

EXTRACTS OF THE MINUTES OF THE 97TH MEETING OF THE BOARD OF DIRECTORS OF NATIONAL SECURITIES DEPOSITORY LIMITED HELD ON FRIDAY, JANUARY 31, 2025, 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. Compliance with SEBI SOP for reporting of Cyber Security incidents / breaches / deficiencies by MIIs and Imposition of “Financial Disincentives”

The Board was informed that the Company had the Cyber Crisis Management Plan (CCMP) document that includes reporting requirements mentioned in the SEBI letter viz. definitions of Cyber Security Incident, Cyber Security Deficiency, Cyber Security Breach, Information Security Practices, Cyber Security Policy, Cyber Security Protocol and Reporting. No cyber security incidents had been observed during the quarter October to December 2024.

NSDL was in compliance with each aspect of the aforesaid SEBI letter for the period October to December 2024.

The Standing Committee on Technology in its meeting held on January 22, 2025 had considered the said matter and recommended it to the Board for its approval.

The Board reviewed and approved the same.

2. Compliance with SEBI letter dated July 05, 2021 pertaining to Standard Operating Procedure for handling of technical glitches by Market Infrastructure Institutions (MIIs) and payment of “Financial Disincentives”

The Board was briefed on the compliance status of the SOP as per SEBI Letter dated July 5, 2021 for the period July to September 2024. The Board was informed that NSDL was in compliance with the aforesaid SEBI letter for the period October to December 2024.

The Standing Committee on Technology in its meeting held on January 22, 2025 had considered the said matter and recommended it to the Board for its noting.

The Board took note of the same.

3. To approve Self-assessment of NSDL for compliance with the applicable Principles for Financial Market Infrastructures (PFMIs)

The Board was informed that SEBI vide its Circular dated December 19, 2023 had stated that FMIs shall carry out self-assessment on a periodic basis against the PFMIs and disclose the same on their websites. For this purpose, 24 principles for FMIs had been classified as “quantitative” and “qualitative.” It was further informed that out of total 24 principles, 14 were applicable to NSDL.

The Board was informed that the periodicity of self-assessment and disclosure for “Quantitative” principles shall be on a Quarterly basis and for “Qualitative” principles it shall be on an annual basis. Further, FMIs shall be monitored and assessed against the PFMIs on an annual basis by the Regulatory Oversight Committee (ROC). Further, a report is required to be submitted to the Board and SEBI within 90 days from the end of the financial year.

Accordingly, as a part of annual review exercise, Risk Management team initiated the PFMI Self -assessment exercise, with respective stakeholder / departments to self-assess, review and update the PFMI principles in line with the current practices and procedures being followed at NSDL. As per the inputs received from the respective departments, certain modifications were carried out in the PFMI Document. The Board was briefed on the summary of the changes made in the said document. The updated document carrying the proposed changes was placed before the Board.

The Board was also informed that NSDL’s Net worth and Liquid Assets, part of quantitative disclosure under the Principle No. 15 (i.e. General Business Risk), is updated on a quarterly basis before it is disclosed on the website of the Company on a quarterly frequency. Accordingly, the latest data for Principle No. 15 (Net worth and Liquid assets as of December 2024) shall be updated in the PFMI document before it’s disclosure on website and dissemination to the regulator.

The Risk Management Committee, in its meeting held on January 15, 2025 and the Regulatory Oversight Committee in its meeting held on January 30, 2025 had considered the said matter and recommended it to the Board for its approval.

The Board, after detailed deliberations, approved the Principles for Financial Market Infrastructures (PFMIs) document of NSDL.

4. To approve updates carried out in the Risk Management Framework (Policy) as a part of annual review exercise

The Board was informed that the terms of reference of Risk management Committee (RMC) mandates the following:

“RMC shall review the RMF & Risk Mitigation Measures at least once annually taking into account the changing industry dynamics and evolving complexity”

Accordingly, as a part of the annual review exercise, the Company reviewed and carried out certain modifications in the Risk Management Framework and associated policies considering the changing industry dynamics and evolving complexity of Depository. Further, the updates were also carried out in the policies to align the same with the extant regulatory guidelines.

The Board was also briefed on the summary of key changes / modifications carried out in the Risk Management Framework and other associated policies as detailed below:

- A. Risk Management Framework (Policy)
 - Minor modifications in Section- A (1.2) - "Roles & Responsibility".
 - Introduction of new risk i.e. "Custody Risk" under Section- B - Risk Universe of NSDL
 - Risk Mitigants with respect to "Custody Risk" were updated in Section -C.
 - Board Level Committee was updated in the section- Risk Governance Mechanism.
 - Policies / Procedure / Framework /Document driven by the said Policy was updated.
 - Other minor modifications in terms of language changes.
- B. Risk & Control Self-Assessment (RCSA) Framework (Policy)
 - Section 5-B - Control Operating effectiveness of the policy was updated.
 - Other minor modifications in terms of language changes.
- C. Incident Reporting Framework for Non-IT Incidents
 - Format for notifying incident on e-mail was updated in Section -8 of the policy.
 - Other minor modifications in terms of language changes.
- D. Risk Appetite Framework

- Section -4 - Risk Appetite Statement – Few Risk Appetite statements were elaborated to provide more clarity.
- Section -6 – Updation of Risk Acceptance Framework.

Further, the updated versions of the aforesaid policies / framework in track change mode were also placed before the Board.

The Risk Management Committee, in its meeting held on January 15, 2025 had considered the said matter and recommended it to the Board for its approval.

The Board further suggested the CRiO to give a presentation on Risk management Framework to the Board.

The Board approved the revised Risk Management Framework and associated policies and passed the following resolution:

“RESOLVED THAT based on the recommendation of the Risk Management Committee, the Board approves the revised Risk Management Framework and associated policies.

RESOLVED FURTHER THAT Managing Director & CEO, Chief Regulatory Officer, Compliance Officer, Chief Financial Officer and Company Secretary are severally authorised to do all such acts and things as may be required for giving 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.”

5. To review the status of investor grievances received by NSDL

Month-wise details along with Quarterly details of grievances received directly by NSDL and from SEBI (other than CAS) were placed before the Board.

The trends observed in grievances between the last two quarters, trends between the current quarter as compared to the previous year's same quarter, quarter-wise counts of CAS grievances, and the Summary of Turn Around Time (TAT) i.e. details of aging analysis were also placed before the Board. The summary of grievances related to allegations of Unauthorised Transfer of grievances of securities for Q3 was also placed before the Board.

The Regulatory Oversight Committee, in its meeting held on January 30, 2025 had considered the said matter and recommended it to the Board for its Noting.

The Board reviewed and noted the same.

6. To review status of implementation of corrective steps relating to SEBI Warning, Deficiency, Advisory Letter dated June 19, 2024 and letter dated October 4, 2024 relating to SEBI Inspection for FY 2023-24

It was informed that the Regulatory Oversight Committee (“ROC”) and the Board of Directors in their meeting held on August 29, 2024, had reviewed the inadequacies observed by SEBI inspection conducted during FY 2023-24, the response submitted by NSDL, and the status of corrective actions taken and to be taken. The ROC and Board provided their comments on the corrective actions/ responses submitted by the management. The said comments were submitted to SEBI on October 8, 2024.

Further, as per the directions of the ROC and the Board of Directors given in their meetings held on August 29, 2024, a separate Action Taken Report on implementing corrective measures in response to SEBI warnings, deficiencies, advisories is to be presented to the Board and ROC until all issues are resolved.

Subsequently, SEBI vide its letter dated October 4, 2024, had issued warnings, deficiency and advisory relating to certain observations, for which the actions were not communicated earlier. SEBI has classified the cases under Warning, Deficiency and Advisory and advised NSDL to take appropriate corrective steps to rectify the non-compliances, take corrective steps, wherever required, take appropriate steps towards implementation/ adoption of the mentioned suggestions, strengthen internal control systems to avoid recurrence of such instances and to ensure strict compliance with the guidelines issued by SEBI from time to time. SEBI has also advised NSDL to send a reply within 30 days of the receipt of the letter detailing the action taken report/ corrective steps taken/ or proposed to be taken within a defined period.

Accordingly, NSDL vide its letter dated November 20, 2024 responded to SEBI inter-alia providing action taken report/ corrective steps taken/ or proposed. The summary of the number of warning/Deficiency/Advisories received pursuant to the said letters dated June 19, 2024 and October 04, 2024 were placed before the Board.

In this regard, ROC and Board in the meetings held on August 29, 2024, had

suggested to present a separate Action Taken Report on implementing corrective measures in response to SEBI warnings, deficiencies and advisories until all issues are resolved. However, in the current ongoing, on-site inspection, SEBI had sought the Action Taken report for letters dated June 19, 2024 and October 04, 2024 as on November 30, 2024.

Upon submission of the ATR, SEBI discussed the ATR with the respective teams to verify the corrective steps taken and based on the discussions, SEBI had suggested changes to the Action Taken Report and had asked all the concerned teams to resubmit the same.

Since the current ATR is under discussion with SEBI, the updated ATR for both the aforesaid letters will be presented in the next Quarterly Board meeting.

The Regulatory Oversight Committee, in its meeting held on January 30, 2025 had considered the said matter and recommended it to the Board for its noting.

The Board took note of the same.

7. To take note of status on various surveillance activities

During the quarter ended December 31, 2024, 9 cases were reported to FIU – IND and STR were filed comprising of 22 clients after approval in Suspicious Transaction Assessment Group (STAG) meetings. A Gist of STRs was explained to the Board. It was also briefed on the status of other surveillance-related activities which were carried out during the last quarter.

Thereafter, the Board was updated on the following matters:

- I Update on fortnightly SEBI Surveillance Meetings;
- II Update on SEBI's direction on extending the framework for restricting trading by Designated Persons (DPs) by freezing PAN at the security level under the SEBI (Prohibition of Insider Trading) Regulations, 2015 to all listed companies in a phased manner during FY 2023-24.
- III Update on Surveillance Alerts sent to DPs for their review and action during the quarter of December 2024;
- IV Review of emails received on email ID created for clients to report market manipulation-related activities.
- V Status of compliance with KYC requirement in demat account:
 - Status of compliance with the requirement of PAN
 - Updates on 6 KYC freezing /unfreezing activities:
 - Suspension of KRA non-compliant demat accounts as per SEBI

direction:

- KYC De-dupe Exercise:
 - KYC exercise – IPO Off market
- VI Update on action for freeze/ unfreeze Orders, time taken for processing such orders (TAT), and action taken during the quarter of July-September 2024
- VII Monitoring of the shareholding limit of listed MIIs (BSE and CDSL), and
- VIII Sharing of EWM alerts with stock exchanges.

The Regulatory Oversight Committee, in its meeting held on January 30, 2025 had considered the said matter and recommended it to the Board for its noting.

The Board, after deliberations, took note of the above.

8. To take note of Corporate Governance Report for the quarter ended December 31, 2024

The Board was informed that as per Regulation 27(2) of SEBI LODR Regulations, a listed entity is required to submit a quarterly compliance report on corporate governance in the format specified by the Board from time to time to recognized Stock Exchange(s). The format for compliance report on Corporate Governance had been prescribed by SEBI vide its Circular dated May 31, 2021. Further, As per Regulation 13(3) of SEBI (LODR) Regulations, 2015 (“SEBI LODR Regulations”), the listed entity shall file with the recognised stock exchange(s) on a quarterly basis, a statement giving the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter. The said statement shall be placed before the Board of Directors of the listed entity, on quarterly basis.

Further, pursuant to SEBI LODR (Third Amendment) Regulations, 2024 dated December 12, 2024 read with SEBI circular dated December 31, 2024, Integrated Filing formats have been introduced for submitting the Governance related periodic reports.

In view of the above, the Corporate Governance Report and Statement of Redressal of Investor Grievance has been prepared in the aforesaid Integrated Filing formats prescribed by SEBI for the quarter ended December 31, 2024. Also, said report has to be uploaded on the website of NSDL. The Company complies with the provisions of SEBI LODR Regulations with respect to

Corporate Governance and is also in compliance with Regulation 31 of SEBI (D&P) Regulations, 2018.

In view of the above, it was proposed to take note of the Corporate Governance Report and Statement of Redressal of Investor Grievance, in the Integrated Filing formats prescribed by SEBI, for the quarter ended December 31, 2024. The said report was placed before the Board.

The Board took note of the Corporate Governance Report and Statement of Redressal of Investor Grievance, in the Integrated Filing formats prescribed by SEBI, for the quarter ended December 31, 2024.

9. To approve amendments to Byelaws and Business Rules regarding 'Restricted Transferability in Unlisted Securities and Freeze and/or Unfreeze of Unlisted Securities' based on the request from Issuer

The Board was informed that pursuant to the SEBI Circular dated June 21, 2023, NSDL had implemented the system for processing transfer requests of AIF units that were under restricted transferability and had amended the Bye-Laws and Business Rules accordingly.

It was also informed that NSDL received a letter dated January 27, 2025 from the Ministry of Corporate Affairs highlighting the difficulties faced by private companies with respect to unrestricted transfer of their securities through the depository systems without seeking approval of the respective company. The letter further mentioned that such unrestricted transfer of securities of private companies was inconsistent with the provisions of the Companies Act 2013, which restricted the transferability.

It was further informed that NSDL received requests from private companies seeking the restricted transferability of their securities to meet its obligations to comply with statutory requirements.

Pursuant to the aforesaid requirements, Management proposed to insert Bye-law No. 9.20 and 9.21 to Bye-laws and Rule No. 12.22 and 12.23 to Business Rules to provide for '*Restricted transferability of Unlisted Securities*' covering transfer/ pledge/margin pledge/hypothecation creation/invocation, freeze, and/or unfreeze of securities of private limited companies.

The Regulatory Oversight Committee, in its meeting held on January 30, 2025 had reviewed the same and recommended to the Board for its approval.

The Board approved the amendment to Byelaws and Business Rules and passed the following resolution:

“RESOLVED THAT based on the recommendation of Regulatory Oversight Committee, the Board approves the amendments to Byelaws and Business Rules regarding ‘Restricted Transferability in Unlisted Securities and Freeze and/or Unfreeze of Unlisted Securities’ via insertion of Bye-Law No. 9.20 & 9.21 and Business Rule No. 12.22 & 12.23 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.”

10. To consider and approve implementing of new charge structure for API service to validate active UCC status mapping with demat account in NSDL system

The Board was informed that as per SEBI guidelines, in the case of retail clients, depositories need to match and confirm the details of the actual transfer of securities provided by an intermediary with a client-wise net delivery obligation arising from the trades executed on exchanges. For matching purposes, the Unique Client Code (UCC) details of the client as received from the exchange were seeded in the demat account of the client. The UCC seeding in the demat account was done at periodic intervals on a daily basis. The UCC details were one of the criteria for matching the account transfer/inter-depository instruction(s) received from the client with obligation details provided by CCs. In case the UCC was not mapped in the demat account, the securities blocked for the settlement purpose would get unblocked and would

not be transferred to the trading member/clearing member pool account.

It was further informed that NSDL had received a request from a broker viz; ICICI Securities, for developing an API service that would enable them to check the UCC seeding in a demat account as and when a new client or dormant client tries to put a trade on their broking platform.

In view of the same NSDL is developing an API service that is under testing and is expected to go live shortly. This API service would provide the status of UCC seeding in the demat account. It was proposed to levy charges for the new API service and the details were as follows:

Proposal No	Service offered	Chargers/Fees(amount) Rupees	User
1	UCC - Demat Account mapping validation service charges	₹2.5 per record subject to minimum of ₹5,000 per month.	SEBI Registered Intermediaries

It was further informed that in addition to the above, it was proposed to charge ₹ 1,00,000 as a one-time setup cost. Similar charges were levied on SEBI Registered Intermediaries for NSDL's DAN V2 API services.

The above API service will enable entities to verify the UCC seeding at the beginning, preventing instances of securities not getting transferred due to a mismatch of obligation details shared by the clearing corporations. It was also envisaged that other broking entities would be interested in availing the said API services.

The Regulatory Oversight Committee, in its meeting held on January 30, 2025 had reviewed the same and recommended to the Board for its approval.

The Board approved the aforesaid fee structure for the new API service.

11. To review the adequacy of resources dedicated to critical operations and Regulatory verticals

It was informed that Regulation 29 of the SEBI D&P Regulations requires Depositories to identify and segregate their functions into the following verticals and also provides for certain specific aspects to be complied with including that the functions under the verticals as provided at clause (a) and (b) below shall be given higher priority by the depository over the functions

under the vertical as provided at clause (c). Further every depository is required to periodically and objectively assess the adequacy of resources allocated to the first two verticals. Accordingly, NSDL had designated Critical Operations as Vertical 1 and Regulatory, compliance, risk management and investor grievances as Vertical 2 for their business and oversight purposes.

- a. Critical operations,*
- b. Regulatory, compliance, risk management and investor grievances and*
- c. Other functions including business development.*

The Board was further briefed on the assessment of adequacy of number of resources in Verticals 1 and 2. The Board was also briefed on the steps taken to address the adequacy of manpower requirements apart from the hiring, namely Skill and Competence building, compensation structures and attrition management.

It was also updated to the Board that the Company addressed resource adequacy from multiple important angles and ensured that both headcount and skill levels are aligned with the Company's growing needs. The next step would likely focus on implementing the hiring plans and continuing to monitor the changing needs of the business, ensuring that both talent acquisition and development stay ahead of demand. As mentioned earlier, the Management will continue to monitor and analyse any change in the requirements to proactively address the need and will revise the manpower requirements on ongoing basis.

The Board noted the same.