



KFin Technologies Limited – Central Recordkeeping Agency



PFRDA

Standard Operating Procedure

For

Account Maintenance Version 1.4

KFin Technologies Limited

(Formerly known as KFin Technologies Private Limited)

Registered & Corporate Office:

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1. Overview

The National Pension System(NPS) was introduced by the Government of India to enable its citizens (in the Government/All-citizen/Corporate sector) to effectively plan for their retirement through reasonably safe and market based returns. Periodic contributions from the subscribers (and their employers – for Government/Corporate sector), are invested in Pension Funds chosen by the subscriber from the approved list. On attaining superannuation, part of the accumulated wealth can be withdrawn lump-sum and the balance can be invested in an “Annuity” with a registered ASP (Annuity Service Provider), so that the subscriber gets regular monthly pension from the Annuity purchase. There are other regulations regarding withdrawal, under various circumstances. Each subscriber is registered with the CRA and is allotted a PRAN (Permanent Retirement Account Number). This ID is used to track all his/her transactions, contributions, change of details, scheme preferences etc.

NPS is operated through various intermediaries at various stages, as given below:

1. Registration of subscribers – Application is submitted by the Subscriber and routed through *Nodal Offices* – to *CRA*. Permanent Retirement Account is created in the CRA system and PRAN is allotted to the subscribers by the CRA.
2. Deposit of contribution is made by Subscribers to the Nodal Offices (Contribution is deducted from the salary by the Nodal Offices, for Government employees). The funds are remitted by *Nodal Offices* to the *Trustee Bank*, with details being uploaded in the CRA system by the Nodal Offices.
3. Transfer of funds from *Trustee Bank* to *PFM* (as selected) – On reconciliation & as per settlement instructions from CRA
4. Changes in subscriber details (address, scheme preference etc.) - are intimated by Subscribers – routed through Nodal Offices – to CRA system. In case of changes in scheme preference etc., new instructions are accordingly implemented in the daily settlement run by CRA.
5. On Exit/ withdrawal - Application is submitted by Subscribers and routed through Nodal Offices – to CRA. On processing, CRA gives instructions to the PFM to transfer the funds to the Trustee Bank. The Trustee Bank would transfer the lump-sum withdrawal to the Subscriber’s Bank account and the ‘Annuity’ amount to the ASP. The subscriber would thereafter receive monthly payouts from the ASP.

Hence, the various intermediaries in the functioning of the NPS system are:

1. **Nodal Offices** – They are the main interface for subscribers. Their functions include:
 - a. Receiving applications for registration / changes in details / withdrawals from subscribers, verification and forwarding of the same to CRA for processing
 - b. Receiving contributions from subscribers and upload of contribution details in the CRA system
 - c. Deposit of funds (contributions) with Trustee Bank and reconciliation thereof with the details uploaded.

The Nodal Offices- for various models/sectors – are as given below:

Model/Sector	Registration/change requests/withdrawals & receipt of contributions	Transfer & uploading of contributions	Over-seeing Nodal Offices
For Central Government employees:	DDO, PAO	PAO	Pr.AO
For State Government employees:	DDO, DTO	DTA (Centralised mode) DTO (De-centralised mode)	DTA
For 'All Citizen' model:	POP-SP & POP	POP (Centralised mode) POP-SP (De-centralised mode) POP & POP-SP (Quasi centralized mode)	POP
For Corporate model:	CHO/CBO/POP	CHO/POP	POP

2. **Trustee Bank** – Their functions include:

- a. Receipt of funds from Nodal Offices for contribution deposit and reconciliation thereof with the details uploaded in the CRA system
- b. Transfer of funds to PFMs as per settlement instructions from CRA
- c. On withdrawal, transfer of funds to Subscriber's bank account (lump-sum portion of withdrawal)
- d. On withdrawal, transfer of funds to ASP (the annuitized portion)

3. **Pension Fund Manager (PFM)** – Their functions include:

- a. Receipt of funds from Trustee Bank and investment thereof as per subscribers' preference
- b. Updation of NAV etc.
- c. On withdrawal, transfer of accumulated wealth to the Trustee Bank, as per instructions from CRA.

4. **Annuity Service Provider (ASP)** – Their functions include:

- a. Receipt of funds from Trustee Bank and instructions from CRA, for investment in annuity for subscribers, on withdrawal
- b. Maintaining annuity scheme with the subscribers thereafter (monthly payouts, queries etc.)

5. **Central Recordkeeping Agency (CRA)** – Their functions include registration and interface with all intermediaries and recording all transactions i.e.:

- a. Registration of Nodal Offices
- b. Registration of Subscribers
- c. Running settlement on upload of contribution details by Nodal Offices and funds receipt confirmation by Trustee Banks
- d. Settlement instructions to Trustee Banks to transfer funds to PFMs
- e. Processing change requests / withdrawals
- f. Instructions to Trustee Banks/PFMs/ASPs on withdrawal
- g. Providing interface to subscribers for checking status of applications/grievances etc. and providing Statement of Account to the subscribers.

This document deals with the procedure for subscribers' account maintenance, i.e., Freezing of accounts due to non-payment of minimum contribution, unfreezing, CRA charges etc.

ACRONYMS USED:

<i>Acronym</i>	<i>Description</i>
ASP	Annuity Service Provider
CBO	Corporate Branch Office
CHO	Corporate Head Office
CRA	Central Record-keeping Agency
DDO	Drawing & Disbursing Officer
DTA	Directorate of Treasuries & Accounts
DTO	District Treasury Office
I-PIN	Internet Personal Identification Number
NPS	National Pension System
PAO	Pay & Accounts Office
PFM	Pension Fund Manager
POP	Point of Presence
POP-SP	POP Service Provider
Pr.AO	Principal Accounts Office
PRAN	Permanent Retirement Account Number
T-PIN	Tele-query Personal Identification Number

2. Freezing of Accounts

As per PFRDA guidelines, every subscriber has to make a minimum contribution to his NPS account, every year. In case any subscriber fails to make such minimum contribution, the CRA system would “Freeze” his/her account, i.e., all further transactions would be prevented from occurring in the account.

2.1 Conditions for Freezing of Accounts (Minimum Contribution)

The Permanent Retirement Account of a subscriber is frozen, if the minimum contribution criteria is not met by him/her. These criteria are given below:

Minimum Contribution for Tier I account.

A subscriber is required to make at least one contribution transaction in a financial year. The minimum amount per contribution is Rs.500/- and minimum contribution of Rs.1000/- should be made in each financial year.

This requirement does not apply to the Government.

Minimum Contribution for Tier II account.

1. There is no minimum contribution requirement for Tier II account.
2. If a Tier I for a PRAN is frozen, the Tier II account is also kept in “Freeze” status even if it meets the required criteria.

2.2 Process Steps for Freezing of Accounts

The process steps for freezing of accounts are given below:

1. After the end of every financial year, the CRA will identify PRANs who haven’t contributed minimum amount of Rs. 1000/-
2. The conditions will be checked for both Tier 1 and Tier 2 accounts. In case Tier 1 Account is

frozen, then Tier 2 account will also be frozen.

3. Email intimation will be sent to the concerned subscriber(s) intimating that the account status has been changed to “Frozen.” Instructions for “Unfreezing” the account would also be provided.
4. The subscriber’s account will also be “Frozen”, under the following circumstances:
 - a) In case of Withdrawal on Superannuation or Premature Exit, where the lump sum amount has been withdrawn and paid to the subscriber and the balance portion is still lying in his/her account, waiting for transfer to ASP, the account is “Frozen”- to prevent any further transactions in it.
 - b) In case family pension (FPS) is being paid to the family of a deceased member, the account may be frozen (“Lean Marking”)- as explained in Clause 6(e) of PFRDA (Exits & Withdrawals under NPS) Regulations 2015.
 - c) Where the subscriber’s account falls under any of the cases covered in Clause 6 of the PFRDA (Exits & Withdrawals under NPS) Regulations 2015, i.e. in case of seizure, attachment, assignment, pledge etc. of the amount in the NPS account, made with the prior approval of the NPS Trust or where the Pension wealth is withheld by the President/State Governor for any pecuniary loss to State/Central Government etc.
5. An alert will be sent to the subscriber by SMS/email one month before the account is due for “freezing” and on the “freezing” of the account due to minimum contribution.

3. Unfreezing of Accounts

A subscriber’s account could be changed to “Freeze” status, due to non-payment of minimum contribution. When this happens, no further transactions would be allowed for that PRAN. This can be rectified, i.e., the account can be “Unfrozen” by the subscriber, on payment of minimum contribution. The detailed steps for unfreezing of account(s), are given below:

1. An account can be unfrozen by payment of minimum contribution of Rs. 500/- online or through any POP.
2. Once the amount is invested and units are credited, the account will be marked as “Active”.

4. Rebalancing of Units

Rebalancing of units is reorganizing accrued benefits by changing the balance in the allocation of funds. This is done every financial year by the CRA system to maintain the asset allocation selected by the subscriber.

This is explained with an example: In case a subscriber has invested Rs. 50,000 into E-50%, C-30%, G-20% and NAV for those categories are Rs.10, Rs. 15 and Rs. 16 respectively, then the number of units held by the subscriber would be 2500, 1000 and 625 respectively.

In the next financial year, if the NAV changes to Rs. 17, Rs. 13 and Rs. 20 respectively, then the total amount would become Rs. 68000 and the category wise amount in 'E', 'C' & G would be Rs. 42500, Rs. 13000, and Rs. 12500. However, the investment in 'E' category crosses 50%. In such a case, rebalancing will be done and adjusted with C and G category thereby enabling the subscriber to have/maintain the allocation percentages between the three categories (E, C & G) match the allocation preference selected by him/her ("Master Asset allocation"). The Total amount will be recalculated as per % and units in all three schemes will be rebalanced

For example:

Master Asset allocation:

E	C	G
50%	30%	20%

Scenario:

FY 2016 Balance				FY 2017 Balance			
FY2016	E	C	G	FY2017	E	C	G
Amount	25000	15000	10000	Amount	42500	13000	12500
NAV	10	15	16	NAV	17	13	20
Units	2500	1000	625	Units	2500	1000	625
				Scheme %	62.50%	19.12%	18.38%
	After Rebalancing			FY 2017 Balance			
				FY2017	E	C	G

		New Amount	34000	20400	13600
		NAV	17	13	20
		New Units	2000	1560.2307	850
		Scheme %	50%	30%	20%

The following process is followed for rebalancing of units.

1. Rebalancing is done for “Auto Choice” Investment Option, to comply with the changes in asset allocation percentages applicable to the subscriber, with the change in his/her age every year.
2. The asset allocation percentage and current NAV is calculated and accordingly investment into a particular category is made.
3. An email/Statement of Account is sent to the subscriber, giving the category-wise balances.

5. CRA Charges

CRA’s charges for maintenance of permanent retirement would include charges for maintenance of electronic information of the balances in PRA (Permanent Retirement Account), for incorporating changes to PRA details received by the CRA in electronic form, for sending annual account information once in a year in printed form etc.

CRA Charges are collected through Redemption of Units, for individual subscribers. Corporate can decide whether corporate will pay the amount or charges will be deducted from subscriber account.

For the Government sector, the CRA charges would be paid separately by the Nodal Offices.

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