

PARIM FINSERV PVT LTD.

Standard Operating Procedure (SOP) for Operation of Accounts in Case of an Incapacitated Investor

1. Background

In order to ensure investor protection and standardization in dealing with cases of incapacitation, the **Securities and Exchange Board of India (SEBI)** has introduced a uniform framework through its circulars issued on January 10, 2025, and February 28, 2025.

These circulars mandate Depositories (like CDSL and NSDL) and the **Association of Mutual Funds in India (AMFI)** to establish a **Standard Operating Procedure (SOP)** for consistent treatment of cases where investors become physically incapacitated but retain the **capacity to contract** under Section 11 of the Indian Contract Act, 1872.

This SOP has been prepared by **PARIM FINSERV PVT LTD. ("PFPL")** to align with these regulatory requirements and ensure transparent, secure, and compliant account operation processes during such circumstances.

This document is applicable to:

- All individual demat account holders.
- All cases where the investor becomes physically incapacitated but can legally consent;
- All **PFPL** employees, associates, and designated officials handling such requests.

2. Objective of the SOP

The primary objectives of this SOP are:

1. To facilitate a secure and verified mechanism allowing account operation by an Empowered Nominee during the period of incapacitation.
2. To safeguard investor interests while preventing misuse of authority.
3. To ensure regulatory compliance with SEBI and CDSL guidelines.
4. To maintain uniformity in documentation, verification, and authorization processes.

3. Applicability and Scope

This SOP shall apply to:

- Demat accounts maintained under CDSL, where **PARIM FINSERV PVT LTD.** acts as a Depository Participant (DP).
- Scenarios involving physical incapacitation (not mental or legal incompetence).

It **does not cover situations** where the investor is in a **coma, on ventilator support, unconscious,** or declared of **unsound mind**. Such cases shall be governed by applicable legal or judicial processes.

4. Key Definitions

- Incapacitated Investor: A person who is unable to sign or physically transact due to illness, disability, or accident, but retains mental ability to contract.
- Empowered Nominee: A nominee, other than a minor, authorized by the investor to act on their behalf during the period of incapacitation.
- Intermediary: Includes the Depository Participant (DP), Asset Management Company (AMC), and Registrar and Transfer Agent (RTA) handling the investor's account.
- Independent Witness: An individual present at the verification process, not related to the investor or the intermediary.

5. Appointment of Empowered Nominee

5.1 Procedure for Empowerment

Investors holding accounts either singly or jointly may authorize any one of their registered nominees (except minors) to act as Empowered Nominee.

The authorization shall:

1. Clearly specify the extent of authority, i.e., percentage or value of assets permitted for encashment;
2. Be revocable or changeable at any time;
3. Be valid only for the duration of incapacitation;
4. Apply even in joint holdings, only if all holders are incapacitated simultaneously.

5.2 Conditions

- The Empowered Nominee must be registered in the account and KYC compliant before executing any transactions.
- No third party, including legal heirs, shall act unless appointed by a competent court.

6. Process Flow After Incapacitation

Step 1: Intimation of Incapacitation

- The Empowered Nominee or any other individual shall submit a written request in Annexure–A format to **PARIM FINSERV PVT LTD.**
- The request must mention the reason, date, and duration of incapacitation.

Step 2: Submission of Documents

1. Medical certificate from a registered medical practitioner clearly stating:
2. Nature and cause of incapacitation,
3. Period since the investor became incapacitated, and
4. Confirmation that the investor is mentally fit to contract.
5. Self-attested copies of the investor's PAN or masked Aadhaar.
6. ID proof of the Empowered Nominee (as per KYC records).

Step 3: On-Site Verification

A responsible officer of **PFPL** shall:

- Visit the incapacitated investor at their residence or hospital;
- Confirm physical incapacitation and mental competence;
- Obtain the investor's thumb/toe impression or mark in the presence of an independent witness;
- Record verification remarks: (Thumb/toe impression/mark affixed in my presence after due verification of identity and mental capacity.)

Step 4: System Update and Notification

- The DP shall update the incapacitation flag in the CDSL system.
- The investor and Empowered Nominee shall be informed in writing/email.
- The nominee's email and mobile number shall be uploaded in the KRA system.

Step 5: Transaction Authorization

After a 48-hour cooling-off period, the Empowered Nominee may:

- Execute transactions within authorized limits (in percentage or absolute value).
- All redemptions, transfers, or encashments shall be credited only to the investor's registered bank account.
- No service modifications (bank change, address, email, etc.) shall be permitted by the nominee.

Step 6: Monitoring and Reporting

- All transactions by the Empowered Nominee must be logged, timestamped, and audited.
- Regular reports shall be submitted to the Compliance Department and Internal Audit.
- Any suspicious activity shall be escalated immediately.

7. Recovery and Deactivation Process

When the investor recovers from incapacitation:

1. A fresh medical certificate confirming recovery must be submitted.
2. A responsible officer shall visit and verify the recovery.
3. The incapacitation flag shall be removed from the CDSL system.
4. The Empowered Nominee's operating rights shall be revoked.
5. Investor's ability to self-operate shall be restored.

8. Specialized Doorstep Services

To promote investor convenience, **PFPL** shall facilitate doorstep support for:

- Senior Citizens (based on age in records);
- Investors with special needs or critical illness.

Doorstep services shall include:

- Collection of service requests and nomination forms;
- Registration or modification of Empowered Nominee;
- Delivery and pickup of verification documents.

This facility will be provided subject to:

- Branch proximity and service feasibility;
- Availability of supporting documents (medical or age proof).

9. Compliance, Recordkeeping, and Confidentiality

- All documents, verification records, and logs shall be maintained for at least 8 years as per SEBI regulations.
- Copies shall be stored securely in digital and physical formats with restricted access.
- Any employee violating confidentiality or verification norms shall be subject to disciplinary and regulatory action.

10. Disclaimer

Compliance with this SOP does not override any applicable laws or SEBI/Depository regulations. All operations must adhere to **SEBI (Depositories and Participants) Regulations, 2018, Indian Contract Act, 1872, and Prevention of Money Laundering Act (PMLA), 2002.**

This SOP is subject to periodic review and amendment in line with regulatory changes.

Letter for intimating Incapacitation of the investor and relevant authorization

Date:

To,

PARIM FINSERV PVT LTD.**412, Zircon Plus, Opp Patidar Bhavan,
B/S Ankur School, Amba Talavadi Road,
Katargram, Surat-395004****Sub: Intimation about Incapacitation of the investor and Authorization letter**

PAN of the Incapacitated investor															
Demat Account / Folio No.															

I/We hereby wish to inform you that the above referred investor has become incapacitated from /_/_to /_/_ (tentatively) for reason_____due to which he is unable to transact though having the capacity to contract. Refer the medical certificate from our doctor indicating the same.

I/We request you to record the same in your records and approve the transactions only if the same is initiated by the person(s) authorized by him/her and is within the limits prescribed, if any. I/We also hereby authorize you/your team to independently validate the above incapacitation by visiting the incapacitated investor (tick appropriately / provide information as requested), take appropriate thumb / toe impression or complete any other prescribed processes and procedures, as mandated by the regulator(s).

- ☐ at the registered address (or)
- ☐ at the address where investor stays now (specify)
- ☐ at the hospital specify the details _____
- ☐ Contact Number(s): _to fix appointment (if required).

Documentary Proof enclosed (tick as applicable):

- ☐ Original Medical certificate indicating incapacitation.
- ☐ Self-attested PAN card copy / Masked Aadhaar copy of the incapacitated investor. o Copy of the court order or letter from the competent authority (where applicable).
- ☐ ID Document number of authorized nominee (which should match with details of registered nominee)

I/We extend all support and cooperation to complete the processes and tag the account as Incapacitation wherever the above referred PAN / Folio(s).

Declaration from Empowered Nominee

I hereby confirm my understanding and the responsibility that I own for limited purpose transaction as per the wish of the investor(s) in the above referred account/folio and help your esteemed organization with all the required information/documentary proof and support as required from time to time. Signatures:

Holder	Name	Signature
First holder		
Joint Holder1		
Joint Holder2		
Authorized Nominee		

Letter for intimating Incapacitation of the investor and relevant authorization

For Office Use only to be filled only by Regulated Entity employee

I, _____ Emp No. _____, DP/AMC/RTA Name _____ visited the above address/hospital and met the incapacitated investor and noted the incapacitation and obtain the following:

Date of Visit	Thumb Impression*	Toe Impression	Marks noted

*Signature of Witness:

Name of the Witness:

Address of the Witness:

Signature of the DP/AMC/RTA employee: _____