

**EXTRACTS OF THE AGENDA 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**

SEBI has vide its Circular No. SEBI/HO/MRD/MRD-PoD-3/2024/088 dated June 25, 2024 on Statutory Committees at Market Infrastructure Institutions (MIIs) has revised the terms of reference.

While deliberating on the aforesaid circular, a review was also done for changes required in the Business Rules and Bye Laws due to changes in terms of reference.

Upon review, changes are proposed in Chapter 18 of NSDL Business Rules and Bye laws considering the SEBI circular on terms of reference and certain other changes for bringing in more clarity and same are to be placed before the Board in track change mode as Annexure A and Annexure B.

The Board is requested to review and approve the same. Upon approval by the Board, the changes in the Business Rules and Bye laws will be communicated to CDSL and SEBI will be requested to approve the same.

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

As per Business Rule 12.8 of the National Securities Depository Limited (NSDL), clients desiring to close a demat account must submit an application in the specified form. Depository Participants (DPs) are responsible for ensuring compliance with SEBI/NSDL regulations when processing these closure requests.

In certain cases, demat accounts cannot be closed due to pending transactions such as demat/remat requests, pledged balances, or suspended ISINs. In such instances, the account is typically frozen (i.e., "suspended for debit and credit") until these issues are resolved. Once resolved, DPs remove the freeze and proceed with account closure based on the initial request from the client.

Currently, there is no prescribed timeline for processing account closure requests after the issues preventing closure are resolved. Consequently, there may be significant time gaps between the initial request and the execution of closure in the depository system.

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 have jointly agreed to implement a process requiring a fresh Account Closure Request Form from the BO in cases where more than one year has passed between the date of the account closure request and the actual execution date.

If the time period between the closure request and execution is less than one year, the requirement for fresh documentation should not apply to avoid unnecessary inconvenience to clients. This approach may reduce potential grievances or complaints from investors.

Pursuant to the aforesaid SEBI Recommendation, NSDL is required to make consequential amendments in its Business Rules regarding '*Closure of Demat Accounts*'.

Accordingly, it is proposed to amend the NSDL Business Rules as below:

- Amendments to Business Rules 12.8 (To be placed before the Board as Annexure A in track changes mode)

The Board is requested to review and approve the same.

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

SEBI issued guidelines regarding the 'Mode of Operations and Transmission of Securities in Joint Demat Accounts' vide its letter dated April 09, 2021. (The copy of the said circular is to be placed before the Board as Annexure I).

Para 2(ix) of the aforesaid letter states that "*The surviving members have to inform the Participant about the death of the account holder with the requisite documents within one year.*"

For the implementation of the above SEBI communication with respect to the transmission of securities in joint demat accounts, NSDL has made the necessary system changes, and the operational guidelines were communicated to the Participants via NSDL Circular dated October 28, 2023. NSDL also incorporated the above in Form 9 specified

in NSDL's business rules.

In this regard, SEBI communicated via its letter dated June 26, 2024, regarding 'Transmission of Securities in Joint Demat Account – Removal of Restriction of One Year'. (The copy of the said circular is to be placed before the Board as Annexure II).

SEBI, vide its aforesaid letter dated June 26, 2024, decided to do away with the one-year time limit outlined under Para 2(ix) of the letter dated April 09, 2021, and modified it as follows:

*"This arrangement of mode of operation shall not expire on the death of one of the client holders, if the surviving account holder choose the option to continue with the same account by deletion of deceased's name. Depository shall retain an audit trail in the system to record the deletion of the client holders due to death".*

Further, SEBI vide its circular dated June 10, 2024, regarding the non-submission of the 'choice of Nomination' for ease of doing investments and mandatory fields for updating nomination details (The copy of the said circular to be placed before the Board as Annexure III) SEBI has decided as follows:

*All new investors shall continue to be required to mandatorily provide the 'Choice of Nomination' for demat accounts (except for jointly held demat accounts).*

For the implementation of the above SEBI Communications, NSDL is in the process of making the required system changes.

Pursuant to the aforesaid SEBI communications, NSDL is required to make consequential amendments in its Business Rules with respect to the "transmission of securities in joint demat accounts – Removal of restriction of one year" and 'Choice of Nomination' for demat accounts.

Accordingly, it is proposed to amend the NSDL Business Rules as below:

- Amendments to Form 9 – Made changes in the notes of the account opening form for Individuals as mentioned below (Form 9 is to be placed before the Board as Annexure A in track changes mode)

Existing	Amended / Inserted
Note 6. In case of joint account, on death of any of the joint account holders, the surviving account holder(s) has to	In case of joint account, on death of any of the joint account holders, the surviving account holder(s) has to inform

inform Participant about the death of account holder(s) with required documents within one year from the date of demise.	Participant about the death of account holder(s) with required documents for deletion of name of the deceased account holder(s) in the demat account.
-	<p>Added Note 8.</p> <p>In case of joint account, the option to select 'Choice of Nomination' i.e. I/We wish to make a nomination or I/We wish to opt out of a nomination is not mandatory.</p>

- Amendments to Rule 4.5.4 of Business Rules as mentioned below (The same is to be placed before the Board as Annexure B in track changes mode).

Existing	Amended
<p>Rule No. 4.5.4.8:</p> <p>This arrangement of mode of operation shall not expire on the death of one of the Client holders, if the surviving account holder(s) chose the option to continue with the same account by deletion of name of the deceased account holder(s) as per the procedure specified at 12.6.1. The surviving account holder(s) have to inform Participant about the death of account holder(s) with required documents within one year of the date of demise. If the surviving account holder(s) fails to report the death of deceased joint holder within one year of the date of demise, a new demat account shall be opened by the surviving account holder(s) to execute transmission as per the procedure specified at Rule 12.1.</p>	<p>Rule No. 4.5.4.8</p> <p>This arrangement of mode of operation shall not expire on the death of one of the Client holders, if the surviving account holder(s) chose the option to continue with the same account by deletion of name of the deceased account holder(s) as per the procedure specified at 12.6.1.</p>

- Amendments to Rule 12.6 of Business Rules as mentioned below (The same is to be placed before the Board as Annexure C in track changes mode):

Existing	Amended
<p>Rule 12.6.1.1.</p> <p>In case of death of one of the Clients in a joint account, the surviving Client(s) shall request the Participant to transmit the balances lying in the Client account to the account of the surviving Client(s).</p>	<p>12.6.1.1.</p> <p>In case of death of one of the Clients in a joint account, the surviving Client(s) shall request the Participant to continue with the same account by deletion of name of the deceased account holder(s) or to transmit the balances lying in the Client account to the account of the surviving Client(s).</p>
<p>Rule 12.6.1.4.</p> <p>The Participant after being fully satisfied on all aspects, shall then effect transfer of the balances to the account of the surviving Client(s).</p>	<p>Rule 12.6.1.4.</p> <p>The Participant after being fully satisfied on all aspects, shall then effect deletion of name of the deceased account holder(s) or transfer of the balances to the account of the surviving Client(s).</p>

- Amendments to Law 9.11 of Byelaws as mentioned below (The same is to be placed before the Board as Annexure D in track changes mode):

Existing	Amended
<p>Rule 9.11.3.</p> <p>A minor may be nominated to the interest in an account under these Bye Laws, provided the Nominating Person(s) follow(s) such requirements as may be prescribed under the Business Rules, including without limitation, provision of the name and address of the guardian of such minor to the Participant and the Depository.</p>	<p>Rule 9.11.3.</p> <p>A minor may be nominated to the interest in an account under these Bye Laws, provided the Nominating Person(s) follow(s) such requirements as may be prescribed under the Business Rules, including without limitation, provision of the name <del>and address</del> of the guardian of such minor to the Participant and the Depository.</p>

The Board is requested to review and approve the same.

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

NSDL receives the grievances from investors:

- a. directly (electronic form/ physical form/NSDL online portal)
- b. through SEBI (SCORES)

SEBI has launched SCORES Ver 2.0 from April 1, 2024. The salient features of SCORES 2.0 are as follow:

1. Introduction of auto - routing of grievances to concerned Entities (DPs) to eliminate time lapses inflow of grievances.
2. Monitoring of timely redressal of grievances by Designated Bodies (such as NSDL).
3. Two levels of review, first by NSDL (if investor is dissatisfied by reply received from entities (DPs) and second by SEBI (if investor is still dissatisfied by first review)
4. Advice to opt for ODR if investor is not satisfied with response.

The grievances received at NSDL are mainly classified as:

- a. against Depository Participants (DPs)
- b. against Issuers/Registrar & Transfer Agents (RTAs)
- c. against Depository (includes CAS grievances)

The following are the types of Grievances that have been categorized as per types prescribed in SEBI Circular ref no. SEBI/MRD/OIAE/Dep/Cir-4/2010 dated January 29, 2010:

1. Account Opening Related
2. Demat/ Remat Related
3. Transaction Statement Related
4. Improper Service Related
5. Charges Related
6. Delivery Instruction Related (DIS)
7. Closure
8. Manipulation/ Unauthorized Action
9. Company/ RTA Related
10. Others

Further, NSDL also receives:

- a. Grievances pertaining to broking, PAN related and other entity related etc., which are categorized as “grievance outside the NSDL purview”.

- b. Queries on processes, general information etc., which are classified as “non-grievance”.

Month wise details of grievances received directly by NSDL and from SEBI (other than CAS) as mentioned in point no.2 above are to be placed before the Board and quarter wise count of grievances received directly by NSDL & from SEBI (other than CAS) is as below –

Table 1:

<b>Investor Grievances</b>	<b>Q1- FY2023- 24 (Apr to Jun)</b>	<b>Q2- FY2023- 24 (July to Sept)</b>	<b>Q3- FY2023- 24 (Oct to Dec)</b>	<b>Q4- FY2023- 24 (Jan to Mar)</b>	<b>Q1- FY2024- 25 (Apr to Jun)</b>
Pending at Beginning of quarter <b>(A)</b>	124	119	266	173	155
Grievances received during quarter					
· Against DPs	808	1240	1091	1317	827
· Against Depository	405	468	262	271	452
· Against Issuers / RTAs	56	70	72	43	17
· Incomplete Details	45	47	67	39	37
· Erroneous Transfer	1	0	3	5	2
Total Grievances received during quarter <b>(B)</b>	1315	1825	1495	1675	1335
<b>Total Grievances(A+ B )</b>	<b>1439</b>	<b>1944</b>	<b>1761</b>	<b>1848</b>	<b>1490</b>
Total Grievances Resolved	1320	1678	1588	1693	1372
Pending at end of quarter*	119	266	173	155	118
Outside NSDL purview**	264	342	282	243	65

\*Total pending IGs on the last date of respective quarters are subsequently resolved.

\*\* Grievances pertaining to broking/ trading, other entity related (such as PAN related, Demat account held with CDSL, Banking etc are categorized as “outside the NSDL purview”

The below trend is observed in grievances between the last **two quarters-**

Against Depository Participants (DPs)	<p><u>Against Depository Participants (DPs)</u></p> <p>37 % (1317 counts reduced to 827) decrease observed in Q1 of FY 2024-25 in grievance against DPs as compared to Q4 of F.Y. 2023-24. The decreases are mainly in the following categories.</p> <table><tr><th>Sr.no</th><th>Type of complaint</th><th>Count in Q4 of FY 2023-2024</th><th>Count in Q1 of FY 2024-2025</th><th>% in change</th></tr><tr><td>1</td><td>Improper Services grievances</td><td>542</td><td>369</td><td>Decrease by 32%</td></tr><tr><td>2</td><td>Account Closure</td><td>226</td><td>101</td><td>Decrease by 55%</td></tr><tr><td>3</td><td>Grievances forwarded by SEBI</td><td>874</td><td>397</td><td>Decrease by 54%</td></tr></table> <ul style="list-style-type: none"><li>• In Q1 of FY 24-25, 54% reduction in grievances forwarded by SEBI has been observed. This may be due to launch of SCORES Ver 2.0 by SEBI effective April 1, 2024, due to lesser awareness by Investors, of SCORES Ver 2.0 functionality, noticed decrease in grievances.</li><li>• In Q1 of FY 24-25, 32% reduction has been noticed in the category of Improper Services which include grievances related to Deactivation/ Freezing/Suspension of account, Transmission of shares and non updation of changes in demat account. <b>Main reduction in grievances pertain to Deactivation/ Freezing/Suspension of account.</b></li></ul>	Sr.no	Type of complaint	Count in Q4 of FY 2023-2024	Count in Q1 of FY 2024-2025	% in change	1	Improper Services grievances	542	369	Decrease by 32%	2	Account Closure	226	101	Decrease by 55%	3	Grievances forwarded by SEBI	874	397	Decrease by 54%
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2	Account Closure	226	101	Decrease by 55%																	
3	Grievances forwarded by SEBI	874	397	Decrease by 54%																	
Against Depository	<p><u>Against Depository</u></p> <ul style="list-style-type: none"><li>• An increase of 66% (271 counts increased to 452) in grievance against NSDL has been observed in Q1 of FY 2024-25 as compared to Q4 of F.Y. 2023-24. The said increases were mainly in SGB related category and SEBI SCORES Grievances under Designated Body (NSDL) login.</li></ul> <table><tr><th>Sr.no</th><th>Type of complaint</th><th>Count in Q4 of FY 2023-2024</th><th>Count in Q1 of FY 2024-2025</th><th>% in change</th></tr></table>	Sr.no	Type of complaint	Count in Q4 of FY 2023-2024	Count in Q1 of FY 2024-2025	% in change															
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	1	SGB	206	313	Increase by 52%
	2	Grievances forwarded by SEBI	0	70	-
	<ul style="list-style-type: none"> <li>52% increase in SGB grievances under the category “Against Depository” has been observed. This increase has been attributed mainly due to non-receipt of SGB interest, on account of non-updation of correct bank details, credits received by investors in linked demat bank account, whereas investors verified the interest credit details of the subscribed SGB Bank account.</li> <li>SEBI Scores version 2.0 was launched on April 1 of 2024. 70 instances were reported during Q1 of FY 2024-2025. The grievances have increased against depository, as investor are not yet familiar with SEBI’s new version of SCORES 2.0. Investors have mentioned the name of NSDL (instead of DP) in column ‘Complaint Against’ for the complaints, which was to be tagged to DP.</li> </ul>				
Against Issuers/Registrar & Transfer Agents (RTAs)	<u>Against Issuers/Registrar &amp; Transfer Agents (RTAs)</u> Decrease of 60% has been observed in Q1 of F.Y.2024-2025 as compared to Q4 of F.Y. 2023-24. The decrease has been noticed in grievances related to non-receipt of cash/non cash benefits grievances and Demat / Remat - Issuer related grievance.				

The below trend is observed in grievances between the current quarter as compared to the previous year same quarter. i.e. Q1- FY2023-24 (Apr to Jun) Vs Q1- FY2024-25 (Apr to Jun).

Against Depository Participants (DPs)	2.35 % increase observed in Q1 of FY 2024-25 in grievance against DPs as compared to Q1 of F.Y. 2023-24. Highlighted points are as follows: <ul style="list-style-type: none"> <li>An increase of 40% has been observed in Improper Services category, in Q1 of FY 2024-25 (263 total counts) as compared to Q1 of F.Y. 2023-24 (369 total counts).</li> <li>31 % decrease has been observed in Account Closure category, in Q1 of FY 2024-25 (101 total counts) as compared to Q1 of F.Y. 2023-24 (147 total count).</li> </ul>
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	<ul style="list-style-type: none"> <li>Mutual Fund related (24 counts) in Q1 of F.Y. 2023-24 as against “No/ nil” grievance was recorded in Q1 of FY 2024-25.</li> </ul>
Against Depository	11.60 % increase observed in Q1 of FY 2024-25 in grievance against Depository as compared to Q1 of F.Y. 2023-24. Highlighted points are as follow:- <ul style="list-style-type: none"> <li>SEBI Scores version 2.0 was launched on April 1 of 2024. (70 instances were reported during Q1 of FY 2024-2025) newly launched SEBI Scores Ver 2.0 portal.</li> <li>Block Mechanism related (29 counts) in Q1 of F.Y. 2023-24 as against five grievances were recorded in Q1 of FY 2024-25.</li> </ul>
Against Issuers/Registrar & Transfer Agents (RTAs)	Decrease of 70% has been observed in Q1 of F.Y.2024-2025 as compared to Q1 of F.Y. 2023-24. The decrease has been noticed in grievances related to non-receipt of cash/non cash benefits grievances and Demat / Remat - Issuer related grievance.

There is decrease in Turn Around Time (TAT) in redressal of grievances in Q1 of FY 2024-25 as compared to Q4 of FY 2023-24. Summary details of ageing analysis are placed below.

In days/ Quarters	Upto 7 days		8- 15 days		16-21 days		22-30 days		31 days above		Total redressal of grievances
	No . of IGs	% of Total IGs	N o. of IGs	% of Total IGs	N o. of IGs	% of Total IGs	N o. of IGs	% of Total IGs	No . of IGs	% of Total IGs	
Q1- FY 2023-24 Apr to Jun	712	53.94	374	28.33	112	8.48	98	7.42	24	1.82	<b>1320</b>
Q2- FY2023- 24 July to Sept	867	51.67	525	31.29	189	11.26	87	5.18	10	0.60	<b>1678</b>
Q3- FY2023- 24 (OCT to Dec)	689	43.39	584	36.78	275	17.32	37	2.33	3	0.19	<b>1588</b>
Q4- FY2023- 24 (Jan to	816	48.20	634	37.45	223	13.17	16	0.95	4	0.24	<b>1693</b>

Mar)											
Q1- FY2024- 25 (Jan to Mar)	52 5	38. 27	6 1 2	44. 61	22 3	16. 25	10	0.7 3	2	0.15	<b>1372</b>

**Note:**

- During Q1 FY2024-25, 10 grievances were redressed between 22 to 30 days and two grievances were redressed above 31 days.
- In Q1 FY2024-25, 12 grievances were redressed after prescribed time limit i.e. 21 days. Out of 12 grievances, nine pertained to the grievances received on SCORES platform and remaining three were received directly from Investors. There were delays in nine cases due to SEBI SCORES ver2, which got newly launched on April 01, 2024 and DPs were facing login issues as well as delay in reassignment of cases by other categories/ Designated body. Same has been reported and informed to SEBI via MDR report or email.
- With a view to improve the operational efficiency and adherence of the TAT of 21 days, Department has 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.

**CAS grievances:**

The Quarter-wise counts of CAS grievances to be placed before the Board.

The statistic of CAS grievances corresponding to CAS dispatched in Q1 (FY2024-25) is as under:

Month	No. of Grievances	CAS Dispatched	% of Grievances
April-24	5773	6448415	0.0895
May-24	4752	6595649	0.0720
June-24	2926	7455775	0.0392

**Unauthorized Transfer grievances (UT):**

The summary of grievances related to allegations of UT of securities for Q1 (from April 2024 to June 2024) is given below.

<b>UT grievance Particulars</b>	<b>Q4- FY2023-24 (Jan to Mar)</b>	<b>Q1 FY2024-25 (Apr to June)</b>
Pending at beginning of quarter	0	0
Total complaints received during quarter	20	16
Complaints Resolved during quarter	20	16
Pending at end of quarter	0	0

It is observed that there were 16 instances of UT grievances observed for Q1 FY 2024-25 (April 2024 to June 2024), the grievance observed were mainly related to securities debited based on Delivery Instruction Slip (DIS) and instruction/s executed by Power of attorney holder. Further, securities were debited on the basis of debit corporate action declared by Issuer/RTA.

The Board is requested to review and note the same.