

# **Manual on Conflict of Interest between Commercial and Regulatory Functions of the Depository**

**National Securities Depository Limited**

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| <b>Name of the Document</b>     | Manual on Conflict of Interest between Commercial and Regulatory Functions of the Depository                                                      |
| <b>Document Type and Number</b> | Policy - NSDL/Compliance/Conflict of Interest Policy/4.0                                                                                          |
| <b>Department Name</b>          | Legal & Compliance                                                                                                                                |
| <b>Classification</b>           | Internal                                                                                                                                          |
| <b>Issue Date</b>               | August 04, 2023                                                                                                                                   |
| <b>Issue Purpose</b>            | To effectively and demonstrably manage any conflicts arising from the coexistence of NSDL's commercial interests and regulatory responsibilities. |

## Revision History

| Sr No. | Date of Issue                   | Ver | Document Owner                                     | Reviewed By                                        | Approved by               | Remarks                                                                                                              |
|--------|---------------------------------|-----|----------------------------------------------------|----------------------------------------------------|---------------------------|----------------------------------------------------------------------------------------------------------------------|
| 1      | 4 <sup>th</sup> August 2023     | 1.0 | Vice President, Head of Legal & Compliance Officer | Vice President, Head of Legal & Compliance Officer | Chief Regulatory Officer. | Base Document. This Policy is framed as per advisory issued by SEBI vide its letter dated 2 <sup>nd</sup> April 2023 |
| 2      | 13 <sup>th</sup> August 2024    | 2.0 | Vice President, Head of Legal & Compliance Officer | Vice President, Head of Legal & Compliance Officer |                           | No Changes.                                                                                                          |
| 3      | 18 <sup>th</sup> September 2025 | 3.0 | Compliance Officer & Head Legal                    | Chief Risk Officer, Chief Regulatory Officer       | Governing Board           | Revision to strengthen the procedures for addressing conflicts of interest                                           |

|   |               |     |                                 |                                 |                 |                                    |
|---|---------------|-----|---------------------------------|---------------------------------|-----------------|------------------------------------|
| 4 | July 30, 2026 | 4.0 | Compliance Officer & Head Legal | Compliance Officer & Head Legal | Governing Board | Revision pursuant to annual review |
|---|---------------|-----|---------------------------------|---------------------------------|-----------------|------------------------------------|

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## 1 Introduction

<sup>1</sup>It is fundamental to the Depositories Regulatory obligations that it operates with a strong reputation for market integrity. Consistent with promoting this objective, NSDL must provide reliable and high quality infrastructure and provide and encourage a high quality regulatory regime. For this reason, it is important for NSDL to effectively and demonstrably manage any conflicts arising between its commercial interests and its role as a regulator.

This Manual on Conflict of Interest between Commercial and Regulatory Functions of the Depository ("**Manual**") separates the Regulatory Department(s) of NSDL from Non-regulatory departments of NSDL and is being framed to address concerns over conflicts of interest that may arise due to communication of information concerning regulatory activity to any Non-regulatory departments. NSDL has framed this Manual to guide departments and their personnel. NSDL has put in place Chinese walls between its regulatory and Nonregulatory departments to prevent the unauthorized flow of information, except as required for performance of their activities and on a need-to know basis under intimation to the Compliance Officer.

<sup>2</sup>The purpose of this Manual is to identify possible situations that may lead to conflict between commercial and regulatory functions and to put in place a process to address the same. Accordingly, the following conflict management framework is being put in place.

This Manual shall apply to all the staff of NSDL.

This <sup>3</sup> Manual shall be in addition to the provisions, if any, contained in respective regulations/ circulars issued by SEBI from time to time regarding dealing with conflict of interest. This Manual is intended to provide a framework for identification, management, and resolution of conflicts of interest that may arise in the operations of depository. This

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<sup>1</sup> Added w.e.f. September 18, 2025

<sup>2</sup> Incorporated w.e.f. September 18, 2025

<sup>3</sup> To maintain consistency and clarity across the document, the term Policy has been replaced with Manual w.e.f. July 30, 2026.

Manual will help to maintain independence of Regulatory Department(s) and ensure fairness and transparency in the operations of NSDL.

## 2 **Objectives**

This Manual seeks to address the following matters:

- 2.1 Identify, consider, manage and determine conflicts;
- 2.2 Creating an “information barrier” between information gathered by NSDL in its regulatory capacity and business capacity;
- 2.3 Ensuring that the business functions shall not unduly influence the regulatory functions;
- 2.4 Streamline the sharing of information from Non-regulatory departments to the Regulatory departments and in the process increase efficiencies and processes of both departments; and
- 2.5 Increasing and positively enhancing NSDL’s role in capital markets in India.

## 3 **Definition**

- 3.1 “Company” or “NSDL” means National Securities Depository Limited.
- 3.2 “Governing Board” means the board of directors of the Company.
- <sup>4</sup>3.3 “Regulatory Department(s)” means those departments of NSDL which are mandated by law or those entrusted with regulatory powers and duties, and may include departments performing the following functions:
  - 3.3.1 Risk management;
  - 3.3.2 Surveillance;
  - 3.3.3 Participant registration;
  - 3.3.4 Issuer admission;
  - 3.3.5 Legal, Arbitration & Compliance;
  - 3.3.6 Inspection and Enforcement;
  - 3.3.7 Investor protection;
  - 3.3.8 Investor services & CAS;

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<sup>4</sup> The department names have been updated to align with the current organizational structure w.e.f. July 30, 2026.

### 3. 3.9 Secretarial

3.4 “Non-regulatory Departments” means departments, other than Regulatory Departments, of NSDL.

## 4 **Indicative Conflict**

The following list is an indicative list of activities that amount to conflict:

- 4.1 Passing of information that is privy to the Regulatory Department(s) to the Non-regulatory Departments other than on a need to know basis;
- 4.2 Influencing or trying to influence the Regulatory Department(s) with a view to bring or generate commercial benefits for NSDL;
- 4.3 Acquiescing to depository participants, RTAs or listed companies requests for waivers/concessions in respect of regulatory or disciplinary action.;
- 4.4 Employees having a financial or other incentive to favour a depository participant, RTA or listed company over the interests of other depository participant, RTA or listed company.

## 5 **<sup>5</sup>Types of Potential Conflicts**

5.1 Commercial conflict of Interest – Conflict of interest between commercial and regulatory decisions in relation to Depository Participants (DPs):

These may arise in the following areas:

- (a) Admission of new DP or granting of waivers: Commercial interest in maximizing fees;
- (b) Lowering standards or relaxing criteria/standards for DP Registration in an attempt to generate additional revenue.
- (c) Regulatory decisions in relation to DP –monitoring/enforcement including suspension etc.:

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<sup>5</sup> Added w.e.f. September 18, 2025

- i. Commercial interest in preserving/enhancing customer relationships at the expense of regulatory outcomes which adversely impact generation of fees;
- ii. Choosing not to enforce NSDL Rules and Regulations in relation to any entity or participant who has a business or other relationship.
- iii. Potential misuse of regulatory powers for commercial purposes
  - (a) Use of disciplinary penalties as revenue-raising activity;
  - (b) Minimizing/maximizing regulatory penalties with a commercial intent.
- (d) Amendments to rules/processes: - To favour/impede business of an entity;
- (e) Sharing of information which is exclusively available to regulatory officials with business team which can create undue advantage or disadvantage to any market participant.

#### 5.2 Management Conflicts may occur where:

- (a) Resource allocation is skewed away from operations or regulatory functions in favour of revenue generating activity or reduced below the level required to operate in an orderly, fair and transparent market;
- (b) Commercial interference in regulatory processes/decision-making.

#### 5.3 Personal Conflicts of Interest:

At an individual level, conflicts may result from connections/relation with the DPs.

## 6 **Rules for Regulatory Departments and Employees**

- 6.1 Regulatory Departments shall function independent of the Non-regulatory Departments.
- 6.2 Employees of the Regulatory Departments should not subordinate their regulatory responsibilities to promote the for-profit motives of the other departments or group

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<sup>6</sup> The existing sr. no. 5 is renumbered as sr. no. 6 w.e.f. September 18, 2025

companies within NSDL. Regulatory Departments and their employees shall ensure that they do not dilute regulatory standards or safeguards, with an aim to increase the revenues of NSDL.

6.3 Employees of the Regulatory Departments should assume that the information in their possession is confidential, and it shall not be disclosed with Nonregulatory departments, except on need to know basis in accordance with the Chinese Wall Policy <sup>7</sup>as prescribed in Code of conduct to regulate, monitor and report trading in securities of other listed entities by designated persons as an intermediary.

6.4 Employees in Non-regulatory Departments of NSDL must not seek to influence, coerce, gratify or prejudice in any manner or form, the Regulatory Departments functioning and decisions.

6.5 Employees and personnel of Regulatory Departments shall be continuously trained and sensitized regarding the critical and sensitive nature of their work, by their respective department heads. Further, they should monitor and isolate themselves against attempts to influence their decisions, functions and day-to-day responsibilities.

6.6 <sup>8</sup>Controls For Effective Regulatory Functioning.

6.6.1 Segregation of functions:

i. In order to enable that the regulatory functions operates independently without being influenced by the commercial interest of the management and the shareholders, NSDL in terms of the Regulation 29 (1) of the SEBI (Depositories-and-Participants) Regulations, 2018 <sup>9</sup>(SEBI D&P Regulations) has identified its functions and segregate them into the following verticals:

(I) Critical Operations;

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<sup>7</sup> Added w.e.f. September 18, 2025 to give reference to code of conduct as applicable

<sup>8</sup> Added w.e.f. September 18, 2025 to strengthen the procedures for addressing conflicts of interest

<sup>9</sup> To maintain consistency, SEBI (Depositories and Participants) Regulations, 2018 has been referred to as SEBI D&P Regulations throughout the document w.e.f. July 30, 2026.

- (II) Regulatory, Compliance, Risk Management and Investor Grievances; and
- (III) Other functions including business development

ii. The functions of the verticals under sub-regulation (1) of the Regulation 29 (1) of the SEBI D&P Regulations are provided at Fourth Schedule of SEBI D&P Regulations and the same are as reproduced under the head Report Framework hereinabove.

iii. Adoption of Chinese wall policy

NSDL has adopted a Chinese wall Policy in terms of Regulation 29 (5) of the SEBI D&P Regulations. In accordance with the said policy,

- the employees under the regulatory functions are physically segregated from employees in other departments including with respect to access controls.
- Employees in regulatory departments/functions are prohibited from sharing any confidential information pertaining to their functions. In exceptional circumstances employees from other departments may be given confidential information on "need to know" basis, under intimation to the Compliance Officer.
- The Employees within the inside area of the Chinese Walls are responsible to ensure the Chinese Wall is not breached deliberately or inadvertently.
- Known or suspected breaches of the Chinese Wall are required to be referred to the Compliance Officer immediately.

#### <sup>10</sup>6.6.2 Reporting Framework:

The regulatory functions under vertical 2 as specified in para 1 (b) under Fourth Schedule of the SEBI D&P Regulations mapped to the respective functions of the Depository as per the Table I below:

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<sup>10</sup> The department names have been updated to align with the current organizational structure w.e.f. July 30, 2026.

| Sr. no. | Function under vertical 2 as specified in para 1 (b) under Fourth Schedule of the SEBI D&P Regulations | Mapping with Internal Teams     |
|---------|--------------------------------------------------------------------------------------------------------|---------------------------------|
| 1       | Risk Management                                                                                        | Risk Management                 |
| 2       | Surveillance and investigation;                                                                        | Surveillance                    |
| 3       | Participant registration;                                                                              | Participant registration        |
| 4       | Issuer or securities admission;                                                                        | Issuer Admission                |
| 5       | Compliance;                                                                                            | Legal, Arbitration & Compliance |
| 6       | Inspection;                                                                                            | Inspection & Enforcement        |
| 7       | Enforcement;                                                                                           |                                 |
| 8       | Arbitration and grievance redressal mechanism                                                          | Legal, Arbitration & Compliance |
|         |                                                                                                        | Investor Services & CAS         |
| 9       | Investor protection and services                                                                       | Investor protection             |
| 10.     | -                                                                                                      | Secretarial                     |

The following functions are mapped to the respective KMPS who are responsible for these functions:

| Sr. No | KMP                             | Function                                                                                                                             |
|--------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| 1.     | Chief Regulatory Officer        | Surveillance, Inspection & Enforcement, Participant Registration, Issuer Admission, Investor Services & CAS and Investor Protection. |
| 2.     | Compliance Officer & Head Legal | Legal, Arbitration and Compliance                                                                                                    |
| 3.     | Chief Risk Officer              | Risk Management                                                                                                                      |
| 4.     | Company Secretary               | Secretarial                                                                                                                          |

6.6.3 Governance structure and Principles to be followed for conflict resolution:

(I) Governance Structure

- (a) Conflicts between commercial and regulatory functions at the first instance shall be resolved by the respective departments between themselves after considering various factors such as extant regulatory provisions, policies of the NSDL.
- (b) In case of non-resolution of conflict as above, the same shall be referred to a Conflict Resolution Committee consisting of the Managing Director & CEO, Chief Regulatory Officer and Chief Risk Officer with Managing Director & CEO being the Chairman of the Committee. The decision of the Committee shall be taken by majority after hearing the respective parties. The frequency of the said Committee is as and when required. The Compliance Officer shall act as the secretary of the Conflict Resolution Committee and responsible for maintenance of the records. Further, quorum of the Committee shall be minimum two members provided the presence of Managing Director & CEO is mandatory. Also, if any member has an interest in the matter, he shall recuse himself from the meeting.
- (c) Maintain the records of conflicts of interest, actions taken to mitigate conflicts and decision made in this regard.

(II) Principles to be followed:

The following fundamental principles shall be followed while resolving conflicts

- (a) commercial staff must not seek to influence regulatory decisions.
- (b) regulation applicable or compliance mandatory must not be relaxed in order to achieve any commercial objectives, such as cost reduction or revenue increase;
- (c) regulatory decisions must be consistent and fair and in accordance with applicable rules and processes;
- (d) confidential regulatory information is not conveyed to non-regulatory areas; and
- (e) regulatory decisions must not be influenced by any commercial relationship with any entity.

## 7 <sup>11</sup>**Training and Awareness**

The employees of Regulatory departments is to be aware on their roles and responsibility on the periodic basis (i.e. once in an year)

## 8 <sup>12</sup>**Addressing General conflict of Interest**

Any conflict of interest between the functions other than the Regulatory and the Non Regulatory functions which may arise during the course of their operations and activities shall be addressed in the manner as prescribed in their relevant policies, procedures, or codes of conduct established by the respective departments.

## 9 **Review**

The Manual on Conflict of Interest shall be reviewed annually and be strengthened based on the observations of such review. The Company may review the <sup>13</sup>Manual earlier in case of any directions from Governing Board or SEBI.

<sup>14</sup>Further, any new regulation / circular issued by SEBI shall be deemed to have been included in the Manual immediately upon their issuance, without waiting for formal approval of the Board.

The provisions in the Manual are in addition to, and not in derogation of, other applicable laws.

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<sup>11</sup> Amended w.e.f. September 18, 2025

<sup>12</sup> Incorporated w.e.f. September 18, 2025

<sup>13</sup> To maintain consistency and clarity across the document, the term Policy/Code has been replaced with Manual w.e.f. July 30, 2026.

<sup>14</sup> Amended w.e.f. September 18, 2025