



CIRCULAR

CIR/MRD/DMS/28/2010

August 31, 2010

To
The Managing Directors of Stock Exchanges and Depositories

Dear Sir (s),

**Sub: Execution of Power of Attorney (PoA) by the Client in
favour of the Stock Broker/ Stock Broker and Depository
Participant - Clarifications**

1. SEBI vide circular no. CIR/MRD/DMS/13/2010 dated April 23, 2010 issued guidelines regarding execution of Power of Attorney (PoA) by the client in favor of Stock Broker / Stock Broker and Depository Participant.
2. SEBI has received representation from Market Participants seeking guidance and clarifications on process to be followed for implementation of the provisions of the circular.
3. Based on the examination of the issues highlighted in the representations and so as to facilitate the implementation of the provisions of the aforesaid Circular, attached clarifications are issued for immediate implementation.
4. All other clauses/ provisions of the aforesaid PoA circular, except those mentioned in the annexure, shall remain unchanged.

Yours faithfully,

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Encl: Clarification to Guidelines for execution of Power of Attorney by Clients favouring Stock Brokers / Stock Broker and Depository Participants (2 Pages)



Clarification to Guidelines for execution of Power of Attorney by Clients favouring Stock Brokers / Stock Broker and Depository Participants

Sl No	Clauses/ Provisions of the PoA Circular	Clarifications
1	Standardizing the norms for PoA must not be construed as making the PoA a condition precedent or mandatory for availing broking or depository participant services. PoA is merely an option available to the client for instructing his broker or depository participant to facilitate the delivery of shares and pay-in/pay-out of funds etc. No stock broker or depository participant shall deny services to the client if the client refuses to execute a PoA in their favour.	Only internet based trading exempted.
2	The Stock Brokers shall take necessary steps to implement this circular latest by May 31, 2010 for the new clients and ensure to take necessary steps latest by September 01, 2010 to revoke those authorizations given by the existing clients to the stock brokers/ stock broker and depository participants through PoA that are inconsistent with the present guidelines.	Stock Broker/ DP may revoke those authorizations that are inconsistent with the present guidelines by communicating the inconsistent clauses to the existing clients. In the event, the deleted clauses are not accepted by the client, Stock Broker/ DP may be required to either obtain fresh PoA or close the account. In case of any addition to the existing PoA, Stock Broker / DP shall be required to obtain a new PoA from clients.
3	PoA executed in favour of a Stock Broker by the client should be limited to the following: “(i) Transfer of securities held in the beneficial owner account(s) of the client(s) towards stock exchange related margin / delivery obligations arising out of trades executed by the Client(s) on the stock exchange through the same Stock Broker.”	Margin / Delivery obligations shall also include settlement obligations, if any.
4	PoA executed in favour of a Stock Broker by the client should be limited to the following: “(iii) To apply for various products like Mutual Funds, Public Issues	Redemptions are also included in PoA pursuant to client's instructions.



SI No	Clauses/ Provisions of the PoA Circular	Clarifications
	(shares as well as debentures), rights, offer of shares, tendering shares in open offers etc. pursuant to the instructions of the Client(s). However, a proper audit trail should be maintained by the Stock Broker to prove that the necessary application/act was made /done pursuant to receipt of instruction from Client.”	
5	PoA executed in favour of a Stock Broker and Depository Participant by the client should provide the list of clients' & brokers' Bank accounts & demat accounts where funds and securities can be moved. Such bank & demat accounts should be accounts of related party only.	The list of clients' & brokers' Bank accounts & demat accounts may be updated / amended by proper communication without executing a new PoA every time. Copies of such communications may be preserved as annexure to the PoA.
6	PoA executed in favour of a Stock Broker and Depository Participant by the client should be revocable at any time, without notice.	PoA executed in favour of a Stock Broker / Stock Broker and Depository Participant by the client should be revocable at any time. However, such revocation shall not be applicable for any outstanding settlement obligation arising out of the trades carried out prior to receiving request for revocation of PoA. Further, the PoA revocation requests should be dated and time stamped by the brokers for ensuring proper audit trail.
7	The POA shall not facilitate the stock broker to do the following: “12. Transfer of securities for off market trades”	The PoA shall not facilitate off-market trades between parties other than the related parties as mentioned in the PoA.