POLICY ON HANDLING OF CLIENT'S UNPAID SECURITIES (CUSPA)

Particulars	Details
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Policy Owner	Compliance
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1. Purpose

This Policy sets out the framework for handling unpaid securities purchased by clients in accordance with applicable SEBI, Stock Exchange, Clearing Corporation and Depository regulations relating to Client Unpaid Securities Pledgee Account (CUSPA).

2. Objective

The objective of this Policy is to:

- Protect the Company's financial exposure arising from non-payment by clients.
- Ensure fair, transparent and uniform treatment of clients.
- Comply with regulatory requirements relating to creation, maintenance, invocation and release of CUSPA pledges.
- Establish governance, communication and control mechanisms.

3. Applicability

This Policy shall apply to:

- All clients purchasing securities through the Company in non-MTF segments.
- All departments involved in trade settlement, risk management, compliance, operations and depository activities.

4. Definitions

Client Unpaid Securities

Securities purchased by a client for which full payment has not been received by the Company as determined from the client's end-of-day clear ledger balance.

CUSPA

Client Unpaid Securities Pledgee Account maintained by the Trading Member with the Depository.

CUSPA Pledge

Pledge created over unpaid securities in favour of the Company's CUSPA account through the Depository mechanism.

5. Determination of Unpaid Securities

The Company shall determine unpaid securities based on:

- End-of-day clear ledger balance.
- Funds blocked towards margin obligations shall be added while determining freely available balance.
- If securities are not fully paid, CUSPA pledge may be created.

6. Creation of CUSPA Pledge

6.1 Circumstances

CUSPA pledge may be created where:

- Securities are purchased in non-MTF segment.
- Full payment is not available from client.

6.2 Extent of Pledge

Where client has partially funded the purchase transaction, the Company may create CUSPA pledge on all securities received under payout.

6.3 Pledger process

CUSPA pledge shall be created as part of direct payout process through the Clearing Corporation and Depository mechanism.

7. Client Communication

Upon creation of a CUSPA pledge, the Company shall communicate through Email/SMS/other verifiable electronic mode:

- Outstanding ledger debit.
- Margin obligation, if any.
- Name and quantity of pledged securities.
- Company's right to invoke and liquidate securities upon failure to pay.
- Applicable timeline for payment.

Communication shall be sent not later than commencement of trading on the next trading day after pledge creation.

8. Payment Timeline

The Company shall allow the client a maximum period of up to 5 trading days from payout date to clear the payment obligation.

However, the Company reserves the right to invoke and liquidate pledged securities earlier after providing reasonable notice where risk considerations warrant such action.

9. Invocation and Liquidation

9.1 Notice

Prior to invocation, reasonable notice shall be issued to the client through verifiable mode.

9.2 Invocation

The Company may invoke the CUSPA pledge if:

- Payment is not received within the prescribed timeline.
- The client fails to meet settlement obligations.

9.3 Liquidation Priority

Unless otherwise required for risk management reasons, securities shall be liquidated on FIFO basis according to pledge creation date.

9.4 Sale Proceeds

Sale proceeds shall be utilized for:

1. Outstanding debit recovery.
2. Statutory charges.
3. Applicable dues of the client.

Liquidation proceeds shall be credited to the client's ledger account.

10. Release of CUSPA Pledge

The Company shall release CUSPA pledge when:

- Payment obligation is discharged.
- Margin and ledger computations require release under regulatory formula.
- Auto-release occurs through depository mechanism.

Excess CUSPA pledge shall be released on or before the next trading day after determination.

11. Maximum Retention Limit

At end of each trading day:

Maximum Permissible CUSPA Value = 2.25 × (C − B)

Where:

- C = End-of-day margin obligation
- B = Aggregate clear ledger balance

CUSPA holdings exceeding permissible limit shall be released.

12. Auto Release

CUSPA pledge shall automatically expire at the end of the sixth trading day after payout date if not invoked, released or validly extended.

13. Extension in Exceptional Circumstances

Extension may be sought only for prescribed reasons including:

- Lower circuit with only sellers.
- Trading halt/suspension.
- GSM restrictions.
- Regulatory restrictions on sale.
- Authority-imposed restrictions.
- Insider trading/trading window restrictions.

14. Restrictions

CUSPA securities shall not be:

- Re-pledged.
- Further pledged.
- Transferred to any bank or NBFC.
- Used for margin with Clearing Corporations.

15. Governance

- Board/Senior Management approval.
- Annual review by Compliance and Risk.
- Website hosting.
- Client communication before implementation/revision.