,316	1,07,49,300	93,60,861	12.05	1.82
20-21	1,17,38,906	2,54,560	2,14,53,400	1,06,63,496	15.17	2.74
21-22	1,28,99,896	12,58,707	4,86,49,500	1,39,46,959	20.33	4.85
22-23	1,59,25,798	7,22,863	2,24,67,100	1,12,18,081	16.63	2.12
23-24	1,87,36,233	3,58,473	1,23,13,800	1,31,57,711	12.76	1.36
Estimated						
24-25	2,06,09,856	4,66,014.90	1,60,07,940	1,71,05,023.85	16.59	1.77
25-26	2,26,70,842	6,05,819.37	2,08,10,322	2,22,36,531.00	21.56	2.30
26-27	2,49,37,926	7,87,565.18	2,70,53,419	2,89,07,490.30	28.03	2.99
27-28	2,74,31,719	10,23,834.74	3,51,69,444	3,75,79,737.39	36.44	3.88
28-29	3,01,74,891	13,30,985.16	4,57,20,277	4,88,53,658.60	47.37	5.05

It was informed that the cost-of-living index had gone up by 43% since 2015-16, coupled with increasing investments in technology and enhancements in services and user experiences. These factors are contributing to higher service costs. Without an adjustment to the ACF, maintaining service quality and covering the rising costs of both service delivery and BSDA benefits may soon become unsustainable.

After thorough deliberation, the Board recommended increasing the ACF to ₹15 per folio, along with corresponding adjustments to the minimum fees as indicated in columns (2) and (3) of the following table:

Nominal value of admitted securities (₹ crore)	Minimum ACF (₹) by a	
	Listed Issuer	Unlisted Issuer
(1)	(2)	(3)
≤ 2.5	14,000	5,000
> 2.5 - ≤ 5		9,000
> 5 - ≤ 10	34,000	22,500
> 10 - ≤ 20	68,000	45,000
> 20	1,15,000	75,000

The aforesaid matter was considered by the Regulatory Oversight Committee at its meeting held on August 12, 2024 and had recommended the same to the Board for its approval.

The Board after due deliberations approved the abovementioned proposal and amendments to the business rules as follows:

i. Amendments to Business Rules 21.2.2.1 Settlement fee

“RESOLVED THAT based on the recommendation of Regulatory Oversight Committee, the Board approved the amendments to Business Rules 21.2.2.1 Settlement fee and accorded its consent for onward submission to SEBI.

RESOLVED FURTHER THAT the Managing Director & CEO and the Executive Director are severally authorized to make amendments to Business Rules as may be required from time to time on further instructions from SEBI.

RESOLVED FURTHER THAT the Managing Director & CEO, Executive Director, Chief Regulatory Officer, Compliance Officer, Chief Financial Officer and Company Secretary of the Company are severally authorized to do all such acts, deeds, matters and things as may be necessary to give effect to this resolution.

RESOLVED FURTHER THAT any Director or Company Secretary are severally authorised to furnish a certified true copy of the said resolution for necessary action, reference and record.

ii. **Amendments to Business Rules 21.1.3. Annual Custody Fee**

“RESOLVED THAT based on the recommendation of Regulatory Oversight Committee, the Board approved the amendments to Business Rules 21.1.3. Annual Custody Fee and accorded its consent for onward submission to SEBI.

RESOLVED FURTHER THAT the Managing Director & CEO and the Executive Director are severally authorized to make amendments to Business Rules as may be required from time to time on further instructions from SEBI.

RESOLVED FURTHER THAT the Managing Director & CEO, Executive Director, Chief Regulatory Officer, Compliance Officer, Chief Financial Officer and Company Secretary of the Company are severally authorized to do all such acts, deeds, matters and things as may be necessary to give effect to this resolution.

RESOLVED FURTHER THAT any Director or Company Secretary are severally authorised to furnish a certified true copy of the said resolution for necessary action, reference and record.

The Board, after due deliberations, approved the abovementioned proposal.