

# **Pension Fund Regulatory and Development Authority (Trustee Bank) Regulations, 2015**

UNION OF INDIA

India

## **Pension Fund Regulatory and Development Authority (Trustee Bank) Regulations, 2015**

### **Rule**

### **PENSION-FUND-REGULATORY-AND-DEVELOPMENT-AUTHORITY-TR of 2015**

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Pension Fund Regulatory and Development Authority (Trustee Bank) Regulations, 2015Published vide Notification No. PFRDA/12/RGL/139/6, dated 23.3.2015Last Updated 21st February, 2019No. PFRDA/12/RGL/139/6. - In exercise of the powers conferred by sub-section (1) of Section 52 read with clauses (e), (l), (n), (o) and (p) of sub-section (2) thereof of the Pension Fund Regulatory and Development Authority Act, 2013 (23 of 2013), the Pension Fund Regulatory and Development Authority hereby makes the following regulations, namely: -

## **Chapter I Preliminary**

### **1. Short title and commencement.**

(1)These regulations may be called the Pension Fund Regulatory and Development Authority (Trustee Bank) Regulations, 2015.The regulation aims to provide standards for the eligibility, governance, organization and operational conduct of the Trustee Bank and requiring it to establish internal system that delivers compliance with standards for internal organization and operational conduct, for protecting the interest of the subscribers.(2)They shall come into force on the date of their publication in the Official Gazette.

## 2. Definitions.

(1) In these regulations, unless the context otherwise requires, - (a) "Act" means the Pension Fund Regulatory and Development Authority Act, 2013 (23 of 2013); (b) "Board of Trustees" means trustees appointed by the Authority to the Board of the National Pension System Trust; (c) "compliance officer" means a person of responsibility from the Trustee Bank; designated as such and charged with the responsibility of monitoring compliance by it of the provisions of the Act, or the rules or the regulations made or notifications, guidelines, circulars or instructions issued by the Authority there under. (d) "Drawing and Disbursing Officer" means a Drawing and Disbursing Officer under the Central Government or a similar office under it or a State Government or an autonomous body which shall interact with the Pay and Accounts Office (or equivalent office) or the central recordkeeping agency on behalf of the subscribers for the purpose of the National Pension System; (e) "firewall" means a system to prevent access to inside information of different segregated activities and resources among the key personnel of the Trustee Bank, the systems, back office, bank and securities accounts which must be segregated activity-wise; (f) "nodal office" means the offices which act as interface between the subscribers and the central recordkeeping agency and includes the Government office like Principal Accounts Officer, Directorate of Treasuries and Accounts, Pay and Accounts Officer, District Treasury Office, Drawing and Disbursing Office as well as point of presence and a service provider in the un-organized sector, National Pension System-Lite oversight office and the National Pension System-Lite Accounting Office in the National Pension System-Lite sector; (g) "Pay and Accounts Office" means a Pay and Accounts Office under the Central Government or a State Government or a similar office under a Union territory or an autonomous body responsible for maintaining the contribution details for subscribers covered under the National Pension System; (h) [ "Permanent Retirement Account Number" means a unique number allotted by the central recordkeeping agency to each subscriber under the schemes regulated or administered by the Authority; ] [Substituted by Notification No. PFRDA/12/RGL/139/6, dated 19.2.2019 (w.e.f. 23.3.2015).] (i) "principal officer" means any person who is responsible for the activities of a Trustee Bank and includes, - (i) any whole-time director, executive director, managing director or Chief Executive Officer or Chief Financial Officer, in the case of a body corporate; (ii) any person designated as a principal officer by the board of directors; and (iii) any key managerial personnel or any person in accordance with whose directions or instructions the board of directors or any one or more of the directors is or are accustomed to act as such; (j) "service-level standards" means standards defining the service quality and turnaround time for fulfilling the duties and responsibilities laid down for the Trustee Bank. (2) Words and expressions used and not defined in these regulations but defined in the Act, shall have the meanings respectively assigned to them in the Act.

## Chapter II

### Registration of Trustee Bank

### **3. Application for grant of certificate of registration and application fee.**

(1)The Authority may invite applications from the eligible entities for grant of a certificate of registration as Trustee Bank. The entities desirous of obtaining such certificate shall be required to submit applications, accompanied by the application fee specified in sub-regulation (5), to the Authority. The basis of the selection process and evaluation under such selection process shall be as the Authority may specify, on the date of inviting applications for grant of certificate of registration, which shall be published in the newspapers and placed on the website of the Authority.(2)The Trustee Bank, which was appointed to function as such, by the Interim Pension Fund Regulatory and Development Authority, prior to establishment of the Authority under the Act, may continue to act as such for the unexpired period of its tenure of appointment, or any extension granted thereof by the Authority, provided however that such Trustee Bank shall make an application for grant of certificate of registration, within a period of ninety days from the notification of these regulations. The Authority, may subject to the Trustee Bank, fulfilling the eligibility conditions grant a certificate of registration, for the period mentioned in this sub-regulation.(3)The Authority shall examine the eligibility of the applicants in terms of the provisions of the Act, rules and regulations, and any other criteria, so specified in such selection process to be undertaken, as referred to in sub-regulation (1), and any modifications in the criteria as may be specified by it from time to time.(4)The Authority may appoint one or more Trustee Bank under these regulations.(5)Every applicant shall pay a non-refundable application fee of rupees ten lakh, along with the application to the Authority.

### **4. Eligibility criteria.**

(1)The entities satisfying the following eligibility criteria and any other criteria or terms and conditions, or any modifications, as may be specified in the selection process referred to in regulation 3, shall be eligible to participate in the selection process for Trustee Bank, -(a)any scheduled commercial bank [registered and regulated by the Reserve Bank of India, under the Banking Regulation Act, 1949 (10 of 1949)] with extensive rural and urban network of branches as may be specified in the selection process;(b)the applicant, on the date of application, should have made net profit at least in the last three consecutive financial years, and shall satisfy the minimum capital adequacy ratio as specified by the Reserve Bank of India from time to time;(c)the applicant has been authorised to undertake Government business on behalf of Ministries or Departments of the Central Government and the State Governments;(d)all branches of applicant shall be networked;(e)commitment of the applicant to establish technological compatibility with the central recordkeeping agency or agencies, if selected as the Trustee Bank, including allowing a unique transaction identity generated by the central recordkeeping agency for every transaction to be validly recognizable throughout the complete transaction trail;(f)the applicant should have Cash Management Services business. The number of Cash Management Services clients and through put shall be as specified by the Authority in the selection process.(2)The Authority may change or modify the eligibility criteria as may be specified from time to time in the interest of the subscribers or for the orderly growth of the pension system.

## **5. Disclosure of Information.**

(1)The Authority, having regard to the interest of the subscribers, may make disclosure to the public, the information on the application made by the applicant by placing such information on a website as specified by the Authority, including a website maintained by the applicant.(2)Any material change in the information furnished or placed on the website pursuant to these regulations shall be intimated to the Authority by the applicant promptly but not later than fifteen days of the occurrence of such changes.

## **6. Furnishing of information and clarification.**

(1)The Authority may require the applicant to furnish any further information or clarification, for the purpose of disposal of the application, and, thereafter, in regard to any other matter as may be deemed necessary by the Authority.(2)The applicant shall furnish such information and clarification to the satisfaction of the Authority, within the time specified in this regard by the Authority.

## **7. Verification of information.**

(1)While considering the application, the information furnished by the applicant and its eligibility, the Authority may, if it so desires, verify the information in any manner, as deemed necessary, which may include physical verification of documents, office space and inspect the availability of office space, infrastructure and technological support which the applicant is required to have.(2)For the purpose of verification of information, the Authority may appoint any person including any of its officers or an external auditor or agency.

## **8. Consideration of application and rejection.**

- [(1) For the purpose of grant of certificate, the Authority shall take into account all matters which it deems relevant to the activities under the schemes regulated or administered by it, including but not limited to the following, namely: -] [Substituted by Notification No. PFRDA/12/RGL/139/6, dated 19.2.2019 (w.e.f. 23.3.2015).](a)whether the applicant satisfies the eligibility criteria specified in these regulations and also the terms and conditions as may be specified in the selection process referred to in regulation 3;(b)[ whether the grant of certificate is in the interest of subscribers and the objective of orderly development of pension sector and the schemes regulated or administered by the Authority.]; [Substituted by Notification No. PFRDA/12/RGL/139/6, dated 19.2.2019 (w.e.f. 23.3.2015).](c)whether the applicant is a person who has been refused a certificate by the Authority or whose certificate has been cancelled by the Authority.(d)any other ground that the Authority may specify for consideration and rejection of application.(2)Any application for grant of certificate may be rejected on any of the following grounds, namely: -(a)if the application is not complete in all respects and does not conform to the requirements specified in these regulations or any other selection criteria specified by the Authority on the date of inviting applications for grant of certificate of registration;(b)if the application is unaccompanied by the specified application fee or with relevant documents in support or the applicant fails to furnish such additional information as

required by the Authority;(c)if the application contains incorrect, false or misleading information.(3)Where an application is rejected under clause (b) of sub-regulation (2), the Authority shall record reasons in writing:Provided that, before rejecting any such application, the Authority shall give the applicant an opportunity to remove the objection within such time as may be specified by the Authority:Provided further that where an application is rejected by the Authority for the reason that it contains false or misleading information, no such opportunity may be given and the applicant shall not make any application for grant of certificate under these regulations or any other regulations for a period of one year from the date of such rejection.

## **9. Procedure for grant of certificate of registration.**

(1)The applicant shall submit an application in the format as may be specified by the Authority. In order to be eligible for registration, the applicant shall be required to qualify, on the date of application, all the technical and commercial parameters as specified by the Authority under the selection process.(2)The Authority on being satisfied that the applicant satisfies the eligibility criteria as specified under the Act, the rules and regulations and also the evaluation criteria specified in the selection process, it shall, grant a certificate of registration in the form specified in Schedule II and send intimation to this effect to the applicant.(3)Any certificate of registration granted by the Authority to the Trustee Bank shall be subject to the following conditions, namely: -(a)where the Trustee Bank proposes to change its status or constitution, it shall obtain prior approval of the Authority for continuing to act as such Trustee Bank after such change in status or constitution;(b)it shall pay the applicable fees in accordance with the regulation 11 or 12, as may be applicable;(c)it shall at all times abide by the provisions of the Act, rules, regulations, directions, guidelines and circulars as may be issued there under and other relevant laws;(d)it shall at all times meet the eligibility criteria and other requirements specified in these regulations;(e)it shall comply with the Code of conduct as specified in Schedule I:Provided that the Authority may impose such other conditions as it may deem fit in the interest of subscribers or orderly development of the pension sector and the Trustee Bank shall be required to comply with such conditions.(4)A request for prior approval, under clause (a) of sub-regulation (3), which is complete in all respects, shall be disposed off by the Authority within a period of sixty days from the date of receipt of such request and where the decision of the Authority has not been communicated to the Trustee Bank within the said period of sixty days, the prior approval shall be deemed to have been granted.(5)The request for prior approval under clause (a) of sub-regulation (3) shall contain the information in respect of the Trustee Bank after the proposed change in status or constitution and the information shall be placed on the website as may be specified by the Authority.

## **10. Effect of refusal to grant certificate or expiry of certificate.**

(1)Where the Trustee Bank has failed to make an application or where an existing Trustee Bank has been refused grant of certificate under these regulations, the Trustee Bank shall, -(a)forthwith cease to act as such Trustee Bank;(b)transfer its amounts, records and documents related to its activities with complete reconciliation to another Trustee Bank which has been granted a certificate for carrying on such activity;(c)make provisions as regards liability incurred or assumed by the Trustee Bank;(d)take such other action, within the time limits and in the manner, as may be required under

the relevant regulations or as may be directed by the Authority.(2)While refusing grant of certificate of registration under these regulations to an existing Trustee Bank, the Authority may impose such conditions upon it as it deems fit for protection of subscribers and such conditions shall be complied with.

## **11. Registration fee.**

- A non-refundable registration fees of rupees twenty-five lakh shall be paid by the applicant to the Authority.

## **12. Annual fee.**

(1)The Trustee Bank shall deposit each year an annual fee before the due date which shall be determined through bid or in such other manner as may be decided by the Authority at the time of selection process.(2)For the year in which the certificate of registration is granted, annual fee shall be deposited by the Trustee Bank within thirty days from the date of registration in the proportion applicable for each quarter of the financial year regardless of the number of months or days falling short of such quarterly period. In case, the Trustee Bank fails to deposit an annual fees before or on due date, the Authority shall have the right to cancel the certificate of registration of the Trustee Bank.

## **13. Period of validity.**

(1)Subject to compliance with the provisions of the Act or these regulations, every certificate of registration granted to a Trustee Bank shall be valid for a period of five years from the date of grant of registration unless suspended or cancelled by the Authority.(2)The Authority may, extend or reduce the tenure of the registration certificate, for such period as it may determine in the interest of the subscribers. Such extension or reduction shall be granted for reasons to be recorded in writing. Any extension granted to the Trustee Bank upon expiry of tenure of registration shall be binding on the Trustee Bank and the Trustee Bank shall discharge its functions in accordance with the terms of such extension.(3)During the validity of registration certificate under sub-regulations (1) and (2), the certificate of registration granted to the Trustee Bank shall be reviewed annually or any other period or at any point of time as may be notified by the Authority and its continuity as Trustee Bank shall be decided thereupon by the Authority.(4)The Trustee Bank shall be liable to pay annual fee as specified under regulation 12.(5)On extension of the registration certificate for less than one year, pro rata annual fee or renewal fee shall be recovered on quarterly basis.

## **14. Extension of registration.**

- The Authority shall notify for fresh registration in accordance with these regulations ninety days or such other time as may be specified, prior to the date of expiry of tenure of the registered Trustee Bank or may extend the tenure of certificate of registration of the Trustee Bank, for such period, as it may determine in the interest of the subscribers. Such extension shall be granted for reasons to be

recorded in writing. Any extension granted to the Trustee Bank upon expiry of tenure of registration shall be binding on the Trustee Bank and the Trustee Bank shall discharge its functions in accordance with the terms of such extension.

## **Chapter III**

### **Roles and Responsibilities of Trustee Bank**

#### **15. Authorization.**

(1)The Board of Trustees of National Pension System Trust shall authorize the Trustee Bank to act as its agent for the purpose of banking the funds in accordance with the provisions of the Act, the rules or the regulations made there under and any guidelines or directions issued by the Authority.(2)[ The Board of Trustees shall authorize the Trustee Bank to hold on its behalf the funds in the name of National Pension System Trust and for the beneficial interests of the beneficiaries of the schemes regulated or administered by the Authority. No such authorization shall confer upon the Trustee Bank, any right, title, interest or share in the funds of the subscribers or any other right under the schemes regulated or administered by the Authority.] [Substituted by Notification No. PFRDA/12/RGL/139/6, dated 19.2.2019 (w.e.f. 23.3.2015).](3)The Board of Trustees shall certify to the Trustee Bank the names and signatures, address and scope of authority of all persons authorized to give proper instructions or any other notice, request, directions, circulars, instruction and notification issued by the Authority from time to time and in accordance with the terms of the regulation, certificate or instrument on behalf of the National Pension System Trust. Such certificate may be accepted and relied upon by the Trustee Bank as conclusive evidence of the facts set forth therein and may be considered in full force and effect until receipt of similar certificate to the contrary. Any such certificate may be given by the Chief Executive Officer of the National Pension System Trust or such other person, as may be authorized by the Board of Trustees.(4)The Trustee Bank shall certify to the Board of Trustees, the names and signatures, address and scope of authority of all persons authorized to receive proper instructions or any other notice, request, direction, instruction, certificate or instrument on behalf of the Trustee Bank. The service of any notice, request, direction, instruction, certificate or instrument on such authorized persons shall be deemed to be effective notice or service to the Trustee Bank.

#### **16. Roles and responsibilities.**

- [(1) The Trustee Bank shall assume the day to day banking of the funds under the schemes regulated or administered by the Authority and shall provide banking facilities in accordance with the provisions of the directions issued by the Authority in terms of the Act, the rules and the regulations made there under, operational service level agreements executed with the National Pension System Trust and standard operating procedure issued by the National Pension System Trust, based on the Authority's guidelines.] [Substituted by Notification No. PFRDA/12/RGL/139/6, dated 19.2.2019 (w.e.f. 23.3.2015).](2)[ The Trustee Bank shall exercise all due diligence and vigilance in carrying out its duties and in protecting the rights and interests of the subscribers, the beneficiaries of the schemes under the schemes regulated or administered by the Authority. The

Trustee Bank shall be responsible for the acts of omissions or commissions by its employees or the persons whose services have been procured by the Trustee Bank in whatever capacity.] [Substituted by Notification No. PFRDA/12/RGL/139/6, dated 19.2.2019 (w.e.f. 23.3.2015).](3)[ The account of the National Pension System Trust with the Trustee Bank shall be in the name of National Pension System Trust and the Trustee Bank shall be holding the funds of the National Pension System Trust. However, individual subscribers under the schemes regulated or administered by the Authority shall remain beneficial owners of these funds.] [Substituted by Notification No. PFRDA/12/RGL/139/6, dated 19.2.2019 (w.e.f. 23.3.2015).](4)The Trustee Bank shall maintain all books and records of the National Pension System Trust Account and comply with the disclosure requirements as specified by Authority or National Pension System Trust from time to time and as provided in these regulations. The Trustee Bank shall maintain books and records about the fund flow and information flow between Trustee Bank, central recordkeeping agency, subscribers and pension funds to ensure compliance with the guidelines and submit regular reports at such intervals and in such manner as may be required or called for by Authority or its authorized representative. The books and records related to the National Pension System Trust's accounts shall be available for inspection to the Authority or its authorized officers, and National Pension System Trust and their respective auditors.(5)The banking of the funds shall be on account of the National Pension System Trust and the Trustee Bank shall discharge its duties in terms of the regulation with adequate care. The Trustee Bank shall be fully liable for any losses occasioned to the National Pension System Trust on account of any acts of omission or commission in the nature of fraud, negligence, dereliction of duty, misconduct or misdemeanor or any breach of applicable law or of the provisions of these regulations on the part of the Trustee Bank or its employees in which event the Trustee Bank shall be liable to indemnify the National Pension System Trust and the Board of Trustees for any loss occasioned (either directly or indirectly to the National Pension System Trust or Board of Trustees) or any claim raised against the National Pension System Trust or Trustees by any party in accordance with any agreement signed between the Board of Trustees and the Trustee Bank.(6)The funds shall be credited to separate accounts in the name of the National Pension System Trust maintained with the designated branch of the Trustee Bank. All receipts, payments, income and expenses shall be debited or credited to this account. The Trustee Bank shall be responsible for the day-to-day flow of funds.(7)(a)Systems and procedures, -(i)The Trustee Bank shall have all the necessary systems procedures, infrastructure that may be required to enable it to co-ordinate with other intermediaries;(ii)[ Firewall from other businesses: Trustee Bank shall ensure that a firewall is maintained in respect of the business under the schemes regulated or administered by the Authority, both in terms of staff and systems, from its other businesses;] [Substituted by Notification No. PFRDA/12/RGL/139/6, dated 19.2.2019 (w.e.f. 23.3.2015).](b)monitoring, review, evaluating and inspecting systems and controls, -(i)Trustee Bank must have adequate mechanisms for reviewing, monitoring and evaluating its controls, systems, procedures and safeguards;(ii)where the records are kept electronically, it must take precautions necessary to ensure that continuity in recordkeeping is not lost or destroyed and that a sufficient back-up of records is available;(iii)Trustee Bank shall have its systems inspected annually at its own cost, under the mechanism referred to in sub-clause (i), by an expert and this expert shall forward the inspection report within one month from the date of inspection to the Authority;(iv)Trustee Bank shall establish and maintain adequate infrastructural facilities to be able to discharge its role and responsibilities as per the "service-level agreement" with the National Pension System Trust, and



the operating procedures and systems of the Trustee Bank shall be adequately documented and backed by operation manuals.(8)[ The Trustee Bank shall be required to ensure access to all records, data or any other relevant material in respect of the Trust Account maintained with the Trustee Bank to the National Pension System Trust for ensuring necessary supervision (both on-site and off-site). The Trustee Bank shall be responsible for transmission of information pertaining to the funds under the schemes regulated or administered by the Authority available with it and instructions to central recordkeeping agency on a regular basis. The Trustee Bank shall provide web based access to the National Pension System Trust, the Authority and other intermediaries as may be specified by the Authority or the National Pension System Trust. The Trustee Bank will be required to be able to adapt to future changes and functional obligations prescribed by the Authority or the National Pension System Trust.(9)The Trustee Bank shall sign the required Service Level Agreement, where applicable, with the National Pension System Trust and other intermediaries under the schemes regulated or administered by the Authority. The Trustee Bank shall establish an interface and work in total co-operation and co-ordination with the other intermediaries appointed under the National Pension System.] [Substituted by Notification No. PFRDA/12/RGL/139/6, dated 19.2.2019 (w.e.f. 23.3.2015).](10)The Trustee Bank shall not utilise the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any of its duties and obligations:Provided that the Trustee Bank may utilise such services if disclosure to that effect is made to the National Pension System Trust.(11)The Authority, may in the interest of subscribers add, delete or modify or alter the roles and responsibilities as mentioned in these regulations through circulars, notifications and guidelines from time to time.

## **17. Linkages of Trustee Bank with central recordkeeping agency and other intermediaries.**

- The Trustee Bank is required to establish necessary system and procedure, in order to facilitate fund transfers across various intermediaries of the National Pension System Architecture viz. central recordkeeping agency, nodal offices (Pay and Account Office, Drawing and Disbursing Officer, District Treasury Office, Directorate of Treasuries and Accounts), point of presence, aggregators, pension funds and annuity service providers, and others , as may be specified by the Authority.

## **18. Operational requirements for Trustee Bank.**

- Based on the level of activity, the Trustee Bank would be required to fulfill certain minimum operational requirements. These requirements may be as specified in the selection process as may be notified by the Authority, service level agreement and standard operating procedure issued by the National Pension System Trust from time to time. This is subject to modification from time to time as may be specified through guidelines issued by the Authority.

## **19. Reports and audit.**

(1)The Trustee Bank shall file the following periodic reports with the Authority and National

Pension System Trust -(a)extracts of internal audit report from the independent auditors with respect to the National Pension System Trust Accounts, compliance certificates and subscriber complaints reports at regular intervals;(b)concurrent audit report to be submitted every quarter;(c)external audit report of all the National Pension System accounts maintained with the Trustee Bank to be submitted annually. The scope of all the above three audits shall be defined by Authority.(2)At the end of each financial year, the Trustee Bank shall furnish a statement of the income and expenditure account and a balance sheet reflecting the position of the Trustee Bank as on the closing date of the financial year to the National Pension System Trust.(3)The Trustee Bank shall file with National Pension System Trust-(a)Bio-data of all its directors along with their interest in other companies within fifteen days of their appointment; and(b)any change in the interests of directors at every six months.(4)A report on discrepancies, if any, to or from the pension fund regarding fund transfer or receipt of funds based on information flow received from pension fund or central recordkeeping agency and actual fund transfer.(5)Provide periodic reports as per the parameters and frequency defined by the Authority or the National Pension System Trust. Some of the key parameters on which reports are required includes:(a)account wise balances on daily basis;(b)fund transfer and receipt status on daily basis;(c)report on status of identified and unidentified funds in NPS account;(d)sector wise unmatched amount return report-weekly, monthly or as specified by the Authority.(6)Any other information or report required by Authority from time to time.

## **Chapter V**

### **Inspection and Audit**

#### **20. Inspection and audit.**

(1)The Authority may, if it considers necessary at any time, undertake directly or through its authorized representative or auditor, an inspection and audit of the books, accounts, records including the telephone records and electronic records and documents of the Trustee Bank for any purpose, including the purposes as specified under sub-regulation (2).(2)The purposes referred to in sub-regulation (1) may include, -(a)to ascertain the infrastructural capabilities, systems and procedures;(b)to ensure that the books of account, records including telephone records and electronic records and documents are being maintained in the manner required under these regulations;(c)to ascertain whether adequate internal control systems, procedures and safeguards have been established and are being followed by the Trustee Bank;(d)to ascertain whether the provisions of the Act or rules or the regulations made there under or circulars, guidelines or notifications issued by the Authority are being complied with;(e)to inquire into the complaints received from subscribers, nodal offices, intermediaries or any other person on any matter having a bearing on the activities assigned by the Authority to the Trustee Bank;(f)to inquire suomotu into such matters as may be deemed fit in the interest of subscribers.(3)The Authority may, -(a)appoint one or more authorized representatives or, appoint a qualified auditor to undertake the inspection or audit referred to in sub-regulation (1);Explanation. - For the purposes of this sub-regulation, the expression "qualified auditor" shall have the meaning derived from Section 226 of the Companies Act, 1956 (1 of 1956).

## **21. Notice before inspection or audit.**

(1) Before undertaking an inspection or audit under regulation 20 the Authority or its authorised representative or the auditor shall give ten working days' notice to the Trustee Bank: Provided that no notice shall be required if the Authority is satisfied that an inspection or audit is required for immediate safeguarding of the interest of the subscribers. (2) During the course of an inspection or audit, the Trustee Bank against whom the inspection or audit is being carried out shall be bound to discharge its obligations as provided in these regulations.

## **22. Obligations on inspection and audit.**

(1) It shall be the duty of the Trustee Bank, the affairs of which is being inspected or audited, and of every director, officer and employee thereof, to produce to the Authority, or its authorized representative or auditor, such books, accounts, records and other documents in its custody or control and furnish to the Authority or its authorized representative or the auditor with such statements and information relating to the activities entrusted to it by the Authority, as it or he may require, within such reasonable period as may be specified. (2) The Trustee Bank shall allow the Authority or its authorized representative or the auditor to have a reasonable access to the premises occupied by it or by any other person on its behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the Trustee Bank or such other person and also provide copies of documents or other materials which in the opinion of the Authority or its authorized representative or auditor are relevant for the purpose of the inspection or audit. (3) It shall be the duty of the Trustee Bank to give to the Authority, or its authorized representative or auditor all assistance in connection with the inspection and audit which the Authority or its authorized representative, or auditor may reasonably require.

## **23. Submission of report.**

(1) On completion of the inspection or audit, a report shall be submitted to the Authority, which after consideration of the report, may take such action as it may deem fit and appropriate in the interest of the subscribers. (2) The Authority may suo motu or after consideration of the inspection or audit report, as the case may be, order an investigation or inquiry to be conducted in the matter.

## **24. Payment of inspection and audit fees.**

- The Authority shall be entitled to recover from the Trustee Bank such expenses incurred by it for the purposes of inspection or audit undertaken directly or through its authorized representative or auditor under sub-regulation (1) of regulation 20.

## **25. Inspection and audit by National Pension System Trust.**

(1) The National Pension System Trust shall undertake directly or through its authorized representative, inspection or audit or both of the Trustee Bank, on an annual basis or at such other

period as may be specified by the Authority in relation to operational Service Level Agreements in accordance with the provisions of Pension Fund Regulatory and Development Authority (National Pension System Trust) Regulations, 2015. The Trustee Bank shall allow the National Pension System Trust, or its authorized representative to have a reasonable access to the premises occupied by it, books of accounts, records and provide necessary information as may be required by it for the purpose of such inspection or audit, as the case may be.(2)The National Pension System Trust shall be entitled to recover from the Trustee Bank such expenses incurred by it for the purposes of inspection or audit undertaken directly or through its authorized representative.(3)The scope of audit or inspection may be modified by the Authority as may be specified by it from time to time.

## **Chapter VI**

### **Suspension or Cancellation of Certificate and Action in Case of Default**

#### **26. Cancellation or suspension of certificate of registration.**

(1)Where any Trustee Bank which has been granted a certificate of registration under these regulations -(a)fails to comply with any conditions subject to which a certificate of registration has been granted to it;(b)contravenes any of the provisions of the Act or the rules or the regulations made or guidelines or notifications, directions, instructions or circulars issued by the Authority there under;(c)contravenes any of the provisions of the agreements entered into with other intermediaries;(d)indulges in unfair trade practices or conducts its business in a manner prejudicial to the interests of the subscribers;(e)fails to furnish any information as required by the Authority relating to its area of operations;(f)does not submit periodical returns as required under the Act or by the Authority;(g)does not co-operate in an inquiry conducted by the Authority;(h)commits any acts of defaults as mentioned under Section 28 of the Act;(i)any other reason which in the opinion of the Authority warrants for suspension, cancellation or withdrawal of the certificate of registration granted;The Authority may, without prejudice to any other action under the Act, regulations, directions, instructions or circulars issued there under, by order take such action in the manner provided under these regulations including cancellation or suspension of the registration of such Trustee Bank and such other action, as may be deemed appropriate.(2)The Authority may without prejudice to the powers under sub-regulation (1) instead of cancelling or suspending the certificate of registration, direct for varying or modifying the terms and conditions of the certificate of registration, as it may deem fit or pass any other order, as may be deemed beneficial in the interest of the subscribers.(3)Trustee Bank once registered shall have to ensure that the eligibility conditions as mentioned in this regulation are strictly adhered to during the entire currency of the registration period and any extension thereto, failing which the registration certificate may be cancelled. A certificate evidencing compliance with the eligibility conditions shall have to be furnished by the registered Trustee Bank to the Authority on annual basis within thirty days of closure of accounts for the financial year.

## **27. Surrender of any certificate of registration.**

(1) Any Trustee Bank, which has been granted a certificate of registration under the Act or the regulations made there under, desirous of giving up its activity and surrendering the certificate, may make a request for such surrender to the Authority. (2) While disposing of a request under these regulations, the Authority may require the concerned Trustee Bank to satisfy the Authority of the factors as it deems fit, including but not limited to the following: -(a) the arrangements made by the Trustee Bank at its own costs and expenses for maintenance and preservation of records and other documents required to be maintained under the Act, regulations and guidelines; (b) redressal of subscriber grievances; (c) transfer of records, funds or securities of the subscribers at its own cost and expense; (d) the arrangements made by it for ensuring continuity of service to the subscribers; (e) defaults or pending actions, if any. (3) [ While accepting the surrender request, the Authority may impose such conditions upon the Trustee Bank as it deems fit for the protection of interest of the subscribers of the schemes regulated or administered by the Authority and the Trustee Bank concerned shall comply with such conditions. ] [Substituted by Notification No. PFRDA/12/RGL/139/6, dated 19.2.2019 (w.e.f. 23.3.2015).] (4) No Trustee Bank shall be permitted to surrender its certificate, in respect of which any action for default has been initiated or has been contemplated by the Authority.

## **28. Effect of suspension, cancellation or surrender of certificate.**

(1) On and from the date of suspension or cancellation of the certificate, the concerned Trustee Bank shall -(a) not undertake any additional assignment or collect any new money or information from the subscriber, During the period of such suspension, it shall cease to carry on any activity in respect of which the certificate of registration had been granted; (b) allow its subscribers to transfer, as the case may be, their money or assignments or allow the National Pension System Trust to withdraw any assignment given to it, without any additional cost; (c) make provisions as regards liabilities incurred or assumed by it; (d) take such other action including the action relating to any records or documents and information or money of the subscribers that may be in the custody or control of such Trustee Bank, within the time limit and in the manner, as may be required under the relevant regulations or as may be directed by the Authority, while passing the order under these guidelines or otherwise. (2) On and from the date of surrender or cancellation or suspension of the certificate of registration, the concerned Trustee Bank shall -(a) return the certificate of registration so cancelled to the Authority and shall not represent itself to be a holder of the certificate of registration for carrying out the activity for which such certificate had been granted; (b) cease to carry on any activity in respect of which the certificate had been granted; (c) transfer funds, records and documents with complete reconciliation related to its activities to another Trustee Bank, as directed by the Authority, holding a valid certificate of registration to carry on such activities and allow its subscribers to transfer their funds to the transferee entity, without any additional cost; (d) make provisions as regards liability incurred or assumed by it; (e) take such other action including the action relating to any records or documents and assets of the subscribers that may be in the custody or control of such Trustee Bank, within the time limit and in the manner, as may be required under the relevant regulations or as may be directed by the Authority while passing order under these guidelines or otherwise.

## **29. Appointment of designated authority.**

(1) Where it appears to the designated member that any Trustee Bank which has been granted certificate of registration under these regulations or any other concerned person has committed any default of the nature specified in regulation 26, he may appoint an officer not below the rank of a Chief General Manager, or any other officer of an equivalent rank as a designated authority. (2) No officer who has conducted investigation or inspection in respect of the alleged violation shall be appointed as a designated authority.

## **30. Issuance of notice.**

(1) The designated authority shall, if it finds reasonable grounds to do so, issue a notice to the Trustee Bank or any other concerned person requiring it to show cause as to why the certificate of registration granted to it, should not be suspended or cancelled or why any other action provided herein should not be taken. (2) Every notice under sub-regulation (1) shall specify the contravention alleged to have been committed by the noticee indicating the provisions of the Act, regulations, directions or circulars in respect of which the contravention is alleged to have taken place. (3) There shall be annexed to the notice issued under sub-regulation (1) copies of documents relied on in making of the imputations and extracts of relevant portions of documents, reports containing the findings arrived at in an investigation or inspection, if any, carried out. (4) The noticee shall be called upon to submit within a period to be specified in the notice, not exceeding twenty-one days from the date of service thereof, a written representation to the designated authority.

## **31. Reply by noticee.**

(1) The noticee shall submit to the designated authority its written representation within the period specified in the notice along with documentary evidence, if any, in support thereof: Provided that the designated authority may extend the time specified in the notice for sufficient grounds shown by the noticee and after recording reasons of extension in writing. (2) If the noticee does not reply to the show-cause notice, within the time granted for the purpose, the designated authority may proceed with the matter ex-parte recording the reasons for doing so and make his recommendations as the case may be on the basis of material facts available before him.

## **32. Action in case of default.**

(1) After considering the representations, if any, of the noticee, the facts and circumstances of the case and applicable provisions of the Act, regulations, directions or circulars administered by the Authority, the designated authority shall submit a report, where the facts so warrant, recommending, - (a) suspension of certificate of registration for a specified period; (b) cancellation of certificate of registration; (c) prohibiting the noticee to take up any new assignment or contract or launch new scheme for the period specified in the order; (d) debarring a principal officer of the noticee from being employed or associated with any registered intermediary or other registered person for the period specified in the order; (e) debarring a branch or an office of the noticee from

carrying out activities for the specified period;(f)warning the noticee.

### **33. Procedure for action on recommendation.**

(1)On receipt of the report recommending measures from the designated authority, the designated member shall consider the same and issue a show cause notice to the noticee enclosing a copy of the report submitted by the designated authority calling upon the noticee to submit its written representation as to why the action, including passing of appropriate direction, should not be taken.(2)The noticee may, within twenty-one days of receipt of the notice send a reply to the designated member who may pass appropriate order after considering the reply, if any received from the noticee and providing the person with an opportunity of being heard, as expeditiously as possible and endeavor shall be made to pass the order within one hundred and twenty days from the date of receipt of reply of the notice or hearing.(3)The designated member may pass a common order in respect of a number of noticees where the subject matter in question is substantially the same or similar in nature.

### **34. Intimation of order.**

(1)Every report made by a designated authority and every order made by the designated member under these regulations shall be dated and signed.(2)A copy of the order passed under these regulations shall be sent to the Trustee Bank or other concerned person and also placed on the website of the Authority.

### **35. Penalty and adjudication.**

- The imposition of penalty, if any, on the Trustee Bank or person shall be in accordance with the provisions of the Act and the Pension Fund Regulatory and Development Authority(Procedure for Inquiry by Adjudicating Officer) Regulations, 2015.

### **36. Appeals to Securities Appellate Tribunal.**

- The Trustee Bank or any person concerned aggrieved by any order under these regulations may, prefer an appeal to the Securities Appellate Tribunal against such order in accordance with the provisions of sub-section (1) of Section 36 of the Act.Explanation. - For the purposes of this chapter, -(a)"designated authority" means an officer of the Authority appointed under sub-regulation (1) of regulation 29;(b)"designated member" means the Chairperson or a whole-time Member of the Authority designated for the purpose.(c)"noticee" means the person to whom a notice has been issued under this chapter.

## **Chapter VII**

## **Miscellaneous**

### **37. Redressal of grievances.**

- The overall responsibility of the redressal of subscriber grievance shall be as per the Pension Fund Regulatory and Development Authority (Redressal of Subscriber Grievance) Regulations, 2015.

### **38. Confidentiality.**

- The Trustee Bank shall maintain absolute confidentiality with respect to all records, data and information received or acquired by it during the course of its working. It shall not, without the prior permission of the Authority, produce or share such data or information as evidence, or for any other purpose, except as required by the due process of law.

### **39. Power of Authority to issue clarifications.**

- In order to remove any difficulties in the application or interpretation of these regulations, the Authority shall have the power to issue clarifications and guidelines in the form of notes or circulars which shall be binding on the Trustee Bank or any person connected with it.

### **40. Appointment of Compliance Officer.**

(1)The Trustee Bank must appoint a compliance officer who shall be responsible for monitoring compliance by it of the provisions of Act, rules and regulations, notifications, guidelines, instructions issued by the Authority.(2)The compliance officer must immediately and independently report any non-compliance observed by him or her to the Authority.

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Pension Fund Regulatory and Development Authority (Trustee Bank) Regulations, 2015[See regulation 9 (3) (e)]Code of Conduct

## **1. Subscriber Protection**

(a)Subscribers. - The Trustee Bank shall make all efforts to protect the interests of subscribers and shall render the best possible advice having regard to the subscriber's needs and the environments and his own professional skills.(b)High Standards of Service. - The Trustee Bank shall ensure that it and its key management personnel, employees, shall in the conduct of their business, observe high standards of integrity, dignity, fairness, ethics and professionalism and all professional dealings shall be affected in a prompt, effective and efficient manner. The Trustee Bank shall be responsible for the acts or omissions of its employees in respect to the conduct of its business.(c)Exercise of Due Diligence and no Collusion. - The Trustee Bank shall at all times render high standards of service, exercise due skill and diligence over persons employed or appointed by it, ensure proper care and exercise independent professional judgment and shall not at any time act in collusion with other intermediaries in a manner that is detrimental to the subscriber(s).



## **2. Disbursal of Amounts**

(a) Remittance to Pension Funds and Withdrawal of NPS Contribution - The Trustee Bank shall be prompt in executing the instructions issued by the NPS Trust with reference to the remittance of funds to Pension Funds and withdrawals of NPS contributions.

## **3. Disclosure of Information**

(a) The Trustee Bank shall ensure that adequate disclosures are made to the Nodal Offices, intermediaries and subscribers in a comprehensible and timely manner. (b) The Trustee Bank shall not make any misrepresentation and ensure that the information provided to the Nodal Offices, intermediaries and subscribers is not misleading. (c) The Trustee Bank shall not make any exaggerated statement whether oral or written to the Nodal Offices, intermediaries and subscribers, either about its qualification or capability to render certain services or its achievements in regard to services rendered to other Nodal Offices and subscribers. (d) The Trustee Bank shall not divulge to anybody, either orally or in writing, directly or indirectly, any confidential information about its Nodal Offices and subscribers, which has come to its knowledge, without taking prior permission of the Authority except where such disclosures are required to be made in compliance with any law for the time being in force.

**4. Conflict of Interest. - The Trustee Bank shall avoid conflict of interest and make adequate disclosure of its interest and shall put in place a mechanism to resolve any conflict of interest situation that may arise in the conduct of its business or where any conflict of interest arises, shall take reasonable steps to resolve the same in an equitable manner. The Trustee Bank shall make appropriate disclosure of the possible source or potential areas of conflict of duties and interest while acting as an intermediary which would impair its ability to render fair, objective and unbiased services.**

## **5. Compliance and Corporate Governance**

(a) The Trustee Bank shall ensure that good corporate policies and corporate governance is in place. It shall not engage in fraudulent and manipulative transactions. (b) The Trustee Bank shall take adequate and necessary steps to ensure that continuity in data and record keeping is maintained and that the data or records are not lost or destroyed. It shall also ensure that for electronic records and data, up-to-date back up is always available with it. (c) The Trustee Bank shall co-operate with the Authority and National Pension System Trust, as and when required and shall not make any untrue statement or suppress any material fact in any documents, reports, papers or information furnished to the Authority or National Pension System Trust neglect or fail or refuse to submit to the Authority or other agencies with which it is registered, such books, documents, correspondence and papers or any part thereof as may be demanded/requested from time to time. (d) The Trustee Bank shall ensure that any change in registration status /any penal action taken by Authority or any

material change in financials which may adversely affect the interests of subscribers is promptly informed to the subscribers and any business remaining outstanding is transferred to another registered entity in accordance with any instructions of National Pension System Trust and the provisions of the relevant regulations.(e)The Trustee Bank shall maintain an appropriate level of knowledge and competency and abide by the provisions of any act, regulations, circulars and guidelines issued by the Authority and as may be applicable to the Trustee Bank in respect of the business carried on by such Trustee Bank.(f)The Trustee Bank shall ensure that the Authority and National Pension System Trust are promptly informed about any action, legal proceedings, etc., initiated against it in respect of any material breach or non-compliance by it, of any law, rules, regulations, and directions of the Authority or of any other regulatory body.

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Pension Fund Regulatory and Development Authority (Trustee Bank) Regulations, 2015[See regulation 9 (2)]Certificate of RegistrationPension Fund Regulatory and Development AuthorityCertificate of RegistrationPension Fund Regulatory and Development Authority hereby grants a Certificate of Registration to \_\_\_\_\_ as a Trustee Bank on this day of \_\_\_\_\_. This certificate is valid for a period of \_\_\_\_\_ year from the date of issue.Registration Code for the Trustee Bank is \_\_\_\_\_ Date:Place:Authorised Signatory