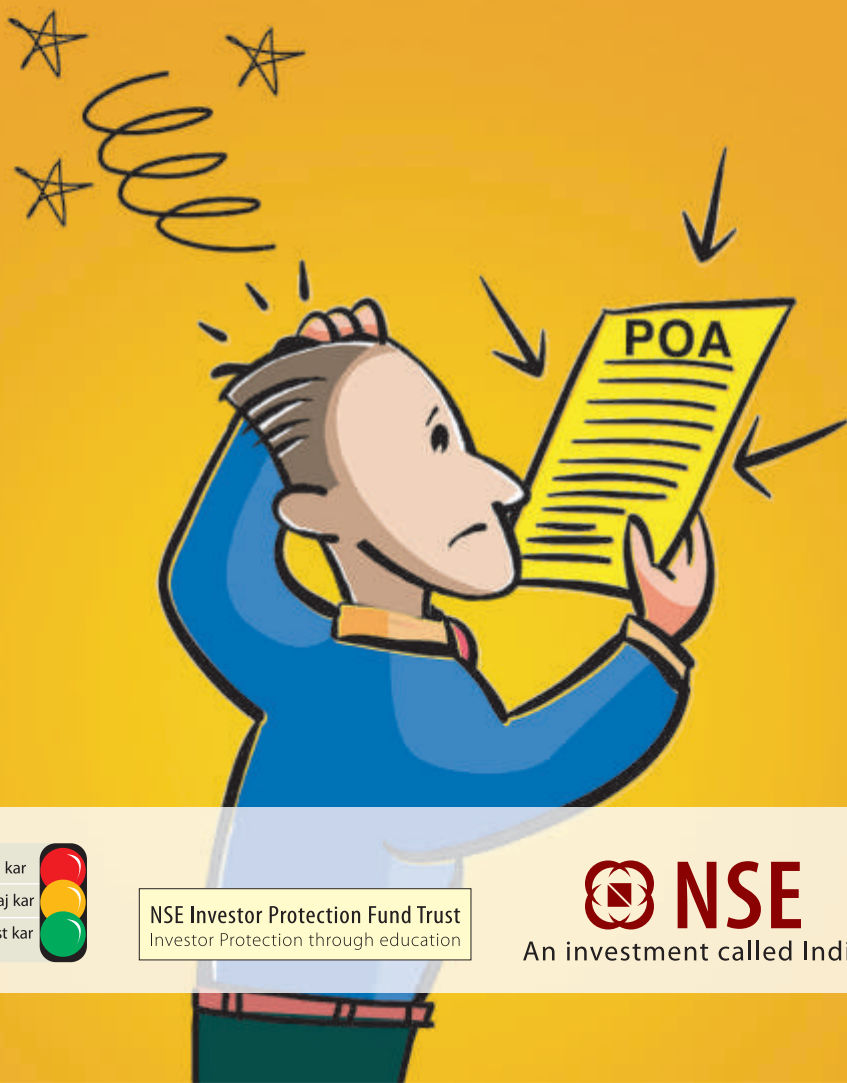


FAQs on Power of Attorney



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FAQs on Power of Attorney (PoA)

Introduction

NSE as part of its continued efforts to enhance investor awareness on various aspects of financial markets has endeavored to bring out this booklet on Power of Attorney. Recognizing the fact that though Power of Attorney is widely used, it is less understood by investors, an attempt has been made to provide answers to common investor's questions on Power of Attorney. For easy and better understanding, the information is provided in the form of Frequently Asked Questions.

However, investors may kindly note that the said booklet is not a substitute for the relevant regulations and requirements which are specified by the Exchanges from time to time. Therefore investors are advised to refer to the relevant provisions of the stock exchanges also.

Q 1. What is a Power of Attorney (PoA)?

A Power of Attorney is a legal document giving legal authority to another person to operate your account as per the instructions contained in the Power of Attorney.

Q 2. Is PoA compulsory in order to participate in Equity Markets / Derivatives Markets?

A PoA is not a mandatory document. SEBI or the Exchange does not specify that PoA is essential for the investors to trade. However, you as an investor have the choice of deciding whether to give or not to give PoA.



FAQs on Power of Attorney (PoA)

Q 3. Are there different types of PoA?

A Yes, there are two types of PoA viz., Specific PoA or Limited PoA and General PoA.

Q 4. What is a Specific PoA ?

A A Specific PoA or a Limited PoA clearly states a single power or limited range of powers that the person to whom PoA is given can utilize or exercise on your behalf. If you decide to give PoA to a Stock Broker for your convenience in trade settlements, please make sure that you give only a Specific PoA and that too limiting the usage of PoA for transfer of securities for margin purposes or for settlement of trades done through a recognised stock exchange.



Q 5. What is a General PoA?

A A General PoA authorises the person in whose favor PoA is given to perform all activities that the PoA giver could have performed and normally a General PoA holder enjoys wide ranging powers. For the purposes of dealing in securities market, you should not give General PoA.

Q 6. If you choose to give PoA for smooth operational purposes, in whose favor should the PoA be given?

A As explained earlier, PoA is not stipulated by SEBI or the Exchange. In case you choose to give PoA for convenience and hassle free transactions through your Stock Broker, please make sure that you give PoA in the name of a SEBI registered Stock Broker only. Do not give PoA in the name of any other person like employees, dealers, associate entities etc.

FAQs on Power of Attorney (PoA)

Q 7. What should be the period for which PoA should be given?

A

PoA should be generally given for a limited period. The period should never be left open-ended in the hand of your broker or member. In other words, the period for which the PoA is given should always be clearly mentioned. The choice of renewal or otherwise should be exercised after reviewing the manner in which PoA has been put to use by the PoA holder.



Q 8. If you choose to give Specific PoA, what are the conditions that you need to pay attention to?

A

At the time of giving PoA you need to pay particular attention to the following

Do's

- Give only Specific PoA
- Specify the period for which PoA is given
- Confirm existence of revocation clause
- Retain your control by insisting that you receive Contract notes, statement of account, demat transaction statement at your address

Don'ts

- **DO NOT** authorise Opening or Closing of Accounts using PoA
- **DO NOT** authorise Off Market Transactions other than for margin purposes
- **DO NOT** authorise investment decisions and placing of orders using PoA
- **DO NOT** authorise transfer of securities/ funds account other than that of Trading members' Pool Account of Client Margin Account

FAQs on Power of Attorney (PoA)

Q 9. After executing a PoA, will you get a copy of the Executed PoA from the Stock Broker?

A

As per the Exchange requirement, on execution of KYC documents, the Broker is required to give a copy of all the documents executed to the client. Hence, you should make sure that you collect a copy of the executed PoA.

Q

10. Should PoA be executed solely or jointly?

A

PoA should be executed by all the account holders. In other words, if the account is in a single name, PoA needs to be executed solely and if account is in joint name, PoA should be executed by all the account holders. PoA will automatically get cancelled in the event of death of the account holder. In case of joint account, the survivor will have to execute a fresh PoA.

Q

11. Can PoA contain authorisations for and on behalf of family members?

A

PoA can be given only by the account holder and hence, PoA cannot be given on behalf of family members. Family members having their own account should give their own authorisation .

FAQs on Power of Attorney (PoA)

Q 12. **Having given a PoA, is there any special care that you need to take?**

A

By giving PoA you are authorising the PoA Holder to operate your account and hence, naturally, you need to monitor regularly how the authority is being used. You need to ensure that:

(a) You regularly receive your transaction information like contract notes, margin information and quarterly statement of funds and securities.

(b) You also review your bank and demat account regularly in respect of movement of funds and securities from and to your account.

(c) In case you notice any discrepancy in the information received, you must immediately take up the issue with your Broker, preferably in writing. If the issue continues, you need to take up the issue with Investor Services Cell of the Exchange.

Q 13. If you have given PoA, should the account be operated only by the PoA Holder?

A

PoA is an authority given by you to the PoA Holder to act on your behalf. PoA cannot take away your right to operate your account. So, even if you have given PoA, you can operate your account.

Q 14. Having given PoA, can you take back or cancel the PoA given?

A

At any time during the existence of PoA, you may revoke or cancel a PoA subject however to fulfilling the requirement of the advance notice period. At the time of giving PoA please make sure that your right of cancellation is clearly stated in the PoA.



FAQs on Power of Attorney (PoA)

Q 15. **Generally, What aspects need special care while giving the PoA?**

A

Keeping the safety of your assets in mind, generally, you should make sure that:

(a) you have retained your powers to make your investment decisions and that you have not passed on investment decisions for sale and purchase of securities to the PoA holder.

(b) you have retained your right to receive all information relating to your transactions and account directly and that you have not agreed that only PoA holder should receive information on your transactions.

(c) you have agreed for Usage of your securities/funds only for your transactions and not for any other purposes like own use of Stock Broker or for the needs of other investors.

(d) you have retained your right of Opening or Closing of accounts and that you have not passed on these rights to PoA holder.

(e) you have given PoA only to SEBI registered Trading Member and not to any person or entities other than registered Stock Broker.

Q
A **16. If there is shortage of margin or failure of payment for securities purchased, will the PoA Holder have the right to dispose off all securities in the account?**

If there is shortfall in the margin or failure of payment by you, the PoA holder can exercise his authority under PoA to the limited extent of recovering the dues from you. So, the Stock Broker will be in a position to dispose off securities to the extent of recovery of money due from you.

