

STANDARD OPERATING PROCEDURE (SOP) FOR SURRENDER OF KRA REGISTRATION

This SOP outlines the process to be followed by NDML KRA in a case where NDML KRA needs to / decides to surrender its KRA license and thereby suspend its services. This SOP recognises KRA as an important infrastructure institution for maintaining KYC records of the investors and attempts to establish an institutional mechanism for handling such business closure events without causing any inconvenience or loss of services or continuity to investors and intermediaries. In such event, NDML KRA (Transferor) will ensure service continuity by transferring the necessary information and records to another authorised KRA (Transfree) and complete all necessary processes / obligations listed in this SOP.

1 . Process for Selection of Transferee KRA by NDML KRA:

- 1.1. Transferee KRA will be identified through a process such as inviting interest from other KRAs. The selection of Transferee KRA will be based on criteria such as commercial, technical or earlier business relationships etc as deemed fit.
- 1.2. NDML KRA and Transferee KRA shall execute a non-disclosure agreement in addition to the agreement for transfer of KRA operations which will contain transition plan for winding down of critical operations and services of Transferee KRA.
- 1.3. NDML KRA intending to surrender its certificate of registration will disclose details pertaining to its KRA operations and services such as number of KYC records, infrastructure, employees, contractual agreements/obligation and other relevant information to all other KRAs in its communication conveying its intention to wind down its critical operations and services.
- 1.4. An “Operations Transfer Agreement” may be executed with selected “Transfree KRA” which will contain elaborate details of roles and responsibilities of both the parties.
- 1.5.

2. Procedure to be followed in scenario of voluntary surrender of registration /winding down by NDML KRA

2.1. NDML KRA will place all essential information before its Board to consider a decision regarding voluntary surrender of KRA registration and winding down of the business along-with full details of proposed course of action. The Board will discuss the proposal in detail and evaluate various possible scenarios and record its decision along with reasons for the same.

2.2. Pursuant to Board approval, NDML KRA will apply to SEBI for surrender of its registration along with transition plan for winding down of its critical operations and services, within 7 working days of approving of the decision by the Board.

2.3. NDML KRA in case of proposing to winding down its critical operations and services, will approach SEBI to obtain in-principle approval from SEBI to commence the process of winding down and comply with directions /instructions as may be advised by SEBI.

2.4. Post receipt of in-principle approval from SEBI, NDML KRA will notify stakeholders such as SEBI Registered Intermediaries having registration with NDML KRA, other KRAs, investors holding KYC records with NDML KRA, creditors, Industry Associations etc by way of email or sms or communication posted on NDML KRA website or any other mode within seven working days, regarding its decision to wind down by providing a notice of minimum 30 calendar days period for inviting objection, if any, on commencement of procedure for such winding down.

For this purpose, once the transferee KRA has been finalised, NDML KRA will send a communication to the existing KYC holders by email or sms or communication posted on NDML KRA website or any other mode wherein they will be clearly informed on the name of the Transferee KRA and the timeline for transfer of such records. A public notice in national & regional dailies will also be published by NDML KRA.

2.5. NDML KRA shall declare a cut-off date in the notice indicating date from which critical operations of Transferor KRA are being taken over by the Transferee KRA. It would be

ensured that no new records in the system of NDML KRA get created after said cut-off date.

2.6. NDML KRA will provide minimum 30 days opportunity to registered intermediaries integrated with it, to shift their integration to any other KRA, if intermediaries so desire.

2.7. NDML KRA will perform audit of its KYC records to ensure completeness and accuracy of KYC data and submit report to SEBI and Transferee KRA.

2.8. NDML KRA will ensure to transfer securely, investors KYC data alongwith supporting KYC forms and documents and integration records of registered intermediaries to Transferee KRA in uniform format in which data exchange happens between KRAs as part of Interoperability with full audit trail. The encryption standards will be agreed between NDML KRA and transferee KRA and NDML KRA will ensure the completeness and integrity of the KYC data as per agreed transition plan among NDML KRA and transferee KRA.

2.9. NDML KRA will continue limited operations such as facilitating updation of existing KYC record, download of KYC records by intermediaries and investor assistance until such a time the secured transfer of data is completed.

2.10. NDML KRA will obtain final audit certificate after effecting such transfer of KYC records from its system to the system of Transferee KRA.

2.11. Once transfer of data alongwith supporting KYC forms and documents is complete an internal auditor as mutually appointed by Transferee KRA and NDML KRA shall audit the KYC records on a random basis and tally the total number of records transferred between the NDML KRA and Transferee KRA. In case of any mismatches are observed by the internal auditor, the remediation of the same will be done jointly by NDML KRA and transferee KRA to ensure that complete data with documents of NDML KRA are transferred to transferee KRA. Post receipt of a clear report from internal auditor, Transferee KRA shall confirm receipt and integration of all records within 7 days to NDML KRA and SEBI.

2.12. NDML KRA and Transferee KRA will jointly submit compliance report to SEBI duly signed by Compliance Officer or MD & CEO confirming complete transfer of records (KYC data alongwith supporting KYC forms and documents) thereby ensuring seamless continuity of services, and no inconvenience caused to the investors or intermediaries.

2.13. Within a period of maximum 90 days of going live post transfer of the data and records of NDML KRA, Transferee KRA shall provide approval/no objection for exit of NDML KRA. During this period NDML KRA will extend IT related and operational support to Transferee KRA.

2.14. Post receipt of approval / NOC from transferee KRA, NDML KRA will deactivate its KRA website, system access and shut down of front end API within 30 days.

2.15. NDML KRA and Transferee KRA will ensure that intermediaries linked with KYC records with NDML KRA continue to have access to such KYC records without any difficulty.

2.16. NDML KRA will settle regulatory dues, contractual obligations with intermediaries, service providers, and investor complaints before exit i.e date on which approval / NOC is received from transferee KRA.

The transferee KRA will be bound to accept the KYC data alongwith supporting KYC forms and documents from NDML KRA.

2.17. NDML KRA will continue to operate investor help desk for a period of twelve months post approval of surrender of its registration by SEBI to handle investor calls as well as to respond to investor emails.

2.18. NDML KRA and Transferee KRA will ensure seamless transition as per the approved transition plan mutually agreed and decided by NDML KRA and transferee KRA and submitted to SEBI. In this regard, an indicative timelines for activities involved in wind down are provided below:

Sr no	Details of Activity	Timeline
1	Approved Board Resolution	Day T
2	Intimation to SEBI	T plus 7 days
3	Communication to stakeholders	Within 7 days of receipt of in principle approval from SEBI for winding down
4	Timeline for filing objections by stakeholders	Within 30 days from date of communication as in Sr no 3 above
5	Timeline to SEBI Registered Intermediaries (SRIs) integrated with NDML KRA via API to integrate with other KRAs via API	Within 30 days post timeline as in Sr no 4 is over or post objections raised by stakeholders are closed/addressed by NDML
6	Data migration to transferee KRA	Within 60 days post timeline as in Sr no 5 is over.
7	Conducting audit by internal auditor mutually appointed by NDML & transferee KRA after data migration	Within 15 days post timeline as in Sr no 6 is over
8	Remediation of mismatches observed by internal auditor by NDML & transferee KRA	Within 30 days post timeline as in Sr no 6 is over
9	Confirmation from transferee KRA to NDML KRA regarding receipt and integration of all records	Within 7 days post timeline as in Sr no 8 is over
10	Joint submission of Compliance report to SEBI by NDML & transferee KRA	Within 7 days post timeline as in Sr no 9 is over
11	Approval/no objection certificate by transferee KRA for exit of NDML KRA	Within 90 days post timeline as in Sr no 9 is over
12	Deactivation of KRA website, system access and shut down of front end API by NDML KRA	Within 30 days post timeline as in Sr no 11 is over

13	Functioning of investor helpdesk by NDML KRA	For 12 months from timeline as in Sr no 3 above i.e. post receipt of in-principle approval from SEBI.
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2.19. Supervisory inspections remarks/queries raised by SEBI or any other statutory authority, if any pending, will be addressed by NDML KRA.

2.20. SEBI is authorised to conduct an inspection/audit of NDML KRA's system and records before accepting/disposing the application for surrender of KRA registration.

3. Procedure to be followed in scenario of involuntary surrender of registration / winding down (due to factors such as financial distress)

3.1. In a scenario of involuntary winding down due to factors such as financial distress, NDML KRA will follow similar procedure as laid down for voluntary winding down mentioned at paragraph 2 above (points at Sr no. 2.1 to 2.20)

3.2. In specific regulatory enforcement scenarios, SEBI in the interest of investors and market stability, may or may cause to appoint a temporary administrator, directly nominate an acquirer (Transferee) KRA and mandate winding down timelines, override provisions and timelines prescribed under this SOP. NDML KRA will be bound to follow the directions as intimated by SEBI from time to time in this regard which will override / supersede the provisions and timelines prescribed under this SOP.

4. Procedure to be followed in scenario of involuntary surrender of registration / winding down (due to regulatory action)

4.1. SEBI or any other statutory/regulatory authority may direct NDML KRA to wind down its critical operations and services on the grounds, including but not limited to the non-compliance of either the conditions of grant of registration or renewal, wherever applicable.

4.2. In such scenario, procedure as laid down at para 2 above should be followed to the extent applicable, except for point no. 2.2 as above, wherein such regulatory action directing to wind down the operations of KRA shall be construed as a trigger event (as NDML KRA applying to SEBI for surrender of registration as in point 2.2 above will not be applicable) and case specific direction(s)/relaxation(s), if any issued by the SEBI, shall prevail over such pertinent stipulations of para 2. NDML KRA will be bound to follow the directions as intimated by SEBI from time to time in this regard.

4.3. In specific regulatory enforcement scenarios, SEBI may or may cause to appoint a temporary administrator, directly nominate an acquirer KRA and mandate winding down timelines, override SOP.

5. Periodic Review of SOP

This SOP will be reviewed periodically as and when circumstances warrant/necessitate or at least once in a 5 years.