

**CODE OF CONDUCT FOR GOVERNING BOARD,
DIRECTORS, COMMITTEE MEMBERS AND
KEY MANAGEMENT PERSONNEL**

National Securities Depository Limited

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Code of Conduct for Governing Board, Directors, Committee Members and Key Management Personnel of NSDL

1. Introduction

The Code of Conduct (hereinafter referred to as “**Code**”) for the Governing Board, Directors, Committee Members and Key Management Personnel of National Securities Depository Limited (hereinafter referred to as “**NSDL**”, “**Depository**” or “**Company**”) is aimed at improving the professional, conduct and ethical standards in the functioning of the Depository, thereby creating better investor confidence in the integrity of the securities market. This Code is framed in accordance with the SEBI (Depository and Participants) Regulations 2018 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2. Objectives

This Code endeavors to establish a minimum level of business and professional ethics to be followed by the Governing Board, Directors, Committee Members and Key Management Personnel towards establishing a fair and transparent marketplace. The Code of Conduct is based on the following fundamental principles:

- 2.1. Fairness and transparency in dealing with matters relating to the Depository and the investors.
- 2.2. Compliance with all laws/ rules/ regulations laid down by Depository.
- 2.3. Exercising due diligence in the performance of duties.
- 2.4. Avoidance of conflict of interest between self-interest of Governing Board, Directors, Committee Members and Key Management Personnel and interests of Depository.

3. Applicability

This Code shall be applicable for Governing Board, Directors, Committee Members and Key Management Personnel of the Depository.

4. Definition

The definitions of some of the key terms used in this Code are given below. Terms not defined herein shall have the meaning assigned to them under the SEBI (Depositories and Participant) Regulations, 2018.

- 4.1. “**Committee Members**” means the members of the Statutory Committees prescribed under the SEBI (Depositories and Participants) Regulations, 2018.
- 4.2. “**Directors**” means the Directors appointed on the Governing Board of NSDL.
- 4.3. “**Governing Board**” means the Board of Directors of NSDL.
- 4.4. “**Key Management Personnel**” or “**KMP**” means

- (i) any person appointed as the managing director or executive director; or
- (ii) a person serving as head of any department or vertical and directly reports to the managing director or to the directors on the governing board of the depository; or
- (iii) a person serving as head of a core function as specified under Fourth Schedule of these regulations; or
- (iv) a person who stands higher in hierarchy to the head of any department(s) handling core function(s) in the depository; or
- (v) reporting officials of key management personnel; or
- (vi) any person defined as a “key managerial personnel” under the Companies Act, 2013; or
- (vii) any other person who is key decision making authority at the level of the depository or its direct or indirect material subsidiaries, as identified by the managing director or its Nomination and Remuneration Committee:
- (viii) Provided that in the case of a subsidiary of a depository that is regulated by a financial sector regulator; the norms specified by such a regulator may be considered for determining as to whether the person at the subsidiary is designated as a key management personnel.

4.5. **“Public Interest Director” or “PID”** means an independent director representing the interests of investors in securities market and who is not having any association, directly or indirectly, which in the opinion of the SEBI, is in conflict with his role.

5. **Code of Conduct for Governing Board**

5.1. The Governing Board shall:

- 5.1.1. evaluate profitability margins of the Depository.
- 5.1.2. ensure adequacy of resource allocation (both financial and human) towards regulatory compliances.
- 5.1.3. focus on strategy, policy level issues and important matters and may review the day-to-day operational matters only in exceptional cases.
- 5.1.4. oversee the critical operations including technology as well as the regulatory, risk management, compliance and investor grievance redressal functions of the Depository.
- 5.1.5. take the lead in succession planning for MD & CEO and other key positions.
- 5.1.6. play an active role in defining, establishing and documenting risk management framework, covering risk appetite or risk tolerance policy of the Depository and ensure that the policy contains the following.
 - 5.1.6.1. role of risk appetite in key processes
 - 5.1.6.2. clear quantitative metrics and thresholds to monitor performance of the Depository’s risk appetite
 - iii. acceptability of breaches and trigger

- response(s), if any.
- 5.1.6.3. zero tolerance for areas such as cyber security, system stability, surveillance, fair access, fraud or corruption, compliance, etc.
 - 5.1.7. make key stakeholders (executive and non-executive) aware of the use and value of risk appetite across the organization (including implications of breaches) and review and approve risk appetite metrics and thresholds periodically.
 - 5.1.8. ensure adequate independence of key functions such as regulatory and control functions (risk management, compliance and audit functions) such that:
 - 5.1.8.1. regulatory and control functions have sufficient stature to perform their tasks effectively.
 - 5.1.8.2. regulatory and control functions operate independently and have appropriate direct access to the Governing Board of the Depository and senior management.
 - 5.1.8.3. control functions are proactively involved in all relevant decisions and activities.
 - 5.1.9. Provide for three lines of defense construct where:
 - 5.1.9.1. the first line of defense incorporates business units and support functions as it has the responsibility to own and manage risks associated with day to day operational activities.
 - 5.1.9.2. the second line of defense comprises various oversight functions, i.e., regulatory, risk management and compliance teams, and
 - 5.1.9.3. the third line of defense comprises the internal audit function.
 - 5.1.10. ensure that the roles and responsibilities of management in relation to three lines of defense are clearly specified and understood and that all employees are responsible for the regulatory, risk management and compliance outcomes.
 - 5.1.11. ensure a culture of effective communication and challenge (i.e., encourage alternate views or questions from individuals and groups) and value and respect it.
 - 5.1.12. ensure that any new product, service, revenue stream is examined by the concerned department of the Depository from the compliance and risk management perspectives in addition to normal viability issues before approving the same.
 - 5.1.13. review periodically all existing products, services, revenue streams.
 - 5.1.14. shall meet, without the presence of the MD & CEO and any other executive director, chief regulatory officer or compliance officer, the chief risk officer, the chief information security officer, the statutory auditor of the Depository and any other person as determined by the public interest directors and non-independent directors to discuss important issues concerning the Depository, on a periodic basis as specified by SEBI.
 - 5.1.15. periodically review the frequency of meetings and agenda items of the Governing Board to ensure that the number of meetings is rationalized and all important issues are

discussed.

- 5.1.16. ensure that the agenda papers are approved by the chairperson of the Governing Board.
- 5.1.17. ensure that members of the Governing Board can place agenda item during their meeting.
- 5.1.18. be responsible for monitoring compliance with this Code by the members of the Governing Board.
- 5.1.19. uphold a strong culture in the Depository and promote the target culture from the top through behavior, actions and effective communication.
- 5.1.20. communicate the guiding principles for institution's target regulatory, compliance, risk and conduct culture.
- 5.1.21. endeavor that the Depository put in place key elements related to culture such as:
 - 5.1.21.1. adequate training programs to help employees better understand expectations of behavior (for example, trainings on dilemmas);
 - 5.1.21.2. mechanisms to measure and track indicators related to culture at regular intervals;
 - 5.1.21.3. accountability mechanisms; and
 - 5.1.21.4. performance management mechanisms which take into account adherence to culture, conduct and behavior related dimensions.
- 5.1.22. shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

6. Code of Conduct for Directors, Committee Members and key management personnel

6.1. Applicable to directors, committee members and key management personnel of Depository:

- 6.1.1. General Responsibility: Every director, committee members and key management personnel of the Depository shall:
 - 6.1.1.1. analyse and administer the issues with professional competence, fairness, impartiality, efficiency and effectiveness;
 - 6.1.1.2. submit the necessary disclosures or statement of holdings or dealings in securities as required by the Depository from time to time as per its Rules, Bye-laws, Articles of Association, or Policies;
 - 6.1.1.3. unless otherwise required by law, maintain confidentiality and not divulge or disclose any information obtained in the discharge of their duty and no such information is used for personal gains;
 - 6.1.1.4. maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public

- confidence and not engage in acts discreditable to their responsibilities;
 - 6.1.1.5. perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;
 - 6.1.1.6. perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion;
 - 6.1.1.7. not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the Depository;
 - 6.1.1.8. promote greater awareness and understanding of ethical responsibilities;
 - 6.1.1.9. in the conduct of their business, observe high standards of commercial honour and; just and equitable principles of trade;
 - 6.1.1.10. in their conduct in business life be exemplary which may set a standard for others;
 - 6.1.1.11. not use their position to give or get favours to or from the executive or administrative staff of the Depository, technology or service providers and vendors or suppliers of the Company;
 - 6.1.1.12. not commit any act which will put the reputation of the Depository in jeopardy;
 - 6.1.1.13. comply with the provisions of all applicable laws to the securities market;
 - 6.1.1.14. at all point of time comply with all the internal policies of the Depository including the code of conduct. If there is a conflict between the code of conduct of the Depository with those provided by SEBI, then the policy issued by SEBI shall prevail.
 - 6.1.1.15. comply with NSDL Code of Conduct for monitoring and reporting trades in Securities Market read with SEBI (Prohibition of Insider Trading) Regulations, 2015.
 - 6.1.1.16. shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.
- 6.1.2. Regulatory and other Compliances: Every Director, Committee Member and Key Management Personnel of the Depository shall:
- 6.1.2.1. ensure that the Depository abides by all the applicable provisions of the SEBI Act, 1992, the Depositories Act, 1996, rules and regulations framed thereunder and the circulars, directions or any other instructions issued by SEBI from time to time;
 - 6.1.2.2. ensure compliance at all levels so that the regulatory system does not suffer

- any breaches;
 - 6.1.2.3. ensure that the Depository takes steps commensurate to honour the time limit stipulated by SEBI for corrective action.
 - 6.1.3. Disclosures of Beneficial Interest: All directors, committee members and key management personnel shall disclose to the Governing Board of Depository, upon assuming office and during their tenure in office, whenever the following arises:
 - 6.1.3.1. any fiduciary relationship of self and family members and directorship/ partnership of self and family members in any trading member or clearing member or depository participant or registrar and transfer agent;
 - 6.1.3.2. shareholding, in cases where the shareholding of the director/ key management personnel, directly or through his family exceeds 5 percent in any listed company or in other entities related to the securities markets;
 - 6.1.3.3. any other business interests.
 - 6.1.4. Access to Information.
 - 6.1.4.1. All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration or gain.
 - 6.1.4.2. Any information relating to the business or operations of the Depository, which may come to the knowledge of directors or committee members or key management personnel during performance of their duties shall be held in strict confidence, shall not be divulged to any third party and shall not be used in any manner except for the performance of their duties.
 - 6.1.4.3. Directors shall call for information only as part of specific committees or as may be authorised by Governing Board.
 - 6.1.5. Misuse of Position.
 - 6.1.5.1. The Directors or committee members or key management personnel shall not use their position to obtain business or any pecuniary benefit in the Depository for themselves or family members.
- 6.2. **Applicable to the Directors and Committee Members**
- 6.2.1. Meetings and Minutes: The Directors and Committee Members shall:
 - 6.2.1.1. not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting;
 - 6.2.1.2. not encourage the circulation of agenda papers during the meeting, unless

- circumstances so require;
 - 6.2.1.3. ensure that minutes are recorded to capture all points of opinion comprehensively;
 - 6.2.1.4. offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;
 - 6.2.1.5. insist on the minutes of the previous meeting being placed for approval in subsequent meeting;
 - 6.2.1.6. endeavor to have the date of next meeting fixed at each Governing Board meeting and committee meetings respectively in consultation with other respective members of the Governing Board and Committees;
 - 6.2.1.7. ensure that all important agendas placed before the Governing Board and Committees are deliberated in a timely manner;
 - 6.2.1.8. not support any decision in the meeting of the Governing Board and the Committees respectively which may adversely affect the interest of investors and shall report forthwith any such decision to SEBI.
- 6.2.2. Role of the Directors and Committee Members in the day to day functioning of the Depository.
- 6.2.2.1. The Directors and Committee Members shall not interfere in the day to day functioning of the depositories and shall limit their role to decision making on policy issues and to issues as the Governing Board may decide.
 - 6.2.2.2. The Directors and Committee Members shall abstain from influencing the employees in conducting their day to day activities.
 - 6.2.2.3. The Directors and Committee Members shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the Governing Board.
- 6.2.3. Avoidance of Conflict of Interest.
- 6.2.3.1. No Director or Committee Member shall participate in any decision making/adjudication in respect of any person/ matter in which he or she is in any way, directly or indirectly, concerned or interested.
 - 6.2.3.2. Conflict of interest in a matter, if any, shall be decided by the Governing Board.
- 6.2.4. Strategic Planning:
- Every Director and Committee Member shall:
- 6.2.4.1. participate in the formulation and execution of strategies in the best interest of the Depository and contribute towards pro-active decision making at the

- Governing Board level;
- 6.2.4.2. give benefit of their experience and expertise to the Depository and provide assistance in strategic planning and execution of decisions;
 - 6.2.4.3. place priority for redressing investor grievances and encouraging fair trade practice so that the Depository becomes an engine for the growth of the securities market.
- 6.2.5. Disclosure of dealings in securities by Directors
- 6.2.5.1. All transactions or dealings in securities by the directors and their immediate relatives (as defined in Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015) shall be disclosed to the Governing Board of the Depository.
 - 6.2.5.2. All directors shall also disclose the trading conducted by firms or corporate entities in which they hold twenty percent or more beneficial interest or hold a controlling interest, to the Depository.
 - 6.2.5.3. The details including time period for disclosures stated above shall be provided by the Depository, provided that the time period for disclosure shall not be later than fifteen days of the transaction/ dealing.
 - 6.2.5.4. Directors who are nominees of Government of India, its statutory bodies or Public Financial Institutions and are governed by their own codes shall be exempt from this requirement.
 - 6.2.5.5. The Directors shall provide the aforesaid disclosures in the manner specified in the NSDL Code for monitoring and reporting trades in securities market.
- 6.3. **Applicable to Public Interest Directors (PIDs)**
- 6.3.1. PIDs shall endeavor to attend all the Governing Board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the Governing Board or do not attend seventy-five percent of the total meetings of the Governing Board in a calendar year.
 - 6.3.2. PIDs shall meet separately, at least once in six months to exchange views on critical issues. PIDs shall submit a report of such meeting to SEBI and to the Governing Board within the time and manner as may be specified by SEBI from time to time.
 - 6.3.3. PIDs shall identify important issues which may involve conflict of interest for the Depository, or may have significant impact on the functioning of the Depository, or may not be in the interest of securities market. The same shall be reported to the Governing Board in a time bound manner as may be decided by the Depository.
 - 6.3.4. PIDs shall have regular oversight on regulatory requirements and observations of SEBI's inspection particularly on issues of governance standards, technology and cyber

security and system audit and cyber security audit observations.

- 6.3.5. PIDs should be proactive in identifying any issues concerning functioning of the Depository and report the same to SEBI. PIDs should ensure all regulatory communication or letter from SEBI are placed before Governing Board with comments/report of MD & CEO.
- 6.3.6. PIDs shall put in place an evaluation mechanism to assess the performance of MD & CEO on a continuing basis in line with evaluation guidelines for PIDs.
- 6.3.7. PIDs shall ensure that appointments of MD & CEO be held within specified timelines. Identification of KMP be closely scrutinized as per the laid down procedure and exceptions should be brought to the notice of SEBI.
- 6.3.8. PIDs should take proactive part in deliberations of different committees and steer their functioning.
- 6.3.9. Adequacy of resource allocations (both financial & human) towards regulatory compliances to be ensured.

6.4. **Applicable to Independent External Professionals**

- 6.4.1. Independent External Professionals shall not use or act on any sensitive information received in capacity as a member of the statutory committee for obtaining any undue benefit.

6.5. **Applicable to Key Management Personnel (KMP)**

- 6.5.1. MD & CEO shall meet employees without the presence of other KMPs to discuss important issues pertaining to the Depository.
- 6.5.2. Key Management Personnel of the Depository shall disclose on a periodic basis as determined by the Depository, all their dealings in securities, directly or indirectly, to the Governing Board or Regulatory Oversight Committee or Compliance Officer of Depository. The KMPs shall provide the aforesaid disclosures in the manner specified in the NSDL Code for monitoring and reporting trades in securities market.
- 6.5.3. All transactions must be of an investment nature and not speculative in nature. Towards this end, all securities purchased must be held for a minimum period of sixty days before they are sold. In specific/ exceptional circumstances, however, sale can be effected anytime by obtaining pre-clearance from the Compliance Officer to waive this condition after recording in writing his satisfaction in this regard.

7. **Duties of PIDs/Independent Directors under the Companies Act, 2013:**

The PIDs/ Independent directors shall:

- 7.1. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Company;

- 7.2. seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the Company;
- 7.3. strive to attend all meetings of the Governing Board and of the Board committees of which he is a member;
- 7.4. participate constructively and actively in the committees of the Governing Board in which they are chairpersons or members;
- 7.5. strive to attend the general meetings of the Company;
- 7.6. where they have concerns about the running of the Company or a proposed action, ensure that these are addressed by the Governing Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Governing Board meeting;
- 7.7. keep themselves well informed about the Company and the external environment in which it operates;
- 7.8. not to unfairly obstruct the functioning of an otherwise proper Governing Board or committee of the Governing Board;
- 7.9. pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company;
- 7.10. ascertain and ensure that the Company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- 7.11. report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy;
- 7.12. acting within his authority, assist in protecting the legitimate interests of the Company, shareholders and its employees;
- 7.13. not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Governing Board or required by law.

8. Declaration for Compliance with the Code

- 8.1. The Directors, Committee Members and Key Management Personnel shall affirm the compliance with the Code on an annual basis and shall sign a confirmation to that effect.
- 8.2. The annual report of the Company shall carry a declaration signed by the CEO/ Managing Director of the Company stating that the members of Governing Board and Key Managerial Personnel have affirmed compliance with the Code.
- 8.3. The Compliance Officer shall implement the requirements laid down under this Code and report to the Regulatory Oversight Committee on periodic basis.

9. Review of this Code

This Code shall be reviewed and amended if there are any regulatory changes requiring modifications to this Code. However, the amended regulatory requirements will supersede this Code till the time it is suitably amended.