

## **SNAPSHOT - INVESTORS RELATED DEVELOPMENTS IN CAPITAL MARKET**

**MONTH – MARCH 2022**

### ➤ **Execution of ‘Demat Debit and Pledge Instruction’ (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities**

SEBI vide its earlier circular dated April 23, 2010 issued guidelines regarding execution of Power of Attorney (PoA) by the client in favour of Stock Broker / Stock Broker and Depository Participant. It was inter-alia reiterated that:

- 1) PoA is optional and should not be insisted upon by the stock broker / stock broker depository participant for opening of the client account.
- 2) In case PoA is executed in favour of stockbroker / stock broker depository participant by the client, it shall be utilized;
  - a) For transfer of securities held in the beneficial owner account of the client towards Stock Exchange related deliveries / settlement obligations arising out of trades executed by such a client on the Stock Exchange through the same stock broker.
  - b) For pledging / re-pledging of securities in favour of the trading member (TM) / clearing member (CM) for the purpose of meeting margin requirements of the client in connection with the trades executed by such a client on the Stock Exchange.

### **What SEBI has decided now ?**

In order to make the process more transparent and simpler, now SEBI vide its circular dated April 4, 2022 has stated that the two conditions as specified above shall be made part of a separate document viz. **‘Demat Debit and Pledge Instruction’(DDPI)**, in the format attached with the circular under which ;

- 1) The clients shall explicitly agree to authorize the stock broker/stock broker and depository participant to access their BO account for the limited purpose of meeting pay-in obligations for settlement of trades executed by them.
- 2) It is further stated that the DDPI shall serve the same purpose of PoA and significantly mitigate the misuse of PoA. The use of DDPI shall be limited only for the two purposes as mentioned in paragraph.
- 3) The client may use the DDPI or opt to complete the settlement by issuing physical Delivery Instruction Slip (DIS) or electronic Delivery Instruction Slip (eDIS) themselves.

Hence, with the implementation of this circular, PoA shall no longer be executed for the conditions specified above. The DDPI shall be provided to clients as part of the Voluntary Documents and shall be executed only if the client provides his/her explicit consent for the same, including internet-based trading. The existing PoAs shall continue to remain valid till the time client revokes the same.

Thus, the stock broker/stock broker and depository participant shall not directly / indirectly compel the clients to execute the DDPI or deny services to the client if the client refuses to execute the DDPI. Also, as mentioned in point no.

**Impact for Investors:** This initiative from SEBI will make it much easier for investors to understand the reasons for which they are providing POA to the brokers/DPs very clearly. The stock brokers/DPs cannot insist the clients to execute POA against their will and even if investors execute them, the same can not be considered as granted for the two most common purposes mentioned above, which is generally bundled in other provisions of the POA.

A separate document specified for these two purposes will make investors understand these specific purposes and will help them to take appropriate decision about whether to provide the same or not.

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