

**EXTRACTS OF THE MINUTES OF THE 94<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS OF NATIONAL SECURITIES DEPOSITORY LIMITED HELD ON THURSDAY, AUGUST 29, 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.**

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**1. Amendment to Business Rules – Penalties**

It was proposed to amend the rules 18.1.1, 18.2.1, and 18.2.2 of the Business Rules to enable the issue of administrative advisory, deficiency, and warning letters, where the lapse is not serious enough to warrant a monetary penalty.

The Board was informed that the Regulatory Oversight Committee in its meeting held on August 29, 2024 had considered the said matter and observed that the amendments indicated in track mode did not capture the intention. It was further informed that the Committee in the said meeting advised adding new clauses to the Business rules to allow issuing advisory, deficiency, and warning letters. However, the ROC recommended the current proposal to the Board for its consideration.

The Board approved the aforesaid proposal after deliberations by passing the following resolution:

**“RESOLVED THAT** based on the recommendation of Regulatory Oversight Committee, the Board approved the proposal of adding new clauses to the Business Rules - Penalties to allow issuing advisory, deficiency, and warning letters.

**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.”

**2. Amendments to Business Rules: Closure of Demat Accounts**

The Board was apprised that demat accounts are closed within 30 days of receipt of the request for the same as per Business Rule 12.8, except where some transactions are pending. Sometimes, transactions pending may take up to a year or even beyond to be completed.

During the recent inspection of depositories, SEBI recommended revalidating long-delayed account closure requests by obtaining a fresh Account Closure Request Form (ACRF) or Know Your Customer (KYC) documentation from the Beneficial Owners (BOs) within a reasonable timeline. For the implementation of the above recommendation, depositories jointly agreed to implement a process requiring a fresh Account Closure Request Form from the BO for closing the account in cases where more than one year has passed since receipt of the closure request.

Accordingly, it was proposed to amend Business Rule 12.8 regarding 'Closure of An Account' by adding a second proviso to the effect that the DP shall obtain a fresh request before closing an account where the account could not be closed for pending transactions and one year has passed since the request was received.

The Regulatory Oversight Committee in its meeting held on August 29, 2024 had considered the said matter and recommended an amendments to Business Rule 12.8 regarding 'Closure of Demat Accounts' with modifications to reflect the amendment noted in Para 4.3 and recommended the same to the Board for its approval.

The Board approved the aforesaid proposal and recommended for onward submission to SEBI by passing the following resolution:

**“RESOLVED THAT** based on the recommendation of Regulatory Oversight Committee, the Board approved the amendments to Business Rules 12.8 regarding 'Closure of Demat Accounts' with modifications to reflect the amendment noted in Para 4.3 and accorded its consent for onward submission to 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.”

### **3. Amendments to Business Rules: Transmission of Securities in Joint Demat Accounts, etc.**

The Board was informed that SEBI vide letter dated April 09, 2021 on the 'Mode of Operations and Transmission of Securities in Joint Demat Accounts' had specified that the surviving member(s) has to inform the DP about the death of the account holder within one year. Accordingly, NSDL had provided for the same in its Business Rules.

It was further informed that SEBI vide letter dated June 26, 2024, regarding 'Transmission of Securities in Joint Demat Account – Removal of Restriction of One Year', has advised doing away with the one-year time limit specified earlier.

Further, SEBI vide its circular dated June 10, 2024 on 'Ease of Doing Business - Non-submission of the 'Choice of Nomination' has advised that all new investors shall continue to be required to mandatorily provide the 'Choice of Nomination' for demat accounts (except for jointly held demat accounts). Accordingly, it was proposed to amend Form 9, Rule 4.5.4, and Rule 12.6 of the Business Rules and bye-law 9.11 of Byelaws.

Pursuant to the aforesaid SEBI communications, the Regulatory Oversight Committee in its meeting held on August 29, 2024, had considered the aforesaid proposal and recommended to the Board for its approval.

The Board approved the aforesaid proposal and recommended for onward submission to SEBI by passing the following resolution:

**“RESOLVED THAT** based on the recommendation of Regulatory Oversight Committee, the Board approved the amendments to below Business Rules/ Byelaws and accorded its consent for onward submission to SEBI:

- Form 9
- Rule 4.5.4 of Business Rules
- Rule 12.6 of Business Rules
- Law 9.11 of Byelaws

**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.”

#### **4. To review the status of investor grievances**

The Board was apprised of the details of grievances received directly by NSDL and from SEBI (other than CAS) during the quarter ended June 2024. Further, a summary of quarter-wise count of grievances received directly by NSDL and from SEBI (other than CAS) were placed before the Board.

It was informed that a 37% reduction (1317 counts reduced to 827) was observed in Q1 of FY 2024-25 against Depository Participants (DPs) as compared to Q4 of FY 2023-24. The details of decreases in grievances were placed before the Board as follows:

- In Q1 of FY 24-25, a 54% reduction in grievances forwarded by SEBI was observed. This was due to lesser awareness of SCORES Ver 2.0 functionality by the Investors.
- In Q1 of FY 24-25, a 32% reduction was noticed in the category of Improper Services which included grievances related to Deactivation/ Freezing/Suspension of accounts, the transmission of shares and non updation of changes in demat account.

It was further informed that an increase of 66% (271 counts increased to 452) in grievance against NSDL had been observed in Q1 of FY 2024-25 as compared to Q4 of FY 2023-24. The said increases were mainly in SGB related grievances and SEBI SCORES Grievances under Designated Body (NSDL) login as follows:

- A 52% increase in SGB grievances under the category “Against Depository” was observed. This increase was attributed mainly to non-receipt of SGB interest, on account of non-updation of correct bank details and credits received by investors in the linked demat bank account.
- 70 instances were reported during Q1 of FY 2024-2025. The grievances had increased against the depository, as the investor were not yet familiar with SEBI’s new version of SCORES 2.0. Further, Investors had mentioned the name of NSDL (instead of DP) in the column pertaining to complaints.

The Board was also informed that a decrease of 60% in grievance against Issuers/Registrar & Transfer Agents (RTAs) was observed in Q1 of FY 2024-2025 as compared to Q4 of FY 2023-24. The decrease was related to non-receipt of cash/non cash benefits grievances and Demat / Remat - Issuer related grievance.

The Board was briefed on the trend observed in grievances during the current quarter as compared to the previous year’s same quarter , Q1- FY 2023-24 (Apr to Jun) Vs Q1- FY 2024-25. It was further updated that there was a decrease in Turn Around Time (TAT) in the redressal of grievances in Q1 of FY 2024-25 as compared to Q4 of FY 2023-24. The summary details of the aging analysis were placed before the Board.

It was further informed to the Board that during Q1 FY2024-25, 10 grievances were redressed between 22 to 30 days and two grievances were redressed after 31 days. Further, in Q1 FY 2024-25, 12 grievances were redressed after the prescribed time limit of 21 days. Out of the said 12 grievances, nine pertained to the grievances received on the SCORES platform and the remaining three were received directly from Investors. There were delays in the said nine cases due to newly launched SEBI SCORES ver2, and also DPs were facing login issues as well as delays in reassignment of cases by other categories/ Designated bodies. The same was reported and informed to SEBI via MDR report or email.

It was updated to the Board that to improve the operational efficiency and adherence of the TAT of 21 days, the concerned departments had implemented daily monitoring and a focused approach of rigorous follow up with DPs, RTAs to ensure timely redressal of submission of response, including monitoring and redressal of grievances.

The quarter-wise counts of CAS grievances corresponding to CAS dispatched in Q1 of FY 2024-25 and the summary of grievances related to allegations of unauthorised transfer of securities for Q1 of FY 2024-25 were also placed before the Board. The Board was also informed that grievances were mainly related to securities debited based on Delivery Instruction Slip (DIS)/ and instruction/s executed by the Power of attorney holder. Further, securities were debited on the basis of debit corporate action declared by the Issuer/RTA.

The Regulatory Oversight Committee in its meeting held on August 29, 2024, had considered the said matter and recommended it to the Board for its noting.

The Board, after deliberations reviewed and noted the same.