



PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY

Regulations for Aggregators under NPS Lite-2010

-Framework for implementation of NPS-Lite

PART-A: SHORT TITLE AND INTRODUCTION

1. Short Title:

The regulations contained here-in shall be termed as “**Regulations for Aggregators under NPS Lite-2010**” and shall be referred so hereinafter. These provisions regulate the NPS Lite model of National Pension System which is a low-cost, feature optimized model, aimed at economically disadvantaged sections of the society. These regulations shall also apply for implementation of “Swavalamban Scheme” of Government of India through NPS Lite.

2. Introduction:

National Pension System (NPS) is an initiative of Pension Fund Regulatory and Development Authority (PFRDA), the apex body established by Government of India to regulate and develop the pension sector in India. NPS has been extended to all citizens of India with effect from 1st May 2009. For the weaker and economically disadvantaged sections of the society with their limited investment potential to be able to avail of NPS for securing their old age income security there is need to leverage group dynamics to keep the individuals engaged in pension schemes. There is also need to extend NPS in the rural areas.

- 2.1 PFRDA, being conscious of its ultimate responsibility in providing a uniform platform for old age income security to all sections of society has developed a cost effective and feature optimized model of NPS which facilitates economically weaker sections of the society to join the NPS platform in “groups” through “aggregators” i.e. a set of grass root intermediaries identified by PFRDA to function as subscriber interface under NPS architecture. “Group” essentially would mean the constituent members of an entity which qualifies for being an “aggregator” under proviso of these regulations. The model is termed as NPS Lite and the proviso contained herein lay down the regulatory framework for NPS Lite model in general and for functioning of “Aggregators” in particular.

PART-B: CONCEPT AND MAIN PROVISIO

3. NPS Lite- Concept

- 3.1. NPS Lite is a model specifically designed to bring NPS within easy reach of the economically disadvantaged sections of the society. NPS Lite is extremely affordable and viable due to its optimized functionalities available at reduced charges.
- 3.2. NPS Lite shall be extended to its target population through specific entities identified by PFRDA, termed as “**aggregators**” who would enroll their underlying subscribers in NPS Lite as groups. The aggregators shall be the main interface between the NPS Lite subscriber and NPS architecture.

4. NPS Lite Architecture and its intermediaries:

The details of NPS Lite architecture and its intermediaries have been provided in **Schedule- A** of these regulations.

5. Charge structure under NPS- Lite:

Various charges and their mode of realization are given in **Schedule-B** and are subject to revision by PFRDA from time to time.

6. Investment Limits under NPS Lite accounts:

- 6.1 NPS Lite, being aimed at economically disadvantaged sections of the society, shall have minimum and maximum limits of investment amount in each account prescribed by PFRDA and as amended from time to time.
- 6.2 The maximum investment limit prescribed by RBI vide their master circular number RBI/2008-09/72 dated 1st July 2001 for “ **Small Deposit Accounts**” shall be applicable for each NPS account opened under NPS Lite, till PFRDA prescribes separate limits.

7. Investment options under NPS Lite:

- 7.1. The choice of Pension Fund Managers and asset classes shall be made by the individual under an aggregator.
- 7.2. An investment class can be specified by PFRDA. The investment choice shall remain uniform across all subscribers under one particular aggregator.
- 7.3. PFRDA shall specify, from time to time, the Pension Fund Manager(s) who may be assigned the responsibility of managing the funds under NPS Lite.

- 7.4. PFRDA may, at its discretion and in the interest of subscribers, specify a pre-defined set of asset classes for investments from which aggregators may choose one or leave it open to the aggregators to devise their own mix.
- 7.5. For the present, scheme with the investment pattern similar to that prescribed by the Central government for its own employees, as amended from time to time shall be available for NPS Lite.
 - a. An aggregator can select only one PFM and the entire investment will take place as per the prescribed scheme.
 - b. The aggregators shall have the option to get the money invested through all the three PFMs as per Central Government Scheme. The contributions shall be apportioned across all the three PFMs in a ratio as applicable for Central Government Scheme amended from time to time.

8. Aggregators under NPS Lite:

- 8.1. Aggregators shall be intermediaries identified and approved by PFRDA, to perform subscriber interface functions under NPS-Lite in respect of their constituent groups. The Aggregators shall be entities already in existence having continuous functional relationship with a known customer base for delivery of some socio-economic goods / services.

8.2. Potential entities for role of aggregator -

- a. Following entities have been considered as potential aggregators:-
 - a) Nodal offices/entities running certain schemes for identified beneficiary groups under Central and State Governments.
 - b) Micro-Finance Institutions (MFIs).
 - c) Non Banking Finance Companies (NBFCs).
 - d) Non Government Organizations (NGOs).
 - e) Entities running common service centers under National E-Governance Plan.
 - f) Any other category as identified by PFRDA from time to time.
- b. All the entities mentioned above must meet the criteria prescribed by PFRDA for becoming an aggregator and must have necessary infrastructure for collection of money from public for passing on to prescribed entities.

9. Eligibility criteria

- 9.1. The entities desirous of taking on the role of aggregator must be registered (under an act of Central or State Government as prescribed in section 9.2 of these regulations) and/or adequately regulated by any of the financial sector regulator(s).
- 9.2. The registered entities willing to be enlisted as an aggregator must have been registered under any of the following:
 - a. Societies Registration Act 1860 (or a State amendment of this Act)
 - b. Indian Trusts Act, 1862
 - c. Charitable and Religious Trusts Act, 1920
 - d. Indian Companies Act, 1956 (section 25, for non profit companies)
 - e. Indian Companies Act 1956 with necessary certification from RBI (for NBFCs)
 - f. Indian Companies Act 1956, for any other company
 - g. Any other act/rule as specified by PFRDA from time to time
- 9.3. Any other entity/class of entities, not covered under the provision at para 9.2 above may also be registered as aggregator(s), at the discretion of PFRDA, if such entity/class of entities facilitates inclusion of their subscriber base under NPS and have established capability with proven track record in the area of their operation.
- 9.4. The entity must have been in business of financial services or commodity development for at least 3 years as on date of application with a proven track record and must be financially viable.
- 9.5. The entity must have formal governance structure (Board, Managing Committee or equivalent) with members on board having adequate experience in financial services / social development.
 - a. At least one third of the Directors (or equivalent) must be independent.
 - b. The entity must have 'Audit Committee' in place headed by an independent director (or equivalent).
- 9.6. The entity must meet the following net worth* criteria:-
 - a) Rs.1.0 crore for those having been in business for last 3-5 years.
 - b) Rs.50.0 lakhs for those having been in business for more than 5 years.
 - c) For entities having exceptional track record and more than 10 years of experience, the net worth criteria can be relaxed completely/partly at the discretion of PFRDA
- 9.7. The entity must have capability to manage large customer databases suitable to their organisation and must meet other technology parameters prescribed by PFRDA.

- 9.8. The entity must have cash management and its transfer capabilities as prescribed by PFRDA.
- 9.9. The entity must have trained staff with sufficient capability as prescribed.
- 9.10. The entity or any of its directors /promoters etc must not have been subjected to any disciplinary proceeding(s) under the rules, regulations and bye-laws of any regulator/disciplining body during the last three years.
- 9.11. PFRDA may, at its discretion, relax some, or all of these eligibility criteria in case of entities which are fully or partly controlled by either Central or any State government or have been created under any specific arrangement of the Central or State government or any other entity with proven track record, on a case to case basis, in the initial stages of development of the sector.

10. Security Deposit:

- 10.1. Each entity enlisted as an aggregator shall have to submit a security deposit in the form of a demand draft or a bank guarantee from a scheduled commercial bank.
- 10.2. The quantum of security deposit shall be determined in terms of the net worth of the entity and the '**Highest Daily Cash Collection' (HDCC)**' recorded by the entity during the previous quarter completed (as on date of application).
- 10.3. The relaxation as contemplated under clause 9.11 shall also be applicable in case of security deposit requirement.
- 10.4. The matrix of security deposit determination is as below :-

Net Worth (Rs. in crores)	Security Deposit Amount		
2-5	3 times of HDCC	OR	Rs.5 lacs whichever is higher
5-10	2 times of HDCC		
More than 10	Rs.5 lacs		

11. Aggregators - role and responsibilities:

- 11.1. The aggregators shall be responsible for :
 - a) Promotion of NPS and awareness about the need for old age income security among its constituent group members.
 - b) Meeting the 'Know Your Customer' requirements in respect of potential NPS subscribers as mandated under AML/CFT requirements.

- c) KYC requirements in case of NPS Lite subscribers shall be governed by provisions of RBI Master Circular no RBI/2008-09/72 dated July 01, 2008 and as amended from time to time till separate orders on this aspect are issued by PFRDA.
- d) Discharge of responsibilities relating to fund and data upload within prescribed time limits.
- e) Collection of contributions from subscribers and ensuring its passage to Trustee Bank.
- f) Ensuring availability of services to its underlying subscribers as mandated under NPS-Lite.
- g) Handling grievances received from subscribers and their resolution.
- h) Any other responsibility as assigned to them by PFRDA to ensure protection of subscribers' interest.

12. Fund collection by Aggregators:

- 12.1. The aggregators shall make sure that credible collection infrastructure is available for their underlying subscribers.
- 12.2. The amount collected by the 'Collection Centres' shall be regularly transferred to the main account of the aggregator as per turn around time prescribed by PFRDA.
- 12.3. Each aggregator would maintain a designated account with a scheduled bank in the name of NPS Trust to which all collections shall be remitted.
- 12.4. The oversight office of the aggregators would ensure necessary vigil and due diligence on the entire fund collection process and shall remain responsible for the same.
- 12.5. All defaults in the cash collection and transfer process causing loss to the subscribers shall be made good from the security deposit of the respective aggregator and/or remuneration due to them, if any.

13. Penal Provisions for Aggregators:

PFRDA shall lay down necessary provisions for imposing penalty on aggregators who fail to meet the responsibilities entrusted and maintain the standard of service expected from them or act in a manner contrary to the interest of the subscribers in the opinion of PFRDA.

14. Code of conduct for aggregators:

The aggregators shall be subjected to model code of conduct as prescribed by PFRDA and as amended from time to time.

15. Revenue model for aggregators:

- 15.1. **The aggregators shall not be authorized to collect any sum from the subscribers towards their own fee/service charges.**
- 15.2. The aggregators shall receive a fixed sum after each completed year of business from PFRDA and the same will be decided on a **“Subscriber Acquisition cum Retention Model”**.
- 15.3. The remuneration shall be based on a **“per capita sum”** paid for each subscriber enrolled during the year and all those accounts (enrolled in previous years) which remained active during the year. Each account enrolled and retained during the year must have a minimum annual contribution of Rs 1000/- in each account for making the aggregator eligible for remuneration.
- 15.4. The “per capita sum” shall be uniform and fixed by PFRDA from time to time. This sum for the FY 2010-11 shall be Rs 50/- per eligible NPS Lite account.
- 15.5. The aggregators must meet the criteria prescribed by PFRDA to ensure reasonable level of **“persistency”** ie retention of accounts opened during previous years in an active state, during subsequent years.
- 15.6. Remuneration to aggregators shall be paid out of “promotion and development” funds available with PFRDA.
- 15.7. Normally such remuneration shall not be applicable to central and state entities which extend NPS Lite to their target population. In case such entities utilize the services of an approved “Facilitator under NPs Lite” or come as a “consortium” in partnership with a private entity, the remuneration of the private partner should be met out of their own funds and PFRDA would normally not contribute towards the same.
- 15.8. However PFRDA may, in the initial stages of development, extend such financial support to aggregators from Government sector which utilize the services of an approved “Facilitator under NPS Lite” or come as a “consortium” in partnership with a private entity. The eligibility and quantum of support in such cases shall be decided on a case to case basis.
- 15.9. The remuneration shall be paid by PFRDA to each aggregator based on claim submitted by them and verified by PFRDA on an annual basis. Procedure for preference of claim, its verification and consequent payment shall be prescribed by PFRDA.

16.Role of Point(s) of Presence (PoP-SP) under NPS

- 16.1. All PoPs appointed by PFRDA are automatically qualified to become an aggregator under NPS Lite in respect of their own constituent subscriber base.
- 16.2. The PoPs may also act as “facilitator” to any other aggregator. The terms of engagement, level of service and fees for the same shall be negotiated between the aggregator and PoP and settled between them. PFRDA shall not be responsible for such arrangement(s) and the aggregator in this case shall not be entitled to receive any additional remuneration other than that prescribed in clause 15 of these regulations.

17.Aggregators in consortium:

- 17.1. Two or more entities may also get enlisted as aggregator. However, the distribution of responsibilities between them has to be ensured through an internal formal arrangement presented to PFRDA at the time of enlistment.
- 17.2. In such cases, one of the entities shall be enlisted as **Primary Aggregator** which will be responsible for meeting all eligibility requirements and all responsibilities arising out of their enlistment as aggregator.
- 17.3. All remunerations due to such aggregators shall be paid to the primary aggregator and its subsequent reallocation between the other consortium partner(s) shall not be responsibility of PFRDA.

18.Role of Citizen Service Centres/ Common Service Centres (CSCs) /post offices and other designated agencies as facilitators

- 18.1. Common Service Centres established under the National E-Governance Plan are coming up as the largest financial / data distribution network in the country. These CSCs shall be eligible to function as aggregators or facilitators to enlisted aggregators.
- 18.2. Enlisted aggregators may utilize the services of these CSCs for discharging responsibilities under NPS-Lite. However, the revenue model for CSCs shall be worked out by the CSCs nodal agency and aggregator directly.
- 18.3. PFRDA may in future, make available other designated agencies including post offices as facilitators under NPS Lite
- 18.4. PFRDA in due course of time shall prescribe necessary rules and associated fee(s) in this regard.

19.Due diligence on role of aggregators by PFRDA

- 19.1. The aggregators shall be subjected to due diligence procedure of PFRDA.
- 19.2. Each aggregator shall make available to PFRDA the following documents duly certified by a Chartered Accountant within 6 months from end of respective financial year failing which corresponding penalty shall be invoked:
 - a) Audited Annual Accounts.
 - b) Net worth certificate.
 - c) Share holding pattern.
 - d) Dominant promoter group detail.
 - e) Any other document prescribed by PFRDA from time to time
- 19.3. The aggregators shall be subjected to an independent audit as deemed fit by PFRDA periodically and the same shall form the basis for their continuation as aggregators.
- 19.4. PFRDA may at its discretion and in the interest of subscribers impose additional conditions, relax some of the existing ones or frame new regulations which will automatically supersede the earlier regulations.

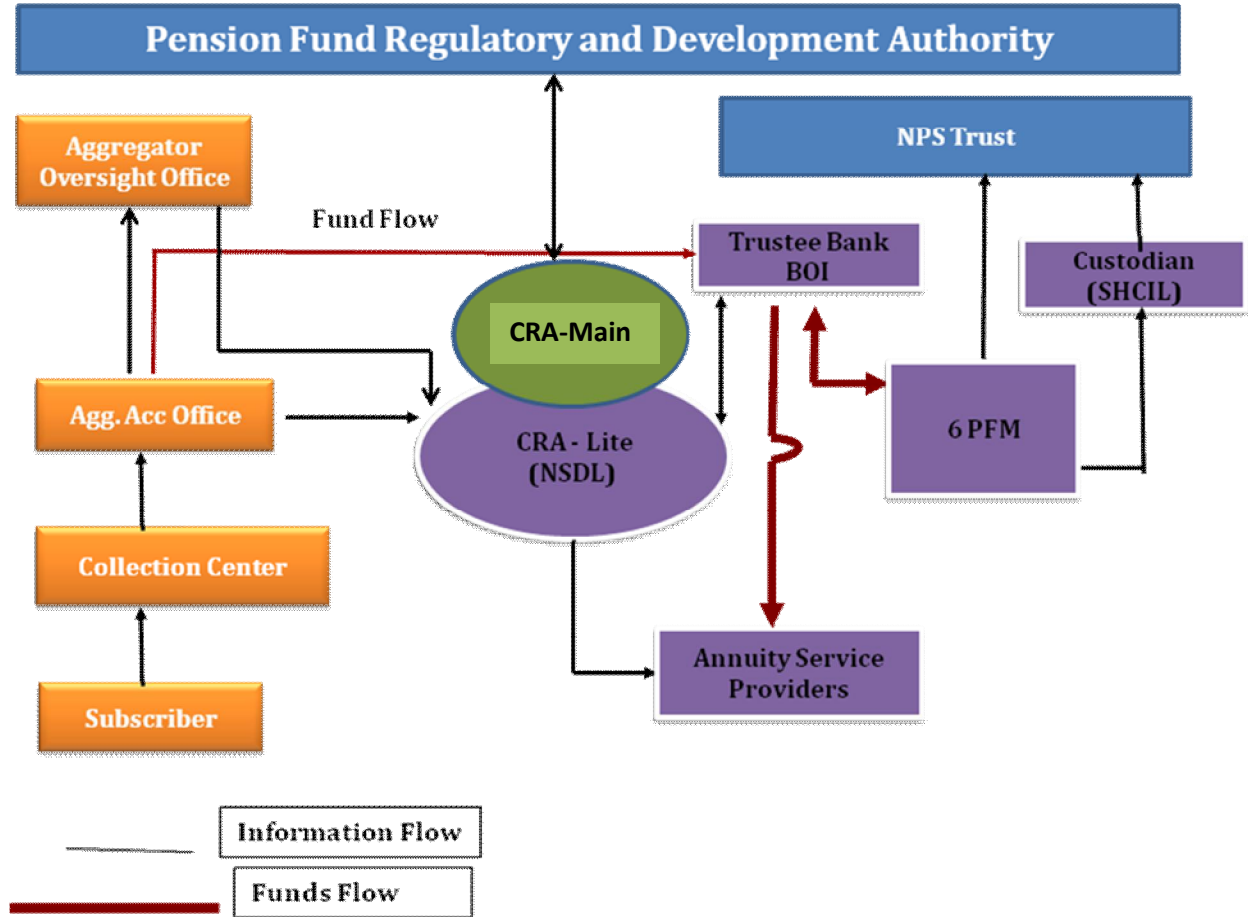
20.Exit Management and business continuity:

- 20.1. The aggregators shall be appointed for a fixed term by PFRDA. However, PFRDA may consider termination of the appointment as laid down in terms and conditions of appointment. PFRDA may also terminate such appointments if it is convinced that continuation of business by the aggregator is detrimental to the interests of the subscribers.
 - 20.2. The aggregators, after expiry of their initial period of appointment, may opt out of their engagement as aggregators in terms of their appointment conditions. However, such exit shall be authorized by PFRDA only after ensuring that the underlying subscribers have been suitably mapped to another aggregator or a suitable arrangement has been put in place to ensure continuity of service to the subscribers.
 - 20.3. PFRDA may also impose additional condition(s) and requirements on exiting aggregator(s) to ensure protection of subscribers' interest.
21. PFRDA may, from time to time, issue directions, prescribe additional conditions and impose requirements on all intermediaries under NPS Lite including aggregators, in the interest of subscribers and the same shall be binding on all.

Schedule-A

Title: NPS Lite Architecture

- 1.1. NPS Lite is based on same unbundled architecture as available for NPS. Only the subscriber interface role shall be performed by “Aggregators”.
- 1.2. Schematic representation of NPS Lite architecture:



- 1.3. Main intermediaries under NPS Lite:

1.3.1. PFRDA

PFRDA is the prudential Regulator for the New Pension System (NPS). PFRDA was established by the Government of India, Ministry of Finance; vide Notification F.No.5/7/2003-ECB & PR dated 10th October, 2003 to promote old age income security by establishing, developing and regulating pension funds, to protect the interests of subscribers to schemes of pension funds and for matters connected therewith or incidental thereto.

1.3.2. NPS Trust

PFRDA has established the NPS Trust under Indian Trust Act, 1882 and appointed NPS Board of Trustees in whom the administration of the “New Pension System” vests under Indian Law. The Trust is responsible for taking care of the funds under the NPS. The Trust holds an account with the Bank of India and this bank is designated as the NPS Trustee Bank.

1.3.3. Central Recordkeeping Agency (CRA)

National Securities Depository Limited (NSDL) has been appointed as the CRA .The record-keeping, administration and customer service functions for all subscribers of the NPS shall be centralized and performed by the CRA.

1.3.4. Trustee Bank

Bank of India has been appointed as NPS Trustee Bank. It manages the banking of the Pension Funds in accordance with applicable provisions of the NPS Lite, the schemes and the guidelines/notifications, issued by PFRDA, Ministry of Finance, and Government of India from time to time as per applicable law.

1.3.5. Pension Funds (PFs)/Pension Fund Managers (PFMs)

- (i) Appointed PFMs manage the retirement savings of subscribers under the NPS Lite. The PFMs are required to invest strictly in accordance with guidelines issued by the Government/PFRDA.
- (ii) The aggregators may choose one of the PFMs to whom the entire corpus can be entrusted. They may also choose to invest the contributions through all the three PFMs as per Central Government scheme.

Single PFMs	PFMs for Central Government Scheme
<ul style="list-style-type: none">Ⓢ ICICI Prudential Pension Funds Management Company LimitedⓈ IDFC Pension Fund Management Company LimitedⓈ Kotak Mahindra Pension Fund LimitedⓈ Reliance Capital Pension Fund LimitedⓈ SBI Pension Funds LimitedⓈ UTI Retirement Solutions Limited	<ul style="list-style-type: none">Ⓢ LIC Pension FundⓈ SBI Pension Funds LimitedⓈ UTI Retirement Solutions Limited

(iii) Annuity Service Providers(ASPs)

ASPs shall be identified by PFRDA and would be responsible for delivering a regular monthly pension to the subscriber(s).

1.3.6. **Aggregators (AGG)**

Aggregators are entities identified by PFRDA for making NPS available to their constituent subscriber base and maintain them into NPS Lite System.

Schedule-B

Title: Schedule of charges under NPS Lite

Intermediary	Activity	Charges	Method of Deduction
Central Record Keeping Agency (CRA)	Account Opening Charges	Rs. 35/- (Digitization will be carried out by CRA – FC)	Through cancellation of units from each subscriber pension account
	Annual Maintenance Charges ¹	Rs. 70/- per annum with 12 free subscriber contributions per financial year.	
	Transaction Charges ²	Nil for first 12 transactions and Rs. 5/- per transactions beyond 12 free subscriber contributions in each year	
Trustee Bank	Per transaction emanating from a Non RBI location ³	Rs. 15 (Trustee Bank, levies collection charges of Rs. 15 per transaction for collection of funds, only at Non RBI Centers)	Through NAV deduction
Custodian ⁴ (On asset value in custody)	Asset Servicing Charges	0.0075% p.a for Electronic segment & 0.05% p.a for Physical Segment	Through NAV deduction
PFM	Investment Management Fee ⁵	0.0009% p.a (PFMs get a fee of Rs 90,000 for every Rs.1000 crores of corpus they manage.	Through NAV deduction

*Service tax and other levies, as applicable, will be levied as per the existing tax laws.

¹ When the number of accounts in CRA reaches 15 lakh the service charges, exclusive of Service Tax and other taxes as applicable will be reduced to Rs. 50 (Rupees fifty only) for annual PRA maintenance per account. CRA's charge for maintenance of permanent retirement account includes charges for maintenance of electronic information of the balances in PRA, for incorporating changes to PRA details received by the CRA in electronic form, for sending annual account information once a year in printed form etc.

² Transaction cost will be reduced to Rs. 4/- and Rs. 3/- per transaction when the thresholds of 15 lakh and 30 lakh subscribers respectively are attained

³ Trustee Bank charges are not charged to subscriber directly. Transaction refers to the entire chain of activities starting from receipt of electronic instructions/ receipt of physical instrument to transfer of funds to the designated PFMs. On the outflow side, it would include all activities leading to credit of beneficiary account.

⁴ Charges for Demat/Remat, Receipt of shares & SEBI charges are extra.

⁵ The Investment Management Fee is inclusive of all transaction related charges such as brokerage, transaction cost etc. except custodian charges and applicable taxes. The Investment Management Fee is calculated on the average monthly assets managed by the pension fund.
