

**PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY  
NOTIFICATION**

New Delhi, the 12<sup>th</sup> March, 2015

**Pension Fund Regulatory And Development Authority (National Pension System Trust) Regulations 2015**

**No. PFRDA/12/RGL/5**—In exercise of the powers conferred by sub-section (1) of Section 52 read with clause (e), (o) and clause (v) 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 (National Pension System Trust) Regulations, 2015.

The aim of the regulations is to lay down the appointment of the Board of Trustees of the National Pension System Trust and for pension schemes under sub-clause (b) of sub-section(1) of Section 12 of the Act and to define their role and responsibilities, powers and functions to be exercised in relation to the affairs of such Trust vis-à-vis other intermediaries, for protection of 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) “auditor” means a person who is qualified to audit the accounts of a company under section 224 of the Companies Act, 1956 (1 of 1956);

(c) “company” means a company formed and registered under the Companies Act, 1956 (1 of 1956);

(d) “compliance officer” means a person of responsibility from the National Pension System Trust; designated as such and charged with the responsibility of monitoring compliance by it of the requirements of the Act or the rules or the regulations made or notifications, guidelines, circulars or instructions issued by the Authority thereunder;

(e) “charges” shall include charges and any other levies payable by the subscriber to the intermediaries under the National Pension System as may be determined by the Authority from time to time.;

(f) “investment guidelines” mean guidelines and circulars issued by the Authority from time to time with regard to permissible asset classes, permissible investment and concentration limits;

(g) “Schedule” means any of the schedules annexed to these regulations;

(h) “trustees” means the Board of Trustees appointed to the National Pension System Trust from time to time or the trustees appointed in relation to other pension schemes covered under these regulations.

(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

CONSTITUTION AND MANAGEMENT OF NATIONAL PENSION SYSTEM TRUST  
AND APPOINTMENT OF TRUSTEES

3. Establishment of National Pension System Trust.- There shall be established a trust to be known as the National Pension System Trust and the instrument of trust shall be in the form of a Trust Deed duly registered under the Registration Act, 1908 (16 of 1908), executed by the Authority in favour of the trustees named in such an instrument. The trust deed executed in favour of the trustees shall be deemed as the registration granted to the National Pension System Trust, as an intermediary, under the provisions of the Act and these regulations.

4. Contents of Trust Deed.- (1) The Trust Deed shall contain the following particulars and indicative contents, namely:-

(a) the preamble-specifying the background or objective of the trust-stating the rights of the subscribers and the manner in which these rights are vested in the trustees and particulars of the settlor and trustees, including the numbers of trustees;

(b) the powers and functions of the Board of Trustees;

(c) duties and responsibilities of the Board of Trustees.

(2) In particular, and without prejudice to the generality of the foregoing provisions, the Trust Deed shall contain the following clauses, namely:-

(a) the Board of Trustees’ responsibility with regard to maintenance of third-party confidentiality of material information in its possession;

(b) the responsibilities of the Board of Trustees with regard to taking of action on reports submitted by the intermediaries in order to ensure compliance with the regulations applicable to them under the National Pension System;

(c) provisions requiring all trustees to disclose, the particulars of interest which they may have in any other company or institution or a body corporate by virtue of their position as director, partner or in any other capacity;

- (d) maintain an arms' length relationship with other companies or institutions or intermediaries or any entity with which he or she may be associated;
- (e) provision to the effect that a trustee not to participate in the meetings of the Board of Trustees when any decisions are being taken in which he or she may have a beneficial interest;
- (f) the Board of Trustees to have effective control over assets of the subscriber under the National Pension System or if so directed by the Authority in any other pension scheme governed by the provisions of the Act;
- (g) the subscribers to have beneficial interest in the assets of the trust limited to the extent of their individual holding in the subscribed schemes;
- (h) provision to the effect that the duty of the Board of Trustees shall be to act at all times in the interest of the subscribers and cause to provide the required information, excluding information which is of commercial importance or confidential in nature, to the subscribers;
- (i) the Board of Trustees to recommend to the Authority for taking suitable measures against any intermediary for violation of the Act, rules and regulations, which comes to its notice;
- (j) the National Pension System Trust shall be responsible for monitoring and evaluation of all operational and service level activities of all intermediaries including government nodal offices and such other entity or person connected with collection, management and recordkeeping and distribution of accumulations, under the National Pension System, in accordance with the provisions of the Act or the regulations made or guidelines or circulars issued by the Authority;
- (k) the National Pension System Trust shall be responsible for receiving, processing and settlement of claims made by the subscribers upon exit from National Pension System. The National Pension System Trust may delegate the activities of receiving and processing of such claims made by the subscribers upon exit from National Pension System to any other intermediary registered with the Authority, with the previous approval of the Authority;
- (l) the National Pension System Trust shall be the nodal point for co-ordination of the operations of all intermediaries;
- (m) explicitly forbidding of assumption of any unlimited liability or that which would result in encumbrance of the property vested in the Board of Trustees in any way;
- (n) provision to ensure that removal of a trustee of the National Pension System Trust, in all cases, shall be decided by the Authority;
- (o) provisions specifying the quorum and frequency of the meetings of the Board of Trustees;
- (p) the responsibility of the Board of Trustees to supervise the collection of any income due on assets held in the name of the National Pension System Trust and for claiming any repayment of tax and holding any income received in trust for the holders in accordance with the Trust Deed and regulations;
- (q) provisions for the terms of payment of fees to the trustees;
- (r) provision to the effect that amendment to the Trust Deed shall be carried as and when so directed by the Authority;
- (s) the Trust Deed shall not contain any clause which has the effect of—
- (i) limiting or extinguishing the obligations and liabilities of a trustee in relation to the subscribers under the Act; or
  - (ii) indemnifying the trustees for loss or damage caused to the subscriber by the trustees' acts of negligence or acts of commission or omission.

5. Eligibility for appointment as trustees.- (1) The Authority shall appoint trustees to the Board of National Pension System Trust in accordance with these regulations.

(2) No person shall be eligible to be appointed as a trustee of the Board of Trustees of the National Pension System Trust unless –

- (a) he or she is a citizen of India;
- (b) he or she is a person of ability, integrity and standing;
- (c) has not been found guilty of moral turpitude;
- (d) has not been convicted of any economic offence or violation of any securities laws;
- (e) suitably qualified, with sufficient education in law or finance or economics or accountancy or social welfare or administration with proven management skill, experience, capacity integrity and reputation;
- (f) any other qualifications or terms and conditions including age limit that may be specified by the Authority from time to time; and
- (g) has furnished particulars as specified in Schedule I.

(3) No intermediary under the National Pension System, sponsor or no director (other than independent director), officer or employee of such intermediary, or sponsor shall be eligible to be appointed as a trustee of the trust.

(4) No person who is appointed as a trustee of the Board of Trustees of the National Pension System Trust shall be eligible to be appointed as a trustee of any other pension trust, or as director of any of the intermediaries registered with the Authority or its sponsor.

6. Cessation of office of trustee.-The office of a trustee shall be treated as vacated if he or she-

- (i) dies;
- (ii) resigns;

- (iii) ceases to hold the office by virtue of which he or she was appointed as a trustee;
- (iv) becomes insane;
- (v) becomes bankrupt or insolvent;
- (vi) becomes infirm or incapable of functioning due to ill health;
- (vii) is convicted of any offence involving moral turpitude;
- (viii) does not attend two consecutive meetings of the trust, without obtaining leave of absence. However, this may be condonable at the discretion of the Authority for valid reasons to be recorded in writing; or
- (ix) any other ground in the opinion of the Authority, which warrants such removal.

7. Term of office of trustees.- (1) Every trustee shall be appointed by the Authority for a term of three years which may, if the Authority deems fit, be extended not more than two years.

(2) No trustee shall continue to hold office of a trustee or be eligible to be appointed as a trustee beyond the completion of a total period of five years as a trustee from the date of his or her first appointment as trustee of the National Pension System Trust.

8. Resignation and removal of trustees.- (1) Any trustee may, by thirty days notice in writing under his hand addressed to the Authority, resign his or her office. The office of the trustee shall fall vacant from the date on which his or her resignation has been accepted and he or she is relieved by the Authority. A trustee who has resigned, shall not be eligible for appointment as a trustee, for a period of two years from the date of his or her resignation.

(2) Notwithstanding anything contained in sub-regulation (1), the Authority shall have the right to remove any trustee and such removal shall be pursuant to reasons to be recorded in writing.

(3) The Authority shall have the powers to fill up any vacancy of the trustees under the National Pension System Trust as and when it occurs. Pending the filling up of any vacancies, the existing Board of Trustees shall have the power to act on behalf of the National Pension System Trust. The Authority shall ensure that the number of trustees do not fall below the minimum number of trustees so specified, at any point of time.

### CHAPTER III

#### OBJECTIVES, MANAGEMENT OF NATIONAL PENSION SYSTEM TRUST AND RIGHTS, OBLIGATIONS, POWERS AND RESPONSIBILITIES OF TRUSTEE

9. Objectives of National Pension System Trust.- (1) The National Pension System Trust is established for taking care of the assets and funds under the National Pension System in the interest of the subscribers and monitoring and evaluation of all operational and Service level activities under the National Pension System. The Authority may by issuance of appropriate guidelines direct that the National Pension System Trust shall have such other powers and duties in relation to any other pension scheme, referred to in clause (b) of sub-section (1) of section 12 of the Act, as may, in the interest of subscribers, be deemed necessary.

(2) The securities purchased by each pension fund on behalf of, and in the name of the National Pension System Trust must be held in the custodial account of the National Pension System Trust.

(3) Individual National Pension System subscribers shall be the beneficial owners of the National Pension System assets purchased using contribution made by the National Pension System subscribers.

(4) The assets shall comprise cash, securities and any other instruments as specified in the investment guidelines issued by the Authority and held in the name of the National Pension System Trust on behalf of the subscribers.

10. Management of the National Pension System Trust.- (1) The National Pension System Trust shall be managed by a Board of Trustees, consisting of a minimum of five trustees and not more than eleven trustees as may be appointed from time to time by the Authority.

(2) Out of the trustees appointed, one trustee shall be designated by the Authority as Chairperson of the Board of Trustees of the National Pension System Trust. The Chairperson of the National Pension System Trust shall preside over all meetings of the Board of Trustees. At any meeting of the Board of Trustees, if the Chairperson is absent, one of the trustees shall act as the Chairperson of that meeting, provided that the requisite quorum of at least four trustees is present for conducting the meeting. The Board of Trustees may recommend to the Authority for removal of the Chairperson of the National Pension System Trust.

(3) Where the number of trustees, appointed to the National Pension System Trust, at any time fall below eight in number, then three trustees shall constitute the quorum for the transaction of business at a meeting of the Board of Trustees.

(4) All matters which come up before any meeting of the board of trustees of the National Pension System Trust, shall be decided by a majority of votes, by trustees present and voting, and in the event of an equality of votes, the Chairperson of the National Pension System Trust, or in his absence, a trustee, who is chosen to act as the Chairperson for such meeting, shall have a second or casting vote.

(5) The Authority may appoint a Chief Executive Officer of the National Pension System Trust, who shall not be a trustee of such trust. The Chief Executive Officer shall be suitably qualified, having sufficient education and experience in the field of fund management, finance, law, economics or any other field that may be considered relevant for such post. The Chief Executive Officer shall be responsible for day-to-day administration and management of the National Pension System Trust, subject to the superintendence, direction and control of the Board of Trustees of the National Pension System Trust.

Pension System Trust. He shall be aided and assisted by the staff of the National Pension System Trust in discharging the affairs of the trust and shall be guided by the Board of Trustees in discharge of his functions. The Chief Executive Officer may also exercise such powers as may be delegated under regulation 41 for the effective discharge of his responsibilities and in achieving the objectives of the trust. The compensation to the Chief Executive Officer shall be determined by the Authority and met by the National Pension System Trust or as the Authority may determine in this behalf.

(6) No decision of the Board of Trustees shall be considered void merely on the ground of the existence of any vacancy in or any defect or irregularity in the constitution of the Board of Trustees.

(7) Every trustee of the Board of Trustees shall furnish to the National Pension System Trust and to the Authority a statement of his or her beneficial and material interest which he or she may have in any other company or institution or body corporate by virtue of his or her position as a director, partner, proprietor, employee or in any other capacity on an annual basis within thirty days of the closing of a financial year.

11. Powers and functions of the Board of Trustees.- (1) Subject to the provisions of the Act and these regulations, the Board of Trustees of the National Pension System Trust shall have the legal ownership of the trust and the funds, and that the general superintendence, direction and management of the affairs of the trust, and all powers, authorities and discretions appurtenant to or incidental to the purpose of the trust shall absolutely vest in the Board of Trustees:

Provided that the beneficial interest shall always vest with the beneficiaries of the National Pension System Trust.

(2) Without prejudice to the generality of powers and functions of the Board of Trustees to manage and administer the National Pension System Trust, the Board of Trustees shall have the following powers to-

(i) accept any grants, contribution in cash or kind from any person or association of persons, institutions or trust (including the Central Government, State Government, commercial banks, financial institutions, bilateral or multilateral organisations, autonomous organizations, statutory bodies or other like entities) for the furtherance of the objectives of the National Pension System Trust:

Provided that where the grantor is other than the Central Government or the State Government, no grants shall be accepted from such grantor without the previous approval of the Authority;

(ii) borrow from any person, commercial banks, financial institutions, bilateral or multilateral donors, autonomous organizations, statutory bodies, institution or Government or other like bodies, any loans, without encumbering any of the assets of the National Pension System Trust in any manner, and subject to the notifications, circulars or, any directions or guidelines issued, by the Authority in this behalf;

(iii) arrange for or authorize for signing or execution of any agreement, contract, instrument, documents or any other paper required to be signed or executed, on behalf of the trust or Board of Trustees, by the Chief Executive Officer along with any one of the trustees to be nominated in this behalf by the Board of Trustees or in the absence of the Chief Executive Officer by any two trustees to be nominated by the Board of Trustees in this behalf and make the same effective and binding as if the said agreement, contract, instrument or documents or papers were signed by all the trustees;

(iv) appoint or make provisions for appointment of sub-committee of trustees or others to attend to or supervise or conduct specific objectives, scheme or schemes or functions in such manner and subject to such conditions as the Board of Trustees may specify;

(v) authorize one or more trustees of the Board of Trustees to hold any asset or any fund or any investment of the National Pension System Trust subject to the terms of these regulations and also subject to such manners, terms and conditions as the Board of Trustees may specify from time to time:

Provided that the beneficial interest shall always vest with the beneficiaries of the National Pension System Trust;

(vi) appoint officers and other staff for implementation or administration of the functions of the trust, and to determine their pay and allowances and other terms and conditions of service, with the prior approval of the Authority;

(vii) engage lawyers, solicitors, chartered accountants, consultants, advisors or any other professional to protect the properties of the National Pension System Trust and safeguard the interests of the National Pension System Trust and its beneficiaries;

(viii) incur expenditure on publicity, dissemination, meetings, seminars, visits, study, consultation or on other similar activities in furtherance of the scheme or schemes of the National Pension System Trust to meet its objectives, within the budgetary provisions approved by the Authority;

(ix) join, co-operate, amalgamate, any other trust having allied or related objectives with the National Pension System Trust, with prior approval of the Authority;

(x) monitor the activities of, and issue instructions to, the custodian not to assign, transfer, hypothecate, pledge, lend or otherwise dispose of any assets or property of the National Pension System Trust;

(xi) monitor and audit, the operational activities of and call for any information or reports from all intermediaries and issue instructions for protecting the interests of the beneficiaries;

(xii) appoint a panel of auditors to undertake scheme audits of each pension fund. The Board of Trustees shall also obtain internal audit reports at regular intervals from the auditors appointed by the intermediaries under National Pension

System. The reports of the auditor appointed by the Board of Trustee and internal audit reports or compliance reports of the intermediaries shall be considered at the meetings of the Board of Trustees for appropriate action;

(xiii) obtain compliance certificates at regular intervals from the pension funds, points of presence, Aggregators, Trustee Bank, custodians, central recordkeeping agencies and other intermediaries in the formats and within the period or periods specified by the Authority and submit exception report to the Authority;

(xiv) institute, conduct, compound or withdraw any legal proceedings for or on behalf of or in the name of the National Pension System Trust or the trustees, and to defend, compound or otherwise deal with any such proceedings against the National Pension System Trust or trustees or any of the officers of the National Pension System Trust or concerning the affairs of the National Pension System Trust; also to compound and allow time for payment or satisfaction of any debts due and to any claims or demand by or against the National Pension System Trust and to refer any differences to arbitration and observe and perform any awards thereof. For this purpose the trustees acting together may confer the authorization on any of the trustees or the Chief Executive Officer of the trust, as the case may be;

(xv) make and give receipts, release and other discharges for moneys payable to the National Pension System Trust and for the claims and demands of the National Pension System Trust;

(xvi) pay for all costs, charges and expenses, incidental to the administration of the National Pension System Trust and the management and maintenance of the National Pension System Trust property; the custodian's fees, management fees and any other fees unless specified otherwise by the Authority ;

(xvii) approve payment of fees or charges to the intermediaries, as may be decided by the Authority from time to time;

(xviii) arrange for, after approval from the Authority, a suitable indemnity policy for the trustees from an Indian Insurance Company to provide indemnity to trustees for their *bona fide* actions carried out in good faith. The National Pension System Trust may provide for legal and other assistance to the trustees or its officers in case of any disputes or legal proceedings arising out of their *bonafide* actions, taken while acting as trustees;

(xix) do all such other things as may be considered necessary or incidental to the management of the National Pension System Trust for furtherance of its objectives.

12. Obligations, duties, responsibilities and liabilities of Board of Trustees.- The Board of Trustees shall be responsible for the monitoring of the operational and service level functions under the National Pension System or any other pension scheme regulated under the Act, if it is so directed by the Authority. The scope of the National Pension System Trust role shall include activities relating to exit of the subscriber from the National Pension System, redressal of subscriber grievances in accordance with the Pension Fund Regulatory and Development Authority (Redressal of Subscriber Grievance) Regulations, 2015 and other responsibilities, in particular, the following shall be obligations, duties, responsibilities and liabilities of the Board of Trustees, namely:-

(a) the Board of Trustees (hereafter to be referred as it) shall execute the individual pension account [as defined in clause(e) of sub-section (1) of section 2 of the Act] in its name with the subscriber;

(b) it shall be responsible for approving audited scheme financials, internal audit reports, inspection, compliance reports and any other reports, as specified by the Authority, which are to be submitted by the intermediaries to the National Pension System Trust. Such approved scheme and reports shall be presented to the Authority with qualifications and recommendations, if any, made by it:

Provided that the recommendations shall not be binding on the Authority in any manner;

(c) it shall be liable only to the extent of the assets available and funds flows to National Pension System Trust;

(d) no trustee shall be liable for the act, omission, default of any other trustee or for any loss experienced by the National Pension System Trust on account of any error of *bonafide* judgment on his or her part or for any other loss or damage whatsoever that may occur in relation to the execution of his or her duties as a trustee or in relation thereto, unless the same be caused by wilful act or negligence or omission or commission on part of the trustee. Notwithstanding anything contained in these regulations, the trustees shall not be held liable for acts done in good faith if they have exercised adequate due diligence and honesty;

(e) the trustees shall have the benefit of all indemnities conferred upon trustees by the Indian Trusts Act, 1882 (2 of 1882);

(f) it shall be its responsibility to carry out its duties and responsibilities and to maintain arms' length relationship with other intermediaries, companies or institutions or bodies corporate with which the trustees may be associated;

(g) it shall be its duty to take into its custody or under its control all the property of the trust, held by intermediaries, in trust for the beneficiaries;

(h) it shall be its duty to act always in the interests of the beneficiaries;

(i) it shall be its duty to provide or cause to provide information to the beneficiaries and the Authority as may be required by the Authority from time to time;

(j) it shall supervise the collection of any income due on assets held in the name of the National Pension System Trust and for claiming any repayment of tax and holding any income received in trust for the beneficiaries in accordance with the Trust Deed and, the regulations, guidelines or directions issued by the Authority;



- (k) it shall not acquire any asset out of the pension funds which involves the assumption of any liability which results in encumbrance of the property of the National Pension System Trust or that of the subscribers in any way;
- (l) it shall execute all operational agreements with intermediaries under the National Pension System including the pension funds, Trustee Bank, central recordkeeping agency, aggregators, point of presence, custodian or any other person including an annuity service provider;
- (m) it shall be its duty to take all care to ensure that the pension funds are managed in accordance with the provisions of the Act, Trust Deed and these regulations, or any guidelines or directions issued by the Authority;
- (n) the Chief Executive Officer of the National Pension System Trust shall maintain records of the decisions taken by the Board of Trustees at its meetings and the minutes of the meetings. The trustees shall adhere to a Code of Conduct as specified in Schedule II;
- (o) it shall communicate in writing to the pension funds and other intermediaries of the deficiencies and also keep checks on the rectification of such deficiencies;
- (p) it shall ensure that the intermediaries are conducting their activities in accordance with the applicable regulations in force and any guidelines, notifications or circulars issued by the Authority and the operational agreements executed between the National Pension System Trust and such intermediaries;
- (q) where it has reason to believe that the conduct of business of the intermediary is not in accordance with clause (p), it shall forthwith take such remedial steps as are necessary and shall immediately inform the Authority of the violation and the action taken thereafter;
- (r) it shall review the scheme performance and may review any or all transactions carried out by the pension funds on an ongoing basis, and submit exception reports along with its recommendations to the Authority;
- (s) it and the pension fund shall, with the prior approval of the Authority enter into an investment management agreement and such other agreements as may be deemed necessary for the protection of subscribers' interest and information;
- (t) it shall open and operate accounts with the Trustee Bank, custodian as may be necessary on behalf of the subscribers;
- (u) it shall have the duty to disseminate information and provide publicity to National Pension system and for which purpose it may receive funds from the Authority;
- (v) its interaction with other National Pension System intermediaries shall be guided by regulations, directions or guidelines issued by the Authority from time to time;
- (w) it may, through a written approval, authorize any intermediary to expend a pre-determined amount on activities such as legal counselling, engaging advocates and consulting in the benefit of subscriber interest. It must, during the meeting where the agenda for such approval is placed, record the reason for such authorization in accordance with guidelines laid down by the Authority;
- (x) it may approve payment of fees or charges to the intermediaries as may be decided by the Authority from time to time;
- (y) it shall furnish to the Authority on quarterly basis-
- (i) report on the activities of the Trust;
  - (ii) a certificate stating that it has satisfied itself that there have been no instances of self dealing or front running by any of the trustees, directors and key personnel of the pension fund;
  - (iii) a certificate to the effect that the pension funds have been managing the scheme independently of any other activities and that the pension fund has taken adequate steps to ensure that the interest of subscribers are protected;
  - (iv) exception reports; and
  - (v) recommendations on further course of action on deviations.
- The Authority may call for such information on a monthly basis, which shall be furnished by the Chief Executive Officer;
- (z) it ensures the dissemination of adequate, accurate, explicit and timely information about the investment policies, investment objectives, financial position and general affairs of the scheme to the subscribers in a fairly simple language;
- (za) it has to ensure that all intermediaries maintain segregated bank account and other books of accounts pertaining to activities under National Pension system;
- (zb) it shall authorise the Trustee Bank to act as its agent for the purpose of banking the funds in accordance with the provisions of the Act or the regulations made or guidelines or directions issued by the Authority;
- (zc) it shall ensure that the central recordkeeping agency exercises all due diligence and vigilance in carrying out its duties and in protecting the rights and interests of the subscribers and comply with the terms and conditions of the agreement between the National Pension System Trust and the central recordkeeping agency;
- (zd) it shall ensure that the point of presence and aggregators exercises all due diligence and vigilance in carrying out its duties and in protecting the rights and interests of the subscribers and comply with the terms and conditions of the agreement between the National Pension System Trust and such intermediaries, as the case may be.

13. General and specific due diligence.- (1) The Board of Trustees shall exercise the following due diligence, namely:-
- (a) it shall review the desirability of continuance of the pension fund if substantial irregularities are observed and recommend to the Authority its observations;
  - (b) it shall ensure that the trust property is properly protected, held and administered by the proper persons and by a proper number of such persons;
  - (c) it shall arrange for test checks of operational and service level agreements;
  - (d) it shall immediately report to the Authority of any special developments in the domestic pension fund industry.
- (2) The Board of Trustees shall exercise the following specific due diligence, namely:-
- (a) obtain internal audit reports at regular intervals from auditors appointed by the trustees and the intermediaries;
  - (b) obtain compliance certificates at regular intervals from all intermediaries under the National Pension System;
  - (c) hold meeting of trustees periodically;
  - (d) consider the reports of the auditor and compliance reports of all intermediaries, at the meetings of trustees for appropriate action;
  - (e) maintain records of the decisions of the trustees at their meetings and of the minutes of the meetings;
  - (f) ensure that the entities under the National Pension System adhere to the code of ethics;
  - (g) communicate in writing to all intermediaries of the deficiencies and for rectification of such deficiencies.

CHAPTER IV

ACCOUNTS AND MAINTENANCE OF RECORDS

14. Maintenance of records. - (1) The National Pension System Trust shall maintain such books and accounts in such form and in a manner as may be determined by the Authority, in addition to those that are statutorily required to be maintained. The National Pension System Trust shall cause its accounts to be audited by a chartered accountant on every financial year in such manner as may be directed by the Authority from time to time.
- (2) The Board of Trustees shall give true and accurate accounts of all money received and spent and all matters in respect thereof in the course of management of the National Pension System Trust's properties or in relation with carrying out the objectives and purpose of the National Pension System Trust as well as all the assets and liabilities related to the National Pension System Trust's properties.
- (3) The Board of Trustees shall, prepare once every year, an annual report of the activities of the National Pension System Trust. A copy of the same along with the copy of the audited accounts at the end of the financial year be furnished to the Authority, not later than July, 31<sup>st</sup> of the same calendar year.
- (4) The National Pension System Trust shall maintain proper books of accounts and records with respect to -
- (i) all sums of money received and expended by it under the " National Pension System Trust General Administration Account" and the matters in respect of which the receipt and expenditure have taken place;
  - (ii) the assets and liabilities of the National Pension System Trust;
  - (iii) minutes of meetings of trustees;
  - (iv) audited reports of pension funds schemes approved by the pension fund and approved by the Board of Trustees;
  - (v) consolidated scheme accounts approved by the Board of Trustees;
  - (vi) register for documents or records received and sent to the National Pension System intermediaries.

CHAPTER V

INSPECTION AND AUDIT

15. Right to inspection and audit.- (1) Notwithstanding anything contained in Chapter IV, the Authority may, if it considers necessary at any time, undertake directly or through its authorized representative, inspection and audit of the books, accounts, records including telephone records and electronic records and documents of the National Pension System Trust for any purpose, including the purposes as specified under this regulation.
- (2) The purposes referred to in sub-regulation (1) may include,-
- (a) 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;
  - (b) to ascertain whether adequate internal control systems, procedures and safeguards have been established and are being followed by the National Pension System Trust;
  - (c) to ascertain whether the provisions of the Act or the regulations made or circulars, guidelines or notifications issued by the Authority are being complied with;

(d) 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 National Pension System Trust;

(e) to inquire *suo motu* into such matters as may be deemed fit in the interest of subscribers.

(3) The Authority may, appoint one or more authorised 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).

(4) For the purpose of inspection or audit by the Authority, the National Pension System Trust shall provide reasonable access to all the information, documents, records and systems in its possession relating to the National Pension System and its services and shall also cause employees, subcontractors, suppliers and agents to produce any document, record and system reasonably required for inspection or audit and shall provide reasonable assistance in connection with the inspection or audit.

(5) Any change or amendment required to be incorporated in the systems and procedures, arising out of the audit or inspection report and approved by the Authority, shall be effected within sixty days by the National Pension System Trust and informed to the Authority and required change or amendment shall be effected through the change control note procedure as defined by the Authority.

16. Notice before inspection or audit.-Before undertaking an inspection or audit under the regulation 15, the Authority or its authorised representative or the auditor shall give ten working days notice to the National Pension System Trust or may conduct any inspection or audit without any prior notice if the Authority is satisfied that such inspection or audit is required for safeguarding the interest of the subscribers.

17. Obligations of the National Pension System Trust on inspection or audit.- (1)It shall be the duty of every trustee, Chief Executive Officer, officer and employee of the National Pension System Trust, to produce to the Authority or its authorised representative or auditor such books, accounts, records including telephone records and electronic records and documents in his custody or control and furnish to it or him with such statements and information relating to activities entrusted to it or him by the Authority, as it or he may require, within such reasonable period as may be specified.

(2) The National Pension System Trust shall allow the Authority or its authorised representative or the auditor to have 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 including telephone records and electronic records and documents in the possession of the National Pension System Trust or any such other person and also provide copies of documents or other material which in the opinion of the Authority or its authorised representative or auditor are relevant for the purposes of the inspection or audit.

(3) The Authority or its authorised representative or auditor shall, in the course of inspection or audit, be entitled to examine or record statements of any trustee, Chief Executive officer, or employee of the National Pension System Trust.

(4) It shall be the duty of every trustee, Chief Executive Officer and employee of the National Pension System Trust to give to the Authority or its authorised representative or the auditor all assistance which the Authority or its authorised representative or the auditor may reasonably require in connection with the inspection or audit.

(5) The Authority may appoint a qualified valuer or direct a qualified valuer to be appointed by the National Pension System Trust, if so considered necessary by it. The expenses of valuation under this sub-regulation shall be borne by the National Pension System Trust.

18. Submission of report to the Authority.-On completion of the inspection and audit, a report shall be submitted to the Authority, who shall, after consideration of the report, take such action as it may deem fit and appropriate in the interest of the subscribers.

19. Payment of inspection and audit fees.-The Authority shall be entitled to recover such expenses incurred by it for the purposes of inspection and audit undertaken directly or through its authorised representative.

#### CHAPTER VI

#### ACTION IN CASE OF DEFAULT

20. Definitions.- In this Chapter, unless the context otherwise requires,-

(a) “designated authority” means an officer of the Authority appointed under regulation 22;

(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.

21. Contravention of provisions of Act, etc.- Where the National Pension System Trust or any of its officers or any person concerned contravenes any of the provisions of the Act or the regulations made or directions, instructions or circulars issued thereunder or the Trust Deed, the Authority may, without prejudice to any action under the Act or the



regulations made or directions, instructions or circulars issued thereunder or the Trust Deed, by order take such action in the manner provided under these regulations

22. Appointment of designated authority.- (1) Where it appears to the designated member that the National Pension System Trust or any other concerned person has committed any default of the nature specified in regulation 21 he may appoint an officer not below the rank of 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.

23. Issuance of notice.- (1) The designated authority shall, if he finds reasonable grounds to do so, issue a notice to the National Pension System Trust or any other concerned person requiring it to show cause as to why any action under the provisions of the Act or these regulations should not be taken.

(2) Every notice under sub-regulation (1) shall specify the contravention alleged to have been committed by the notice 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.

24. 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.

25. Action in case of default.- After considering the representations, if any, of the noticee, the facts and circumstances of the case and applicable provisions of the Act, rules, regulations, directions or circulars administered by the Authority, the designated authority shall submit a report, where the facts so warrant, recommending, such action as he may deem fit including removal of any trustee or any officer of the National Pension System Trust, or debarring the trustee or the officer from being employed with any registered intermediary or issuing warning to the noticee, as the case may be.

26. 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 noticee or hearing.

27. 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.

28. 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 National Pension System Trust or other concerned person and also placed on the website of the Authority.

29. Penalty and adjudication.-The imposition of penalty, if any, on the National Pension System Trust or any officer thereof or any person concerned 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.

30. Appeals to Securities Appellate Tribunal.-The National Pension System Trust or any officer thereof or any person concerned if aggrieved by any order passed by the designated member may prefer an appeal before the Securities Appellate Tribunal under sub-section (1) of section 36 of the Act.

#### CHAPTER VII

#### MISCELLANEOUS

31.Revocation of the National Pension System Trust.-The National Pension System Trust shall be irrevocable, save at the instance of the Authority. In the event of revocation, all the funds, assets and other properties of the National Pension System Trust shall be transferred to another trust created by the Authority or shall vest with the Authority.

32.Power to issue directions and amend the National Pension System Trust Deed.- The Authority,-

(a) may from time to time, issue such guidelines or directions to the Board of Trustees of the National Pension System Trust as it may consider necessary for the proper implementation of the National Pension System or for the purpose of removing any difficulty which may arise;

(b) shall direct the National Pension System Trust to alter, vary, modify, rescind, cancel or add to the Trust Deed any clause it may consider necessary in the interest of the subscribers and the Board of Trustees shall execute a deed of amendment on receipt of directions from the Authority to give immediate effect to any such variations, modifications, cancellations or additions thereto.

33. Amendment to the Trust Deed.-Any amendment to the Trust Deed shall be made by a deed of amendment, but such an amendment shall not revoke any of the trusts herein declared or resume, recover or divert the National Pension System Trust's funds or any part thereof or to apply the National Pension System Trust's fund for any purposes other than the purposes of the National Pension System Trust.

34. Provisions of Indian Trust Act, 1882 to override.- Without prejudice to what has been provided in these regulations, the National Pension System Trust and Board of Trustees shall be bound by the provisions of the Indian Trusts Act, 1882 (2 of 1882).

#### CHAPTER VIII

#### GENERAL OBLIGATIONS

35.Systems and procedures.- The National Pension System Trust shall,-

(a) have all the necessary systems and procedures that may be required to enable it to co-ordinate with other intermediaries;

(b) be responsible for the acts of, or commissions or omissions by, its employees or the persons whose services it has procured.

36.Monitoring, review, evaluating and inspecting systems and controls.-The National Pension System Trust,-

(a)shall have adequate processes for reviewing, monitoring and evaluating its controls, systems, procedures and safeguards and that of other intermediaries;

(b) must take necessary precautions, where its records are kept electronically, to ensure that continuity in recordkeeping is not lost or destroyed and that a sufficient back-up of records is available;

(c) must ensure that its systems, processes and account be inspected annually by an expert and this expert must forward the inspection report within one month from the date of inspection to the Authority;

(d) shall establish and maintain adequate infrastructural facilities to be able to discharge its role and responsibilities under the Act, rules and regulations and as per the agreement with pension fund, custodian, Trustee Bank or any other intermediary under the National Pension System, and its operating procedures and systems must be adequately documented and backed by operation manuals.

37.Prohibition of assignment.-The National Pension System Trust shall not assign or delegate its functions to any other person unless such person is authorized by the Authority.

38.Confidentiality.-The National Pension System Trusts shall ensure safety of all the records, data and information received by it under the National Pension System. Further, it shall maintain confidentiality with respect to all records, data and information received by it under the National Pension System. 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 process of law.

39. Co-operation and support.-The National Pension System Trust shall,-

(a) extend to other intermediaries all such co-operation that is necessary for the smooth functioning of National Pension System;

(b) ensure the complete transfer of records or data to the Authority or other intermediaries as directed by the Authority.

40. Appointment of compliance officer. –

(1) The National Pension System Trust shall appoint a compliance officer who shall be responsible for monitoring compliance of provisions of the Act, the rules and the regulations made, and notifications, guidelines and instructions issued by the Authority, matters relating to exit from the National Pension System and for redressal of subscriber grievances.

(2) The compliance officer shall immediately and independently report any non-compliance observed by him or her to the National Pension System Trust and the Authority.

41. Power to delegate.- The Board of Trustees of the National Pension System Trust may, by a special resolution passed, resolve that the powers exercised by it under these regulation shall, in relation to such matters and subject to such conditions, if any, as may be specified in the resolution, be exercisable also by the Chief Executive Officer.

42. The trust deed, dated 27<sup>th</sup> February, 2008, alongwith any amendments thereto, shall be deemed to be the trust deed referred to in regulation 3. Such trust deed shall remain in full force and effect, until extinguished. All actions taken by the National Pension System Trust, under the trust deed dated 27<sup>th</sup> February, 2008, alongwith amendments thereto, shall remain valid and binding.

#### CHAPTER IX

#### OTHER PENSION SCHEMES

43. The provisions of this Chapter shall apply to the pension schemes other than National Pension System and, any other pension scheme referred to in clause (b) of sub-section (1) of section 12 of the Act.

44. The pension schemes referred to in regulation 43 shall be constituted in the form of a trust and the instrument of trust shall be in the form of a deed, executed by the sponsor in favour of the trustees and duly registered under the provisions of the Registration Act, 1908 (16 of 1908).

45. The qualifications and the disabilities of the trustees shall be as specified in the case of Board of Trustees under the National Pension System under regulation 5. The trustees shall cease to be trustees as specified under regulation 6.

46. The Trust Deed shall contain at least the indicative contents of the Trust deed provided in regulation 4 of this regulation and applicable for the National Pension System Trust and the trustees shall at all times adhere to the code of conduct set out in Schedule III.

47. The trustees shall have the same powers, duties, functions and responsibilities as are applicable in the case of Board of Trustees under the National Pension System, provided in these regulations, excepting that any reference to the words National Pension System Trust as appearing in these regulations shall be substituted with the words “pension scheme” and shall mean as such. Any reference to intermediaries generally or specifically by name under the National Pension System, shall be substituted with such intermediaries or entities as are or shall be rendering services to the pension schemes other than National Pension System.

48. No such pension scheme shall commence its activities unless registered with the Authority and the existing pension schemes shall conform to these regulations and operational guidelines that may be issued by the Authority, on the date to be notified by the Authority.

**SCHEDULE I****PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY****( NATIONAL PENSION SYSTEM TRUST) REGULATIONS, 2015**

[See regulation 5 (2) (g)]

Information to be furnished by the Trustees to the Authority:

- (a) Name:
- (b) Age:
- (c) Date of Birth:
- (d) Qualification and Experience:
- (e) Profession:
- (f) Relationship with any sponsor or associate of the sponsor, if any:

**SCHEDULE II****PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY****( NATIONAL PENSION SYSTEM TRUST) REGULATIONS, 2015**

[See regulation 12 (n)]

**CODE OF CONDUCT FOR TRUSTEES UNDER NATIONAL PENSION SYSTEM**

1. The trustees shall act in good faith and in the best interest of the beneficiaries of the trust.
2. Trustees shall act with prudence and reasonable care.
3. Trustees shall act with skill, competence and diligence.
4. Trustees shall maintain independence and objectivity by, among other actions, avoiding conflict of interest, and refraining from self dealing.
5. Trustees shall abide by all applicable laws and rules and the regulations including the guidelines, circulars, notifications issued by the Authority from time to time and the terms of the National Pension System schemes.
6. Trustees shall deal fairly and objectively with all beneficiaries of the National Pension System Trust.
7. Trustees shall maintain high standards of integrity and fairness in all their dealings and in the conduct of their business.
8. Trustees shall render at all times high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment.
9. The trustees or any of the employees of the trust shall not render, directly or indirectly any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of his interest including long or short position in the said security has been made, while rendering such advice.
10. Trustees shall maintain confidentiality of information under the control of the National Pension System Trust.
11. Trustees shall communicate with the Authority and others, as per the role of the National Pension System Trust, in a timely, accurate and transparent manner.

**SCHEDULE III****PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY****( NATIONAL PENSION SYSTEM TRUST) REGULATIONS, 2015**

[See regulation 46]

**CODE OF CONDUCT FOR TRUSTEES UNDER OTHER PENSION SCHEME**

1. The trustees shall act in good faith and in the best interest of the beneficiaries of the trust.
2. Trustees shall act with prudence and reasonable care.
3. Trustees shall act with skill, competence and diligence.
4. Trustees shall maintain independence and objectivity, among other actions, avoiding conflict of interest, and refraining from self dealing.

5. Trustees shall abide by all applicable laws and rules and, the regulations including the guidelines, circulars and notifications issued by the Authority from time to time, and the terms of the pension schemes.
6. Trustees shall deal fairly and objectively with all beneficiaries of the trust.
7. Trustees shall maintain high standards of integrity and fairness in all their dealings and in the conduct of their business.
8. The trustees shall render at all times high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment.
9. The trustees or any of the employees of the trust shall not render, directly or indirectly, any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of his interest including long or short position in the said security has been made, while rendering such advice.
10. Trustees shall maintain confidentiality of information of the subscribers under the pension scheme.
11. Trustees shall communicate with the Authority and other intermediaries or entities of such pension scheme, in a timely, accurate and transparent manner.

HEMANT G. CONTRACTOR, Chairperson

[ADVT-III/4/Exty./203/14]