

EXTRACTS OF THE MINUTES 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 Board was informed that SEBI vide its letter dated January 08, 2024 advised to make the below changes to the business rules:

- a. There should be no upper cap on the penalty to be levied on DPs if non-conversion is observed for multiple instances.
- b. A slab can be introduced for DPs to ensure incremental penalty beyond a certain threshold of non-conversion of eligible accounts to BSDA accounts and can be referred to the Member Committee beyond a certain threshold.

The Board was further informed that based on the suggestion provided by SEBI, both the Depositories deliberated and submitted the revised penalty structure on June 25, 2024, which was placed before the Board.

Considering the further changes and pursuant to discussion with SEBI and other Depository, the revised penalty structure for BSDA related non-compliance was placed before the Board.

The Board was informed that CDSL had suggested an upward revision in the penalty amount as PAN was an important 6 KYC attribute with zero tolerance. The amendments in the penalty structure were placed before the Board.

The aforesaid matter was considered by the Regulatory Oversight Committee at its meeting held on November 11, 2024 and had recommended the same to the Board for its approval.

The Board, after due deliberation, approved the proposal and passed the following resolution:

“RESOLVED THAT based on the recommendation of Regulatory Oversight Committee, the Board approves the amendments to Business Rules 18.1.1 - Introduction of new penalty head i.e. BSDA and revision of penalty levied on

Depository Participants (DPs) for non-compliances of PAN details 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.”

2. Review of risk-based inspection policy for DPs

The Board was informed that the suggestions made by the Regulatory Oversight Committee in its meeting held on May 13, 2024 were evaluated and the respective parameters and overall weights for each risk parameter / risk category were reworked along with impact analysis.

It was further informed that the primary intention of assigning maximum risk weights for the supervisory risk score and compliance categories was retained, since these were the two most important categories with a combined weight of 55. The Board was further informed that, the weight 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 weights.

It was further informed that the changes made in the Risk rating matrix were to be shared with CDSL to maintain uniformity in the approach of risk categorization of DPs and reduce the scope of regulatory arbitrage. The revised DP risk-based inspection policy was placed before the Board.

The aforesaid matter was considered by the Regulatory Oversight Committee at its meeting held on November 11, 2024 and it had recommended the same to the Board for its approval.

The Board approved the above-mentioned proposal and passed the following resolution:

“RESOLVED THAT based on the recommendation of the Regulatory Oversight Committee, the Board approves the Risk-based inspection policy for DPs.

RESOLVED FURTHER THAT the Managing Director & CEO, Executive Director, 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.”

3. Status of investor grievances received by NSDL

The 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 and the quarter-wise counts of CAS grievances were also placed before the Board. The summary of grievances related to allegations of unauthorized transaction of securities for Q2 (July 2024 to Sept 2024) was also placed before the Board.

The aforesaid matter was considered by the Regulatory Oversight Committee in its meeting held on November 11, 2024 and it recommended the same to the Board for noting.

The Board noted the same.

4. Constitution of Investor Grievance Redressal Panel

The Board was informed that subsequent to notifying Regulation 30A, SEBI had 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. However, under the ODR Master Circular, the requirement of having IGRC had been removed. Therefore, the

Board of Directors in their meeting held on November 1, 2023, had approved the disbandment of the IGRC.

Further, as per the ODR Master Circular, there was 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 had 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 in its inspection report dated April 15, 2024 had observed that since NSDL didn't have the Grievance Redressal Panel, it is in violation of Regulation 30A of amended SEBI (Depositories and Participants) Regulations, 2018. In response, NSDL submitted that the revised dispute resolution mechanism in which the existing members of the Investor Grievance Redressal Committee of MIIs have been 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. Despite the above, it was advised to constitute Investor Grievance Redressal Panel (IGRP) for fulfilling the requirements of Regulation 30A of the SEBI (Depositories and Participants) Regulations, 2018.

In view of the above, it was proposed to constitute the Investor Grievance Redressal Panel.

The Board approved the above-mentioned proposal and passed the following resolution:

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

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

The aforesaid matter was considered by the Regulatory Oversight Committee at its meeting held on November 11, 2024 and had recommended the same to the Board for its approval.

The Board, after due deliberations, approved the above-mentioned proposal and passed the following resolution:

“RESOLVED THAT based on the recommendation of Regulatory Oversight Committee, the Board approved the insertion of new Business Rule for creation of new Registrar and Transfer Agent (RTA) ID and withdrawal/closure of existing RTA ID 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.

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 Board 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 the stipulated time for the surveillance alerts shared by depository. This proposal was submitted to SEBI on December 11, 2023. The letter was placed before the Board.

The Board was further informed that SEBI had requested additional clarification via email on December 13, 2023, to which NSDL provided the requested details.

SEBI vide letter dated February 23, 2024, had advised both depositories to align the policies with that of the stock exchange w.r.t processing, penalty structure and reporting requirements for the processing of surveillance alerts by DPs. Accordingly, the application was returned. A copy of the letter was placed before the Board.

The Board was informed that 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 was placed before the Board.

The Board was informed that it was required 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 was placed before the Board.

The aforesaid matter was considered by the Regulatory Oversight Committee at its meeting held on November 11, 2024 and had recommended the same to the Board for its approval.

The Board, after due deliberation, approved the above-mentioned proposal and passed the following resolution:

“RESOLVED THAT based on the recommendation of Regulatory Oversight Committee, the Board approved the amendments to Business Rules 18.1.1 The Depository may impose a penalty on the Participant to the extent indicated for non-compliance,” by including new categories of non-compliance related to the non-submission of timely responses by DPs to surveillance alerts shared by the depository 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.”