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CIRCULAR

PFRDA/2016/4/CRA/TB/2

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Subject: Outsourcing Policy for Central Recordkeeping Agency (CRA) under NPS

1. PFRDA (Central Recordkeeping Agency) Regulations, 2015 provides details of role and responsibilities of CRA with a view that they shall render at all times with high standards of service and exercise due diligence and ensure proper care in their operations.
2. It has been observed that often CRA resort to outsourcing with a view to reduce costs, and at times, for strategic reasons. However, there is no outsourcing policy prescribed for the CRA as on date.
3. The department has examined the outsourcing practice of the CRA under NPS on various parameters and has come out with the principles of outsourcing for CRA, based on which the CRA are advised to ensure the following:
 - i. The CRA shall formulate and document an outsourcing policy duly specifying the reasons for such an outsourcing and how it is going to be beneficial to the ultimate subscriber and the NPS as a system. Such policy has to be approved by their Board of the CRA based on the guidelines given below and the principles of outsourcing outlined at annexure-1.
 - ii. The CRA desirous of outsourcing their activities shall not however, outsource their core business activities and compliance functions. The indicative list of core and non-core activities of CRA has been identified by the authority, shall include but not limited to those listed in Annexure -II:
 - iii. Information Technology support infrastructure / activities for running the activities of CRA (other than software development and hardware) shall not be outsourced to the extent possible. Wherever, they are outsourced the same shall form part of the outsourcing policy approved by the Board of CRA.
 - iv. The CRA shall conduct appropriate due diligence in selecting the third party to whom activity is proposed to be outsourced and ensure that only reputed entities having proven high delivery standards are selected. However, it may be noted that the liability of the CRA and outsourced

activity towards any errors of omission and commission is joint and several vis-à-vis the subscribers and in terms of the PFRDA (Central recordkeeping agency) Regulations, 2015.

- v. The CRA shall ensure that risk impact analysis is undertaken before outsourcing any activity and appropriate risk policy and mitigation measures.
- vi. An effective monitoring of the entities selected for outsourcing shall be done to ensure that there is check on the activities of outsourced entity. The CRA shall strive to automate their processes and workflows to the extent possible which shall enable real time monitoring of outsourced activities. Also, CRA shall devise the processes in such a manner that there is a maker and checker system between the outsourced entity and the CRA to the extent possible.
- vii. The outsourcing policy document shall act as a reference for audit of the outsourced activities. Audit of implementation of risk assessment and mitigation measures listed in the outsourcing policy document and outsourcing agreement/ service level agreements pertaining to IT systems shall be part of System Audit of the CRA.
- viii. Other Obligations
 - (a) Reporting To Financial Intelligence Unit (FIU) and reporting under FATCA - The CRA shall be responsible for reporting of any suspicious transactions / reports to FIU or and other competent authorities in respect of subscriber contributions and related data.
 - (b) Need for Self-Assessment of existing Outsourcing Arrangements – In view of the changing business activities and complexities of National pension System (NPS), CRA shall conduct a self-assessment of their existing outsourcing arrangements within a time bound plan and submit the Board approved Outsourcing policy of the CRA to the Authority on or before 31st March, 2016 and bring all such activities as are covered under the board approved policy in line with the requirements.
 - (c) The outsourcing entities shall be evaluated at periodic intervals at least quarterly and the exceptions and improvements in processes suggested shall be placed to the Board for review of the outsourcing policy at least annually.



(Venkateswarlu Peri)
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Date: 29/1/16

Annexure I

Principles for Outsourcing for CRA

1. The CRA seeking to outsource activities shall have in place a comprehensive policy to guide the assessment of whether any activity needs to be outsourced in terms of long term nature of the relationship between CRA, how it is going to be beneficial to ultimate subscriber and how these activities shall be outsourced. The Board of the CRA shall have the responsibility for the outsourcing policy and related overall responsibility for activities undertaken under that policy.
2. The CRA shall establish a comprehensive outsourcing risk management programme to address the outsourced activities and the relationship with the third party.
3. The CRA shall ensure that outsourcing arrangements neither diminish its ability to fulfill its obligations to customers and regulators, nor impede effective supervision by the regulators.
4. The CRA shall conduct appropriate due diligence in selecting the third party and in monitoring of its performance. Any outsourcing so done with the approval of the Board shall not be further delegated without the concurrence of the Board.
5. Outsourcing relationships shall be governed by written contracts / agreements / terms and conditions (as deemed appropriate) {hereinafter referred to as "contract"} that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures, etc.
6. The CRA and its outsourced entity shall establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of backup facilities.
7. The CRA shall take appropriate steps to require that third parties protect confidential information of both the intermediary and its customers from intentional or inadvertent disclosure to unauthorized persons.
8. Potential risks posed where the outsourced activities of multiple CRA are concentrated with a limited number of third parties.



Annexure II

- The indicative list of Core and Non-core activities for CRA.

S.No.	Operations/Activities	Core/Non-Core
1	Compliance	Core Activity
1.a	Technical SLA Compliance	Core Activity
1.b	Operational SLA Compliance	Core Activity
1.c	ISO-27001 Security Compliance	Core Activity
1.d	ISO-27000 Compliance	Core Activity
1.e	Generation and Provisioning of Compliance Reports	Core Activity
2	Nodal Office Registration (Govt. Nodal Offices/Corporates/PoPs/Aggregators etc.)	Core Activity
2.a	Receipt of Physical Forms	Core Activity
2.b	Provisioning of Registration Numbers	Core Activity
3	Subscriber registration, Maintainance and Coordination with CRA-FC(Subscriber Registration/storage of documents)	Core Activity
3.a	Acceptance/Rejection of subscriber Registration Forms	Core Activity
3.b	Digitisation and uplaod of digitised forms/ information in CRA system	Core Activity
3.c	Subscriber Registration and maintainance activities	Core Activity
3.d	Maintenance of scanned documents - Eg- Subscriber Registration Forms and related KYC documents	Core Activity
3.e	Acceptance of subscriber request for change in master details, signature, photo, PFM, POP etc.	Core Activity
4	PRAN Account Management	Core Activity
4.a	PRAN Account Generation	Core Activity
4.b	De-Duplication process	Core Activity
5	Interface with Trustee Bank	Core Activity
5.a	Instructing Trustee Bank to undertake daily settlement process	Core Activity
5.b	Generation of Error/Discrepancy Report on Fund Reconciliation	Core Activity
6	Interface with CG/SG/UTs Ministries and Departments	Core Activity
7	Interface with CABs/SABs/nodal offices	Core Activity
8	Interface with PFMS	Core Activity
8.a	Preparation and sending of consolidated Investment Preference Scheme information, Discrepancy/Confirmation report on Net Payout	Core Activity

8.b	Sending Net Transfer Report to PFMs	Core Activity
8.c	Crediting and Reporting of allocation of units into each subscriber account	Core Activity
9	Interface with ASPs	Core Activity
9.a	Provisioning of Annuity related information to ASPs	Core Activity
10	Interface with POPs /Direct Corporates	Core Activity
11	Interface with Aggregators/Banks of NPS Lite Sector/APY	Core Activity
12	Preparation of various MIS reports for PFRDA/NPS Trust and other stakeholders	Core Activity
12.a	Periodic MIS reports	Core Activity
12.b	Ad-Hoc MIS reports	Core Activity
12.c	Provisioning of System Dashboard to facilitate effective monitoring	Core Activity
13	Client Billing	Core Activity
13.a	Billing Activities for Various Sectors on Periodic Basis	Core Activity
14	Processing of Withdrawal/Exit Requests	Core Activity
14.a	Receipt of Withdrawal Requests	Core Activity
14.b	Verification of data, processing of Withdrawal requests and any other activity related to withdrawal and Exit	Core Activity
15	Handling Exception Cases	Core Activity
15.a	Handling Exceptional Cases like NAV Correction, closure of PFM/Aggregator, Rectification of contribution errors of Nodal Offices etc.	Core Activity
16	Handling RTI Queries & Complaints/Legal Cases	Core Activity
17	Conducting Subscriber Awareness Programs on NPS	Non-Core Activity
17.a	Providing Trainings,Workshops and Programs	Non-Core Activity
17.b	Development of Self-Running Demos/seminars/webinars	Non-Core Activity
17.c	Periodic Orientation Programs for Nodal Offices	Non-Core Activity
17.d	Provisioning of periodic monitoring reports on trainings and workshops conducted	Core Activity
18	Interface with Printer/Courier Agencies for printing/dispatch of PRAN kits/Transaction Statements	
18.a	Dispatch of PRAN Card/IPIN/TPIN	Non-Core Activity
18.b	Digitization of Paper Documents	Core Activity
19	Grievance and Complaint Registration	Core Activity
19.a	Provisioning of centralised Grievance Management Systems	Core Activity
19.b	Handling Subscriber Grievances through Systems/Manually/Telephonically	Core Activity



19.c	Preparation of Action Taken Report on grievances	Core Activity
19.d	Digitization of Manual or Telephonic Grievances in electronic format	Core Activity
20	Statement of Transactions	
20.a	Preparation/Generation of SOTs	Core Activity
20.b	Sending SOTs through Post/Courier on periodic Basis	Non-Core Activity
21	Recordkeeping and administration	Core Activity
21.a	Creating and Maintaining the complete records of registered Subscribers	Core Activity
21.b	Consolidation of Pension Contribution Information	Core Activity
21.c	Migration of Legacy Data	Core Activity
22	Subscriber Maintenance Services	Core Activity
22.a	Update Subscriber Information/Demographic details etc/Investment Preference Schemes	Core Activity
22.b	Provision of SMS and email alerts for status updates and transactions	Core Activity
23	Call Center to handle NPS related Queries	
23.a	Setting up of Call Center including Interactive Voice Response System	Core Activity
23.b	Operations of Call Center	Core Activity
23.c	Maintenance Activities of Call Center	Non-Core Activity
24	Printing and Dispatch of PRAN cards and transaction statement	
24.a	Generation of Plastic PRAN cards with Photo and Signature	Non-Core Activity
24.b	Sending SOTs through Post/Courier on periodic Basis	Non-Core Activity

