

EXTRACTS OF THE AGENDA OF THE 96TH MEETING OF THE BOARD OF DIRECTORS OF NATIONAL SECURITIES DEPOSITORY LIMITED HELD ON TUESDAY, NOVEMBER 12, 2024, AT 02.30 P.M. AT 6TH FLOOR, NAMAN CHAMBERS, G BLOCK, PLOT NO- C-32, BANDRA KURLA COMPLEX, BANDRA EAST, MUMBAI, MAHARASHTRA 400051.

1. Amendment to Business Rules for introduction of new penalty head i.e. BSDA and revision of penalty levied on Depository Participants (DPs) for non-compliances of PAN details

The Committee in its meeting held on May 22, 2023 and Board in its meeting held on May 23, 2023 approved the proposal for amendment to NSDL Business Rules with respect to introducing new penalty of Rs. 5000/- per occasion for non-compliances by Depository Participants regarding assessing the eligibility of Beneficial Owners for conversion of eligible demat accounts into Basic Service Demat Account (BSDA) as per SEBI/ NSDL guidelines. The proposed penalty was mutually agreed between both the Depositories.

The above proposal when submitted to SEBI was returned advising that 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 and advised CDSL to reassess the proposed penalty amount in joint discussion with NSDL.

The new penalty proposal was approved through circular resolution by the Committee on October 17, 2023 and Board on October 18, 2023 and submitted to SEBI vide letter dated October 30, 2023.

In response, SEBI vide letter dated January 08, 2024 advised to make further changes as mentioned below:

1. There should be no upper cap on the penalty to be levied on DPs', if non-conversion is observed for multiple instances.
2. A slab can be introduced for DPs to ensure incremental penalty beyond a certain threshold of non-conversion of eligible accounts to BSDA account and can be referred to member committee beyond a certain threshold.

Based on the suggestion provided by SEBI, both the Depositories deliberated and submitted the revised penalty structure on June 25, 2024 as detailed below: (Table 1)

Sr. No.	Nature of non-compliances	Earlier - Proposed Penal Action submitted to SEBI
New penalty head	Demat accounts not converted into BSDA, after assessing the eligibility at the end of the current billing	a) ₹500/- per account. ₹1000/- per account in case deviation observed in more than 50 demat accounts.

	cycle as per respective depository / SEBI guidelines.	<p>If the total penalty amount exceeds ₹500000/- , the matter would be referred to the Member Committee for further action.</p> <p>b) If such deviation is observed in two consecutive inspections, penalty would be ₹1,000/- per account.</p> <p>₹2000/- per account in case deviation observed in more than 50 demat accounts.</p> <p>If the total penalty amount exceeds ₹500000/- the matter would be referred to the Member Committee for further action.</p> <p>c) If such deviation is observed in three consecutive inspections, matter would be referred to the Member Committee for further action, if any.</p>
--	---	---

SEBI vide its letter dated August 06, 2024 (Annexure A is to be placed before the Board), has returned the proposal advising to reduce the cumulative penalty limit for referring a DP to Member Committee.

NSDL Action - In this context, after discussion with SEBI, both the depositories have proposed to remove the cumulative penalty amount limit of Rs. 500000 for referring a DP to Member Committee, since Business Rule 18.1.4 already provides for referring a DP to Member Committee in the event of total penalty amount exceeds Rs. 100000.

In addition to above, SEBI also advised to carry out periodic monitoring of DPs classified as low-risks DPs in respect of conversion of eligible demat accounts to DPs and to verify the data submitted by such DPs, and in case of any anomaly is observed in the data, refer the matter to Member Committee.

NSDL action - To ensure compliance with the above advise of SEBI, System is being enhanced to capture opt out option received from the client and deliberations are being done with SEBI to identify manner in which monitoring can be carried out on periodic basis and anomalies identified if any shall be referred to Member Committee.

Considering the above changes and pursuant to discussion with SEBI and other Depository, the revised penalty structure proposed for BSDA related noncompliance is as detailed in the table below: (Table 2)

Sr. No.	Nature of non-compliances	Revised - Proposed Penal Action
New penalty head	Demat accounts not converted into BSDA, after assessing the eligibility at the end of the current billing cycle as per respective depository / SEBI guidelines.	a) ₹500/- per account. ₹1000/- per account in case deviation observed in more than 50 demat accounts. b) If such deviation is observed in two consecutive inspections, penalty would be ₹1,000/- per account. ₹2000/- per account in case deviation observed in more than 50 demat accounts. c) If such deviation is observed in three consecutive inspections, matter would be referred to the Member Committee for further action, if any.

B. Changes proposed in the penalty structure of Depository Participants:

Background:

A proposal is received from CDSL vide email dated August 12, 2024 for upward revision in the penalty amount imposed for non compliance with respect to incorrect entry of PAN details in Depository system. As informed by CDSL, this revision is proposed pursuant to SEBI advise for review of penalty amount for the said non-compliance. Considering that both the Depositories have adopted uniform penalty structure, it is proposed to agree to the upward revision in the penalty amount proposed by CDSL as PAN is an important 6 KYC attribute with zero tolerance. The amendments proposed in the penalty structure are as detailed below: (Table 3)

Sr. No.	Nature of non-compliance	Penal Action (Existing)	Penal Action (Proposed)
18.1.1 (8)	Incorrect entry of PAN details in Depository system as prescribed under guidelines of Depository / SEBI /PMLA	₹100/- per account	₹500/- per account

In view of the above, it is proposed to amend the Business Rule 18.1.1 as per the changes proposed above. (Extract of the changes proposed in the Business Rules is to be placed before the Board as **Annexure B**).

2. Review of risk-based inspection policy for DPs

The half-yearly review of the risk-based inspection policy (the “policy”) of DPs was placed for consideration before ROC, in May 2024. Upon review, the ROC suggested that the following be considered.

1. In the section ‘Other Risk’ (sr. no. 10 of Part D), define individual ratings for given risk parameters instead of cumulative ratings for all parameters in the section.
2. Considering there are multiple sub-parameters in the section ‘Other Risk’, the overall weightage assigned to this section appears to be relatively low. Thus, the weightage assigned for this section may be reviewed.

The ROC suggestions were evaluated and the respective parameters and overall weightages for each risk parameter / risk category, was reworked. A careful analysis of the impact of the ROC suggestions and how they alter or impact the existing weightages were considered.

The primary intention of assigning maximum risk weightages for the supervisory risk score and compliance categories were retained as they have a significant bearing on the risk-based mechanism considering their importance. The respective weightages of these two categories were therefore allotted new weightages retaining the intent. Thus, the two most important categories continue to be prominent in the policy with a combined weightage of 55.

In respect of the rest of the categories, the weightage for the category of “Systems” remains unchanged. The last category of “Others” was suitably altered to give effect to the ROC suggestions under new and redistributed weightages.

The above changes made in the Risk rating matrix will be shared with CDSL also for maintaining uniformity in approach of risk categorization of DPs and reduce the scope of regulatory arbitrage.

The revised DP risk-based inspection policy is to be placed before Board as Annexure - A in track change mode.

The Board is requested to approve the updated Risk based inspection policy for Depository Participants. Upon approval, the risk assessment of DPs for the half year period April 2024 to September 2024, shall be conducted.

3. Status of investor grievances received by NSDL

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 is to be placed before the Board at **Annexure – 1** and quarter **wise** count of grievances received directly by NSDL & from SEBI (other than CAS) is as below:

Table-A

Investor Grievances	Q2- FY2023- 24 (July to Sept)	Q3- FY2023- 24 (Oct to Dec)	Q4- FY2023- 24 (Jan to Mar)	Q1- FY2024- 25 (Apr to Jun)	Q2- FY2024- 25 (July to Sept)
Pending at Beginning of quarter (A)	119	266	173	155	118
Grievances received during quarter					
· Against DPs	1240	1091	1317	827	1066
· Against Depository	468	262	271	452	817
· Against Issuers / RTAs	70	72	43	17	28
· Incomplete Details	47	67	39	37	30
· Erroneous Transfer	0	3	5	2	1
Total Grievances received during quarter (B)	1825	1495	1675	1335	1942
Total Grievances(A+ B)	1944	1761	1848	1490	2060
Total Grievances Resolved	1678	1588	1693	1372	1820
Pending at end of quarter*	266	173	155	118	240
Outside NSDL purview**	342	282	243	65	151

*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-** (Table B)

Against Depository Participants (DPs)	<p><u>Against Depository Participants (DPs)</u></p> <p>29 % (827 counts increased to 1066) increased observed in Q2 of FY 2024-25 in grievance against DPs as compared to Q1 of F.Y. 2024-25. For counts, refer Table-A above under heading Investor Grievances Against DPs.</p> <p>The increased are mainly in the following categories.</p> <table><tr><th>Sr.no</th><th>Type of complaint</th><th>Count in Q1 of FY 2024-2025</th><th>Count in Q2 of FY 2024-2025</th><th>% in change</th></tr><tr><td>1</td><td>Improper Services grievances</td><td>369</td><td>455</td><td>Increase by 23%</td></tr><tr><td>2</td><td>Miscellaneous</td><td>89</td><td>123</td><td>Increase by 38%</td></tr></table> <ul style="list-style-type: none">In Q2 of FY 24-25, 23% increase 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. Main increase in grievances pertain to Deactivation/ Freezing/Suspension of account.In Q2 of FY 24-25, 38% increase in grievances under category of Miscellaneous was observed, this is due to grievances lodged by investors at SEBI SCORES portal and investor has selected type of grievances as “Miscellaneous”, which can not be modified by NSDL user. These are mainly DP services related (such as DP-charges, account closure etc).	Sr.no	Type of complaint	Count in Q1 of FY 2024-2025	Count in Q2 of FY 2024-2025	% in change	1	Improper Services grievances	369	455	Increase by 23%	2	Miscellaneous	89	123	Increase by 38%
Sr.no	Type of complaint	Count in Q1 of FY 2024-2025	Count in Q2 of FY 2024-2025	% in change												
1	Improper Services grievances	369	455	Increase by 23%												
2	Miscellaneous	89	123	Increase by 38%												
Against Depository	<p><u>Against Depository</u></p> <ul style="list-style-type: none">An increase of 81% (452 counts increased to 817) in grievance against NSDL has been observed in Q2 of FY 2024-25 as compared to Q1 of F.Y. 2024-25. For counts, refer Table-A above under heading Investor Grievances Against Depository. <p>The said increases were mainly in SGB related category and SEBI SCORES Grievances under Designated Body (NSDL) login.</p>															

Sr.no	Type of complaint	Count in Q1 of FY 2024-2025	Count in Q2 of FY 2024-2025	% in change
1	SGB	313	566	Increase by 80%
2	Grievances forwarded by SEBI	70	145	Increase by 107%

• 80% 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.

• 107% Increase in Grievances forwarded by SEBI. The grievances have increased against depository, as investors are not 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.

Against Issuers/Registrar & Transfer Agents (RTAs)	<u>Against Issuers/Registrar & Transfer Agents (RTAs)</u>			
	Increase of 65% (17 counts increased to 28) has been observed in Q2 of F.Y.2024-2025 as compared to Q1 of F.Y. 2024-25. For counts, refer Table-A above Investor Grievances Against Issuers / RTAs. The increase has been noticed in grievances related to delay in Demat / Remat - Issuer related grievance.			
	Type of complaint	Count in Q1 of FY 2024-2025	Count in Q2 of FY 2024-2025	% in change
	Delay in Demat / Remat	11	19	Increase by 72%

The below trend is observed in grievances between the current quarter as compared to the previous year same quarter. i.e. Q2- FY2023-24 (Jul to Sept) Vs Q2- FY2024-25 (Jul to Sept). (Table C)

Against Depository Participants (DPs)	<p>Decrease of 14 % (1240 counts decreased to 1066) has been observed in Q2 of FY 2024-25 in grievance against DPs as compared to Q2 of F.Y. 2023-24. For counts, refer Table- A above under heading Investor Grievances Against DPs.</p> <p>Highlighted points are as follows: -</p> <table><tr><th>Sr. no</th><th>Type of complaint</th><th>Count in Q2 of FY 2023-2024</th><th>Count in Q2 of FY 2024-2025</th><th>% in change</th></tr><tr><td>1</td><td>Account Closure</td><td>232</td><td>92</td><td>Decrease by 60%</td></tr><tr><td>2</td><td>Miscellaneous*</td><td>173</td><td>123</td><td>Decrease by 29%</td></tr></table> <p>*These are mainly DP services related (such as DP-charges, account closure etc).</p>	Sr. no	Type of complaint	Count in Q2 of FY 2023-2024	Count in Q2 of FY 2024-2025	% in change	1	Account Closure	232	92	Decrease by 60%	2	Miscellaneous*	173	123	Decrease by 29%
Sr. no	Type of complaint	Count in Q2 of FY 2023-2024	Count in Q2 of FY 2024-2025	% in change												
1	Account Closure	232	92	Decrease by 60%												
2	Miscellaneous*	173	123	Decrease by 29%												
Against Depository	<p>Increase of 76 % (468 counts increased 824) has been observed in Q2 of FY 2024-25 in grievance against Depository as compared to Q2 of F.Y. 2023-24. For counts, refer Table-A above under heading Investor Grievances Against Depository.</p> <p>Highlighted points are as follow: -</p> <table><tr><th>Sr. no</th><th>Type of complaint</th><th>Count in Q2 of FY 2023-2024</th><th>Count in Q2 of FY 2024-2025</th><th>% in change</th></tr><tr><td>1</td><td>SGB</td><td>360</td><td>566</td><td>Increase by 57%</td></tr><tr><td>2</td><td>Grievances forwarded by SEBI#</td><td>Nil</td><td>145</td><td></td></tr></table> <p># SEBI Scores version 2.0 was newly launched on April 1 of 2024.</p>	Sr. no	Type of complaint	Count in Q2 of FY 2023-2024	Count in Q2 of FY 2024-2025	% in change	1	SGB	360	566	Increase by 57%	2	Grievances forwarded by SEBI#	Nil	145	
Sr. no	Type of complaint	Count in Q2 of FY 2023-2024	Count in Q2 of FY 2024-2025	% in change												
1	SGB	360	566	Increase by 57%												
2	Grievances forwarded by SEBI#	Nil	145													

Against Issuers/Registrar & Transfer Agents (RTAs)	Decrease of 60% (70 counts decreased 28) has been observed in Q2 of F.Y.2024-2025 as compared to Q2 of F.Y. 2023-24. For counts, refer Table-A above under heading Investor Grievances Against Issuers / RTAs. The decrease has been noticed in grievances related delay in Demat / Remat - Issuer related grievance.			
	Type of complaint	Count in Q2 of FY 2023-2024	Count in Q2 of FY 2024-2025	% in change
	Delay in Demat / Remat	27	19	Decrease by 30%

There is decrease in Turn Around Time (TAT) in redressal of grievances in Q2 of FY 2024-25 as compared to Q1 of FY 2024-25. Summary details of ageing analysis are placed below. (Table D)

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	No. of IGs	% of Total IGs	No. of IGs	% of Total IGs	No. of IGs	% of Total IGs	No. of IGs	% of Total IGs	
Q2- FY2023-24 July to September	867	51.67	525	31.29	189	11.26	87	5.18	10	0.60	1678
Q3- FY2023-24 (October to December)	689	43.39	584	36.78	275	17.32	37	2.33	3	0.19	1588
Q4- FY2023-24 (January to March)	816	48.20	634	37.45	223	13.17	16	0.95	4	0.24	1693
Q1- FY2024-25 (April to June)	525	38.27	612	44.61	223	16.25	10	0.73	2	0.15	1372
Q2- FY2024-25 (July to September)	663	36.43	704	38.68	453	24.89	0	0	0	0	1820

Note:

- Grievances received during Q2 of FY 2024-25 were redressed within the stipulated timeline i.e. within the 21 calendar days.
- 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 is to be placed before the Board in **Annexure 2.**

The statistics of CAS grievances corresponding to CAS dispatched in Q2 (FY2024-25) is as under: (Table E)

Month	No. of Grievances	CAS Dispatched	% of Grievances
July 2024	3526	7058720	0.0500
Aug 2024	2692	7050262	0.0382
Sept 2024	2607	Under process	Under process

Unauthorized Transfer grievances (UT):

The summary of grievances related to allegations of UT of securities for Q2 (from July 2024 to Sept 2024) is given below. (Table F)

UT grievance Particulars	Q1 FY2024-25 (Apr to June)	Q2 FY2024-25 (July to Sept)
Pending at beginning of quarter	0	0
Total complaints received during quarter	16	26
Complaints Resolved during quarter	16	22
Pending at end of quarter (September 30, 2024)	0	4*

* As on date (October 25, 2024) said four cases are resolved

Of the 26 instances, there was only 1 case in the actual nature of UT grievance. It is observed that other 25 instances were mainly related to securities debited based on instruction/s executed by Power of attorney holder, on the basis of debit corporate

action executed by Issuer/RTA etc. Further, some instances were observed wherein investors have wrongly selected category as UT while lodging the grievances.

The Board is requested to review and note the same.

4. Constitution of Investor Grievance Redressal Panel

Regulation 30A of SEBI (Depositories and Participants) Regulations, 2018 requires a depository to have Grievance Redressal Panel(s) to resolve investor grievances, which shall function in the manner as may be specified by SEBI. Regulation 30A was notified on February 28, 2023 and effective from August 28, 2023.

Subsequent to notifying Regulation 30A, SEBI has issued a Master Circular dated July 31, 2023 (updated as on December 28, 2023) ("**ODR Master Circular**") for introducing Online Dispute Resolution mechanism 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**"). A copy of the ODR Master Circular is to be placed before the Board as Annexure A.

Under the earlier dispute resolution mechanism, the MIIs were required to conduct and manage the proceedings of Investor Grievance Redressal Committee (IGRC) and arbitration. However, under the ODR Master Circular, the requirement of having IGRC has been removed. Therefore, the Board of Directors in their meeting held on November 1, 2023, approved the disbandment of the IGRC.

Further, as per the ODR Master Circular, there is no requirement to refer the matters before the Investor Grievance Redressal Panel to resolve investor grievances. Therefore, NSDL vide its letter dated September 26, 2023 has filed a representation to SEBI for removal of Regulation 30A of SEBI (Depositories and Participants) Regulations, 2018 in relation to the Investor Grievance Redressal Panel.

SEBI vide its inspection report dated April 15, 2024 issued an observation that NSDL has not constituted Grievance Redressal Panel and is in violation of Regulation 30A

of amended SEBI (Depositories and Participants) Regulations, 2018. In response, NSDL submitted that the revised the dispute resolution mechanism in which the existing members of the Investor Grievance Redressal Committee of MIIs are to be empanelled by the respective ODR Institutions for facilitating resolution of complaints/disputes through online conciliation and arbitration. The disputes are now required to be referred to an ODR Institution for conciliation and arbitration. Hence, NSDL empaneled the Investor Grievance Redressal Committee members on the ODR Institution and disbanded the Investor Grievance Redressal Committee. NSDL had also submitted a representation to SEBI vide its Letter dated September 26, 2023 pointing out the inconsistency between the SEBI Regulations and SEBI Circular and requested SEBI to make suitable amendments.

However, SEBI vide its letter dated June 19, 2024 issued a deficiency in relation to the said matter. NSDL once again re-iterated its earlier submission citing that NSDL did not have any existing matter which was pending before the Investor Grievance Redressal Committee. Additionally, any new dispute received by NSDL was required to be handled as per the new ODR mechanism only and cannot be referred to the Investor Grievance Redressal Panel.

Despite the above, it has been advised to constitute Investor Grievance Redressal Panel (IGRP) for fulfilling the requirements of Regulation 30A of the SEBI D&P Regulations.

In view of the above, it is proposed to constitute the Investor Grievance Redressal Panel with the following persons on the panel and pass the following resolution:

Sr. No	Name	Brief Profile
1.	Mr. Uday Tardalkar	Corporate Consultant & Trainer [Trustee of NSDL Investor Protection Fund Trust]
2.	Shri J. Ranganayakalu	Advocate, [Former Executive Director (Law) of SEBI] Independent External Person and member of the Regulatory Oversight Committee of NSDL

The said persons were earlier members of the Investor Grievance Redressal Committee, which was disbanded.

“RESOLVED THAT in accordance with Regulation 30A of the SEBI (Depositories and Participants) Regulations, 2018, and other applicable provisions, the Board of Directors hereby approves the constitution the Investor Grievance Redressal Panel with following persons as panel members:

Sr. No	Name
1.	Mr. Uday Tardalkar
2.	Shri J. Ranganayakalu

RESOLVED FURTHER THAT the Managing Director & CEO, the Executive Director, the Chief Regulatory Officer, the Compliance Officer, or the Company Secretary of the Company are severally authorised to take such steps and do all acts, deeds and things as may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid resolution.”

5. Insertion of new Business Rule for creation of new Registrar and Transfer Agent (RTA) ID and withdrawal/closure of existing RTA ID

SEBI vide its letter dated July 29, 2024 has advised NSDL to incorporate the provisions pertaining to processing of a new Registrar and Transfer Agent (RTA) ID creation and withdrawal/closure of existing RTA ID in business rules of NSDL in coordination with CDSL. CDSL has forwarded the amendments to RTA operating instructions vide its email dated August 23, 2024

Accordingly, it is proposed to insert a new Business Rule for creation of new Registrar and Transfer Agent (RTA) ID and withdrawal/closure of existing RTA ID. The proposed insertion to the business rule is to be placed before the Board as **Annexure**.

The Board is requested to consider and approve the same.

6. Amendment to Business Rules for the introduction of a new penalty head - non-submission of response by the DPs for the surveillance alerts shared by the depository within stipulated timelines

The Committee in its previous meeting held on October 19, 2023 had approved the proposal of amendment to Business Rules for introducing penalty heads for non-submission of response within stipulated time for the surveillance alerts shared by depository. This proposal was submitted to SEBI on December 11, 2023. Copy of letter is to be placed before the Board as **Annexure-A**.

In response, SEBI requested additional clarification via email on December 13, 2023, to which NSDL provided the requested details.

SEBI vide letter dated February 23, 2024, advised both depositories to align the policies with that of stock exchange w.r.t processing, penalty structure and reporting requirements for processing of surveillance alerts by DPs. Accordingly, the application was returned. Copy of letter is to be placed before the Board as **Annexure-B**.

After gathering the necessary information, both depositories jointly submitted an email to SEBI on May 17, 2024, seeking guidance on implementing the proposed penalty.

SEBI, through a letter dated September 4, 2024, advised both depositories to revise the penalty structure based on SEBI's suggestions and to proceed with its implementation. Copy of letter is to be placed before the Board as **Annexure-C**.

In view of the above, it is proposed to amend Business Rule "18.1.1 The Depository may impose a penalty on the Participant to the extent indicated for non-compliance as described below," by including new categories of non-compliance related to the non-submission of timely responses by DPs to surveillance alerts shared by the depository. The penalty structure is placed below and is to be placed before the Board as **Annexure-D**.

Sr. No.	Nature of non-compliance	Proposed Penal Action (in ₹)/ Action
1.	Depository Participant has not submitted response for the surveillance alerts shared by depository within stipulated time.	₹500 per alert plus additional ₹1500 for any delay per fortnight. If total monetary penalty imposed under this head is more than or equal to ₹ 15,000/- during last consecutive six months, matter would be referred to Member Committee.

The Board is requested to review and approve the same.