

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA**

SETTLEMENT ORDER

[SETTLEMENT ORDER NO.: SO/SM/RG/2025-26/8259]

In respect of:

Settlement Application No.	Name of Applicant	PAN
8259/2024	National Securities Depository Limited	AADCN9802F

In the matter of inspection of NSDL conducted during FY 2023-24

1. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) initiated adjudication proceedings, under Section 15-I of the SEBI Act, 1992 against National Securities Depository Limited (hereinafter also referred to as ‘**Noticee/Entity/NSDL/Applicant**’), for the alleged violation of following regulatory provisions:
 - 1.1. Clause 6 of Annexure I of SEBI Circular no. SEBI/HO/CFD/CMD/CIR/P/2020/12 dated January 22, 2020 (circular issued in exercise of powers u/s 11A(2) of SEBI Act, 1992, read with section 9 and 21 of the SCRA Act, 1956 and read with Regulation 98 of SEBI LODR Regulations, 2015).
 - 1.2. Clause 17 of SEBI circular no. SEBI/HO/OIAE/IGRD/CIR/P/2020/152 dated Aug 13, 2020. (Circular issued under powers conferred u/s 11(1) of SEBI Act, 1992)
 - 1.3. Regulation 17 read with Clause (1) and (5) of Code of conduct as specified in Part D of the Third Schedule of D&P Regulations, 2018 (till August 27, 2023) (Regulation made in exercise of the powers conferred by section 30

of the Securities and Exchange Board of India Act, 1992, read with section 25 of the Depositories Act, 1996.)

- 1.4. Clause 2.i. of SEBI Circular CIR/MRD/DP/19/2015 dated December 09, 2015 (circular issued under powers conferred u/s 11(1) of SEBI Act, 1992, read with section 19 of Depositories Act, 1996), read with clause 5 of Annexure I of SEBI Circular no. CIR/MIRSD/24/2011 dated December 15, 2011 (circular issued under powers conferred u/s 11(1) of SEBI Act, 1992).
- 1.5. Clause 4(d) & 8 of SEBI circular no. CIR/MRD/DP/22/2012 dated August 27, 2012 (circular issued under powers conferred u/s 11(1) of SEBI Act, 1992, read with section 19 of Depositories Act, 1996), read with Clause 5 of SEBI circular no CIR/MRD/DP/21/2014 dated July 1, 2014 (circular issued under powers conferred u/s 11(1) of SEBI Act, 1992, read with section 19 of Depositories Act, 1996), and Clause 3, 4 & 5 of SEBI Circular CIR/MRD/DP/20/2015 dated December 11, 2015. (circular issued under powers conferred u/s 11(1) of SEBI Act, 1992, read with section 19 of Depositories Act, 1996)
- 1.6. Clause 3.4, 3.5, and Clause 5 of SEBI circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022. (Circular issued under powers conferred u/s 11(1) of SEBI Act, 1992, read with section 19 of Depositories Act, 1996)
- 1.7. Clause 5 of SEBI circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022. (Circular issued under powers conferred u/s 11(1) of SEBI Act, 1992, read with section 19 of Depositories Act, 1996)
2. Vide communique dated September 25, 2024, SEBI appointed Shri Amar Navlani as the Adjudicating Officer (“erstwhile AO”) under Section 19 of the SEBI Act, 1992 read with sub-section (1) of Section 15-I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter also referred as ‘**SEBI Rules**’), and under Section

19H of the Depositories Act, 1996 and rule 3 of Depositories (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter also referred as the '**Depositories Rules**'), to inquire into and adjudge under section 15HB of the SEBI Act, 1992 and Section 19FA and Section 19G of Depositories Act, 1996, the alleged violations in respect of the Noticee. Pursuant to the transfer of Shri Amar Navlani, the undersigned was appointed as Adjudicating Officer ("AO") in this matter vide communiqué dated September 12, 2025.

3. A Show Cause Notice No. SEBI/EAD-5/AN/RG/32091/1/2024 dated October 11, 2024 ("SCN") was issued by erstwhile AO to the Noticee in terms of provisions of Rule 4 of the SEBI Rules and Rule 4 of Depositories Rules, calling upon to show cause why an inquiry should not be held and penalty not be imposed, under Section 15HB of SEBI Act and Section 19FA and Section 19G of Depositories Act, 1996, for the alleged violation of aforesaid provisions.
4. Briefly stated, following was inter alia observed and alleged, in respect of the Noticee:

Freezing-Unfreezing Related

- 4.1. There was a large delay in imposition of freeze by NSDL after receiving the instructions from stock exchange.

Further, for some cases, it was observed that NSDL imposed freeze on the promoter(s) account after the intimation for unfreeze had been received.

Therefore, the Noticee was alleged to have violated Clause 6 of Annexure I of SEBI Circular no. SEBI/HO/CFD/CMD/CIR/P/2020/12 dated January 22, 2020 (circular issued in exercise of powers u/s 11A(2) of SEBI Act, 1992, read with section 9 and 21 of the SCRR Act, 1956 and read with Regulation 98 of SEBI LODR Regulations, 2015).

- 4.2. Delay in freezing the shareholding of non-compliant Promoter/ Promoter Group pursuant to receipt of intimation from exchange.

Therefore, the Noticee was alleged to have violated Clause 17 of SEBI circular no. SEBI/HO/OIAE/IGRD/CIR/P/2020/152 dated Aug 13, 2020. (Circular issued under powers conferred u/s 11(1) of SEBI Act, 1992).

4.3. The Turnaround time (TAT) prescribed by NSDL in its operation manual for freezing and unfreezing related actions envisaged delay.

Failed to timely act on implementation of SEBI Orders in respect of freezing, with a delay of up to 77 days.

Therefore, the Noticee was alleged to have violated Regulation 17 read with Clause (1) and (5) of Code of conduct as specified in Part D of the Third Schedule of D&P Regulations, 2018 (till August 27, 2023)

(Regulation made In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992, read with section 25 of the Depositories Act, 1996).

Outsourcing Agreement Related

4.4. NSDL gave backdated effect to its outsourcing agreement with various vendors. Further, the agreement with TCS w.r.t the core IT activities of NSDL was continuously delayed. In one instance for the period 01/04/2019 to 31/03/2020, the outsourcing agreement was signed one year after the expiry of the contract period.

NSDL failed to timely act on implementation of SEBI Orders in respect of freezing, with a delay of up to 77 days.

Therefore, the Noticee was alleged to have violated Clause 2.i. of SEBI Circular CIR/MRD/DP/19/2015 dated December 09, 2015 (circular issued under powers conferred u/s 11(1) of SEBI Act, 1992, read with section 19 of Depositories Act, 1996), read with clause 5 of Annexure I of SEBI Circular no. CIR/MIRSD/24/2011 dated December 15, 2011 (circular issued under powers conferred u/s 11(1) of SEBI Act, 1992).

BSDA Non- Conversion Related:

4.5.NSDL had failed to ensure that DPs were either converting the eligible demat accounts into BSDA or obtaining the BSDA opting out confirmations from the respective BOs in an effective and meaningful manner.

Therefore, the Noticee was alleged to have violated Clause 4(d) & 8 of SEBI circular no. CIR/MRD/DP/22/2012 dated August 27, 2012 (circular issued under powers conferred u/s 11(1) of SEBI Act, 1992, read with section 19 of Depositories Act, 1996), read with Clause 5 of SEBI circular no CIR/MRD/DP/21/2014 dated July 1, 2014 (circular issued under powers conferred u/s 11(1) of SEBI Act, 1992, read with section 19 of Depositories Act, 1996), and Clause 3, 4 & 5 of SEBI Circular CIR/MRD/DP/20/2015 dated December 11, 2015. (circular issued under powers conferred u/s 11(1) of SEBI Act, 1992, read with section 19 of Depositories Act, 1996).

CUSA/ CUSPA Related:

4.6. It was observed from the analysis of data submitted by NSDL that TM/CM were releasing the securities to client's account on 6th and 7th trading day also which is not in compliance with SEBI circular dated November 11, 2022.

It was observed that TM/CM were disposing off unpaid securities in the market (invocation of pledge) after five trading days also i.e on 6th and 7th trading day also and invoking the securities for pay-in on the same day for the said trades which was not in compliance with SEBI circular dated November 11, 2022.

It was also observed that NSDL had not put in place appropriate system to ensure that the said securities were not released / disposed by TMs/CMs post end of 5th trading day from the pay-out date.

Therefore, the Noticee was alleged to have violated Clause 3.4, 3.5, and Clause 5 of SEBI circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022. (Circular issued under powers conferred u/s 11(1) of SEBI Act, 1992, read with section 19 of Depositories Act, 1996).

4.7. It was observed that on receipt of communication from exchange for unfreezing the CUSA mentioned in the email for given period and ensure that the specified list of securities (ISIN) are transferred to the specified Demat accounts of clients only, NSDL unfreezed the entire CUSA account and not only the securities and amount (as specified in the email of exchanges).

It was observed that NSDL unfreezed the entire CUSA instead of unfreezing the ISINs for respective quantity as mentioned in the email of the exchanges. The same was not in line with the joint process as put in place by the exchanges and depositories.

Further, there was no system level check at NSDL end to ensure that the DP transfers the shares to the same BO which was mentioned in the email forwarded by the Stock Exchanges. Also, NSDL did not have system in place wherein in case BO level freeze was initiated in the system, subsequently, ISIN level unfreeze could not be initiated in the said system.

Therefore, the Noticee was alleged to have violated Clause 5 of SEBI circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022. (Circular issued under powers conferred u/s 11(1) of SEBI Act, 1992, read with section 19 of Depositories Act, 1996).

5. Pending the Adjudication Proceedings, the Noticee filed Settlement Applications, bearing Settlement Application No. 8259/2024 (hereinafter also referred to “said application” / “subject application”) with SEBI, proposing to settle the instant proceedings initiated against them vide SCN dated October 11,

2024, without admission or denial of the findings of fact and conclusions of law, having regard to the provisions of SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter also referred to as “Settlement Regulations”).

6. In this regard, I note from the material available on record that the said application was inter alia placed before the Internal Committee (“IC”) of SEBI in its meetings held on January 07, 2025, February 18, 2025, April 09, 2025 and May 06, 2025 wherein the terms of settlement were deliberated and the IC recommended ₹15,57,60,000/- (Rupees Fifteen Crores Fifty Seven Lakhs Sixty Thousand only) as the Indicative Amount. Further, the IC advised the applicants to make written submissions with regard to the following:
 - I. Action taken against “officers-in-default” and,
 - II. Corrective measures taken in respect of alleged violations.
7. Pursuant to the IC meeting, the applicant vide letter dated May 28, 2025 submitted the Revised Settlement Terms (RST) proposing ₹15,57,60,000/- (Rupees Fifteen Crores Fifty Seven Lakhs Sixty Thousand only) as the settlement amount and made submissions with respect to action taken against “officers-in-default”. Subsequently, the IC noted that settlement amount proposed by NSDL was in line with the amount communicated by the IC. Further, the IC noted that NSDL had undertaken the corrective measures and that NSDL had identified officers-in-default. Therefore, the IC recommended the matter for settlement.
8. Thereafter, the matter was placed before the High Powered Advisory Committee (“HPAC”) on September 15, 2025 for its consideration and recommendation. HPAC agreed with the recommendations of the IC and recommended the request of the applicant for settlement be accepted. Thereafter the matter was placed for the consideration of the Panel of Whole Time Members, SEBI, in terms of Regulation 14(3) of the Settlement Regulations. The recommendations of the HPAC were approved by the Panel of Whole Time Members on October 14, 2025. The notice of demand was issued on October 27, 2025. Subsequently,

the applicants informed about the remittance of the settlement amount on November 14, 2025, the receipt of which was confirmed as per the material available on record.

9. In view of the receipt of settlement amount by SEBI, the instant Adjudication Proceedings initiated against the Noticee viz., National Securities Depository Limited, vide aforesaid Show Cause Notice No. SEBI/EAD-5/AN/RG/32091/1/2024 dated October 11, 2024, are hereby disposed of in terms of Section 15JB of the SEBI Act, 1992 read with Regulation 23(1) of SEBI (Settlement Proceedings) Regulations, 2018.
10. The passing of this Settlement Order shall however be without prejudice to the rights of SEBI under Regulation 28 and 31 of the SEBI (Settlement Proceedings) Regulations, 2018, to initiate appropriate actions, including restoring or initiating the proceedings in respect of which this settlement order is passed against the Applicant, if:
 - 10.1. it comes to the notice of the Board that the applicant has not made full and true disclosure;
 - 10.2. applicant has violated the undertakings or waivers;
 - 10.3. there was a discrepancy while arriving at the settlement terms.
11. This Settlement Order shall come into force with immediate effect.
12. In terms of Regulation 25 of SEBI (Settlement Proceedings) Regulations, 2018, a copy of this Order shall be sent to the Applicants and shall also be published on the website of SEBI.

DATE: December 17, 2025
PLACE: MUMBAI

SUDEEP MISHRA
ADJUDICATING OFFICER