

FAQs on Appointment and Cancellation of Authorised Persons

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Authorized Person

FREQUENTY ASKED QUESTIONS (FAQs)

Q1. Who is an Authorised Person?

A1. Any person who is appointed as such by a trading member and who provides access to trading platform of a stock exchange as an agent of the stock broker is an Authorised person.

Q2. Who can be appointed as an Authorised Person?

A2. The following persons meeting the requisite eligibility criteria as prescribed by SEBI / Stock Exchange shall be appointed as an Authorised Person:

- An individual who is a citizen of India
- A Partnership Firm registered under Indian Partnership Act, 1932
- A Limited Liability Partnership (LLP) registered under the Indian Limited Liability Partnership Act, 2008.
- A Body Corporate registered under the Indian Companies Act, 1956.

Q3. Can an HUF be appointed as an Authorised Person?

A3. No, an HUF cannot be appointed as an Authorised Person.

Q4. Can a partner or director of a registered Authorised Person be appointed as an Authorised Person?

A4. No, a partner or director of a registered authorised person cannot be appointed as an authorised person in any capacity on the same stock exchange.

Q5. Is NCFM \ NISM certification and third party reference letters mandatory for Appointment of Authorised Person?

A5. No, NCFM\NISM certification and third party reference letters are not required for Appointment of Authorised Person.

Q6. In case stock broker is willing to submit the application for appointment of Authorised Person in two or more segments of the Exchange simultaneously, whether a single application can be submitted for all segments? Similarly whether a single agreement between the stock broker and Authorised Person will suffice in such cases?

A6. Yes, a single application specifying the segments can be submitted in case stock broker is seeking approval of the stock exchange for appointment of Authorised Person in two or more segments together. Further, a single agreement between the stock broker and the Authorised Person will suffice in such cases mentioning names of all the segments applied for registration of Authorised person. However, it is necessary to keep the agreement separate for each stock exchange.

Q7. Can a registered Authorised Person share brokerage with the stock broker?

A7. Yes, Authorised Person can receive remuneration - fees, charges, commission, salary, etc. for his services only from the stock broker and shall not charge any amount from the clients.

Q8. Is it necessary to submit ROF certificate for registration of Partnership firm as Authorised person?

A8. Yes, Registration of Firm (ROF) Certificate also needs to be submitted along with the Partnership deed for registering the partnership firm as Authorised Person.

Q9. Whether tripartite agreement needs to be entered in case of an Authorised Person?

A9. No, in case of an Authorised Person, as stipulated by SEBI, an agreement has to be entered between stock broker and the Authorised Person in the format prescribed by the Exchange vide circular no. 705 (download ref. no. 13601) dated December 3, 2009. There is no requirement of a tripartite agreement in case of Authorised Person.

Q10. In case stock broker wishes to enter into a tri-partite agreement in addition to the agreement between stock broker and authorised person, can they do so?

A10. Yes, a stock broker may enter into any additional agreement with Authorised Person provided the clauses of such agreements are not in contravention of SEBI/Stock Exchange stipulations. However, whilst applying for appointment of Authorised Person, the uploaded agreement should be strictly as per the format prescribed by the Exchange.

Q11. Whether an in-person verification of clients can be carried out by Authorised Persons?

A11. No, as per SEBI stipulations, in-person verification of clients can only be carried out by employees of the stock broker, hence an Authorised Person who is not an employee of the stock broker cannot carry out in-person verification and same rule is even applicable to a sub- broker.

Q12. Can an Authorised Person become a sub-broker and can a sub-broker apply for Authorised Person on Capital Market segment at the same time?

A12. No, a choice has to be made between becoming an Authorised Person or sub-broker as having both concurrently for the same segment is not permitted.

Q13. Can an Authorised Person be affiliated with more than one Trading member (TM)?

A13. As per circular no NSE/COMP/63628, an Authorized Person has to be affiliated with only one Trading Member for all / specific segments. In case, TM is not registered in a particular segment then AP can get associated with other TM who is exclusively registered only in that segment.

For eg; An applicant wants to apply for CM, FAO and CD segment with TM 'ABC Ltd'. However, ABC Ltd is registered on the Exchange only in CM and FAO segment.

1. Apply only for CM & FAO segments with ABC Ltd and
2. For CD segment, the applicant can be affiliated with a TM who is exclusively registered only in CD segment.

Or

The applicant has a choice to be affiliated with a TM who is registered on all 3 segments.

Q14. Whether change in affiliation of Authorised Person from one stock broker to another stock broker of the exchange permissible?

A14. No, Authorised person can apply for Cancellation with the current trading member and can apply for registration with new trading member at the same time so that business continuity is not affected.

Q15. Whether Authorised Person will have similar obligations and liabilities, which Sub-broker has?

A15. Yes, the obligations and liabilities of an Authorised Person are similar to that of a Sub- broker. The Authorised Person shall only be approved by the stock exchange and there is no requirement to seek registration from SEBI. Further in all representations to investors at large, name of the affiliated stock broker along with its registration number should be clearly displayed.

Q16. In case a person is a SEBI registered sub-broker on Capital Market Segment and is also an Authorised Person of Futures & Options and Currency Derivative Segments of the Exchange, whether two notice boards have to be displayed at the office of such person, i.e., one as a sub-broker office and another one as a branch office of the stock broker?

A16. No, a single notice board can be displayed mentioning the details of stock broker, sub- broker and Authorised Person.

Q17. Whether Arbitration mechanism of the Exchange will be available for resolving the disputes between the stock broker and Authorized Person?

A17. Yes, arbitration mechanism of the stock exchange will be available for resolving the client disputes against the Authorised Person and the stock broker wherein the Authorised Person can be made a party to it. The stock exchange arbitration mechanism will be available in case of any dispute between the stock broker and the Authorised Person.

Q18. In case of an individual seeking appointment of Authorised Person and who would be operating from the office of stock broker (with or without terminal), whether such applicant Authorised Person can mention the stock broker's office address as his office address in the application form.

A18. Yes, if the Authorised Person would be operating from the office of stock broker, the address of the stock broker can be mentioned in the application form seeking appointment of Authorised Person & also necessary undertaking/NOC from the stock broker should be provided along with the address proof of stock broker.

Q19. Can the Trading Member apply for cancellation of an Authorised person who is not traceable?

A19. Yes, the trading member can apply for cancellation on ENIT only after completion of one month from the date of serving the termination notice to the Authorised Person. The copy of termination notice mentioning all the details of AP along with POD (Proof of Delivery mentioning the name of AP/TM and date) should be uploaded with the application.

Q20. It is necessary to submit a copy of Public notification in case of Cancellation of Authorised Person?

A20. No, however, a copy of Public Notification is required to be submitted only if any disciplinary action has been initiated against the Authorised Person.

Q21. Is there any validity of TM AP Agreement?

A21. TM AP Agreement is valid for a period of 6(Six) Months from date of execution of agreement.

Q22. Is there any restriction on use of certain words by Trading Member/ Authorized Person in their name? Which circular to refer?

A22. Yes, there are restriction on use of certain words such as such as Advisors/Asset/Wealth/Portfolio Management etc by Trading Member/ Authorized Person in their name which is misleading and may indicate to the clients/investors that the Trading Members/Authorized Persons are registered for offering services other than

broking services without having the applicable registration for those services with SEBI/other regulators. Kindly refer to Circular bearing No. NSE/COMP/55716 dated February 22, 2023 where List of Non- Permissible words is mentioned. It may be noted that the list provided is illustrative and not exhaustive.

Q23. Which document needs to be uploaded if AP is using the premises (Not owned or taken on rent by AP) as Registered Office and is owned by another person?

A23. In such case, NOC letter from premises owner needs to be uploaded wherein it should be clearly mentioned that Premises Owner has no objection if the said premises shall be used by upcoming AP as its registered office.

Q24. What need to be mention on main object clause of Memorandum of Association and Partnership Deed?

A24. For Corporate/OPC, Main object clause should consist of a clause permitting the corporate applicant to deal/trading/act/buying & selling in shares and securities business and it should be mentioned in point no. 3 (A) of MOA. For Firm/LLP, object clause should consist of a clause permitting the applicant to deal/trading/act/buying & selling in shares and securities business.

In case the aforesaid clause does not exist in the Objects Clause, a certified true copy of board resolution approving the inclusion of the said clause in Main Objects Clause shall be submitted.

Q25. How much Stamp Duty needs to be paid on TMAP Agreement or minimum value of stamp paper which needs to be part of TMAP Agreement?

A25. TMAP Agreement needs to be executed on Minimum Stamp paper of Rs. 100/- or as per applicable stamp duty as levied in state where the agreement is being executed.

Further, in case where stamp paper is not easily available, online stamp duty can be paid and challan of stamp duty payment be attached in the TMAP Agreement.

Q26. Does TM need to cancel AP registration from all the Exchanges if the cancellation of an AP is on disciplinary grounds or on regulatory action?

A26. Yes, If the AP cancellation is initiated pursuant to a disciplinary action or pursuing to any regulatory action, the Trading Member has to initiate simultaneous cancellation of the said AP with all the Exchanges where the AP is registered.

Q27. Contact details in case of any further query/technical issue related to submission of application on Exchange portal.

A27. Write us on email at memcompliance_support@nse.co.in.