



Standard Operating Procedure (SOP) for Nominees Acting on Behalf of Incapacitated Investors in the Stock Market

Objective

To ensure that nominees can effectively and ethically act on behalf of incapacitated investors in the stock market, protecting their interests and ensuring compliance with legal and regulatory standards.

To frame the SOP for Nominees Acting on Behalf of Incapacitated Investors in the Stock Market as mandated by following Circular issued by SEBI:

SEBI reference:

SEBI circular No. SEBI/HO/OIAE/OIAE_IAD-3/P/ON/2025/01650 dated January 10, 2025

Scope

This SOP applies to all nominees and relevant personnel involved in the management and execution of stock market transactions on behalf of incapacitated investors.

Definitions

Incapacitated Investor: An investor who is unable to make financial decisions due to physical or mental limitations.

Nominee: A person legally authorized to act on behalf of the incapacitated investor.

Procedures

Verification and Authorization:

KLFS shall Obtain and verify legal documentation authorizing the nominee to act on behalf of the incapacitated investor (e.g., power of attorney, court orders).

Ensure the documentation is up-to-date and complies with legal requirements.

Communication

KLFS shall establish clear and open lines of communication with the incapacitated investor (if possible) and their family or legal representatives.

Provide regular updates on investment activities and account status.

Decision-Making

Ensure all decisions are made in the best interest of the incapacitated investor, considering their financial goals and risk tolerance.

Seek input from financial advisors or legal professionals when necessary.

Record Keeping



KLFS shall maintain detailed records of all transactions, communications, and decisions made on behalf of the incapacitated investor. Also ensure records are securely stored and comply with privacy regulations.

Investment Management

Follow a conservative investment approach to minimize risk and protect the incapacitated investor's assets.

Regularly review and adjust the investment portfolio to align with the investor's needs and market conditions.

Additional Guidelines for Operation of Accounts in Case of an Incapacitated Investor

Empowerment Options

Provide investors with single holding/account/folio the option to:

- Empower any one of the nominees (excluding minor nominees) to operate the investor's account/folio if the investor is physically incapacitated but still has the capacity to contract.
- Specify either the percentage or absolute value of assets in the account/folio that can be encashed by such nominee.
- Change such mandate any number of times without any restriction.

Verification and Personal Visit

- Upon receipt of intimation on behalf of the incapacitated investor, an officer of KLFS shall visit the incapacitated investor in person.
- This request shall be accompanied by a medical certificate indicating the reason for the investor's inability to affix a signature and its tenure.
- The officer shall ascertain that the investor has the capacity to contract (excluding investors on ventilators, in comas, or unconscious).
- Depending on the nature and degree of incapacitation, the officer shall obtain a thumb or toe impression or 'a mark' on the written request for transacting in the account/folio of the incapacitated investor, in the presence of an independent witness.
- The officer shall record his/her name, signature, and suitable remarks to the effect that "Thumb impression/toe impression/mark affixed in my presence" on the written request of the client.
- Any encashment by such nominee shall be credited only to the bank account linked to the account/folio of the investor.



- No service requests, including changes in bank account, email address, mobile number, etc., shall be allowed by such nominee.

Monitoring and Compliance

Establish a monitoring system to ensure adherence to this SOP.

Perform regular audits and reviews of the nominee's actions and transactions.

Create a grievance and feedback mechanism for the incapacitated investor's family or legal representatives.

Legal and Ethical Considerations

Comply with all relevant legal and regulatory requirements.

Ensure ethical standards are upheld in all dealings with the incapacitated investor's assets.

Training and Education

Provide training for nominees on legal, ethical, and financial management principles.

Ensure nominees are aware of their responsibilities and the importance of acting in the best interest of the incapacitated investor.

Review and Updates

Regularly review and update this SOP to reflect changes in laws, regulations, or best practices.

Conduct annual reviews to assess the effectiveness of the procedures.