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**POLICY FOR HANDLING OF CLIENTS UNPAID SECURITIES**

## 1. Regulatory Basis

This Policy is formulated in accordance with **SEBI Circular No. HO/38/11/(9)2026-MIRSD-POD/I/15382/2026 dated July 03, 2026 – "Handling of Client's Unpaid Securities by Trading Members"**, and the applicable operational guidelines issued by the Stock Exchanges/Market Infrastructure Institutions (MIIs) from time to time.

The Policy shall also be read together with the applicable provisions of the SEBI Master Circular for Stock Brokers, Rules, Regulations, Bye-laws, circulars and directions of SEBI, Stock Exchanges and Depositories, as amended from time to time.

## 2. Objective

The objective of this Policy is to establish a transparent and systematic process for handling securities purchased by a client where the client has not made full payment of the applicable funds obligation within the prescribed time.

The Policy is intended to ensure:

- protection of clients' securities and interests;
- compliance with applicable SEBI and Exchange requirements;
- timely communication to clients regarding unpaid securities;
- appropriate creation, monitoring, release and invocation of pledge;
- orderly liquidation of unpaid securities, wherever required; and
- maintenance of proper records and audit trails.

## 3. Applicability

This Policy shall apply to securities purchased by clients where the securities are **not covered under the Margin Trading Facility (MTF)** and the client has not made payment in full for such securities.

The Policy shall be applicable subject to the specific operational guidelines prescribed by the relevant Stock Exchange(s), Depository(ies) and other MIIs.

## 4. Pay-out and Auto-Pledge of Unpaid Securities

Where the client has not made full payment for securities purchased by the client, the pay-out of such securities shall be made directly to the client's demat account in accordance with applicable regulatory requirements.

Immediately thereafter, an **auto-pledge** shall be created, without requiring any specific instruction from the client, with the reason marked as **"Unpaid"**, in favour of the Trading Member's designated:

**Client Unpaid Securities Pledgee Account (CUSPA).**

The CUSPA shall be maintained separately for the purpose prescribed under the applicable regulatory framework.

**5. Communication to Client**

Upon creation of the pledge, the Trading Member shall communicate with the client through registered **email and/or SMS** informing the client of:

1. the outstanding funds obligation;
2. the securities that have been pledged as unpaid securities;
3. the reason for creation of the pledge;
4. the client's obligation to make payment within the prescribed period;
5. the Trading Member's right to invoke the pledge and liquidate the securities in case of non-payment; and
6. other relevant information as required under applicable regulatory/exchange guidelines.

The client shall ensure that sufficient funds are made available to meet the payment obligation within the prescribed timeline.

**6. Maximum Period for Making Payment**

The client shall be required to meet the applicable payment obligation **within a maximum period of five (5) trading days from the date of pay-out of the securities**, or such shorter period as may be specified by the Trading Member in accordance with applicable regulatory requirements.

The five-trading-day period shall be subject to the applicable Exchange/Depository operational guidelines.

**7. No Trading Exposure Against CUSPA-Pledged Securities**

Securities pledged in favour of the CUSPA in respect of unpaid obligations shall not be treated as available securities for providing any additional trading exposure to the client.

The Trading Member shall not permit the client to take trading exposure on the strength of securities pledged as unpaid securities.

Such securities may, wherever permitted under applicable regulations, be considered for reporting of client-level margin collection to the Clearing Corporation; however, they shall not be used for providing additional exposure to the client.

**8. Daily Monitoring and Release of Excess Pledge**

During the period in which the client's payment obligation remains outstanding, the Trading Member shall determine, on a daily basis, the maximum value of securities that may remain pledged.

The determination shall be made in accordance with applicable Exchange/MIIs' operational guidelines and may take into consideration factors including:

- client's outstanding ledger balance;
- overall margin obligations;
- value of unpaid securities; and
- other parameters prescribed by the Exchange/MIIs.
- Where the value of securities pledged exceeds the permissible value, the excess securities shall be released from pledge **on or before the next trading day**, subject to applicable operational procedures.

**9. Payment by Client and Release of Pledge**

- If the client makes the required payment within the prescribed period, the Trading Member shall take necessary steps for release of the pledge, subject to applicable settlement and operational procedures.
- The client shall ensure that the funds are received and available within the stipulated timeline. Any delay arising from banking, settlement or other external processes shall be dealt with in accordance with applicable Exchange/Depository procedures.

**10. Invocation and Liquidation of Unpaid Securities**

- If the client fails to meet the payment obligation within the prescribed period, the Trading Member shall have the right to **invoke the pledge and liquidate the unpaid securities**, in accordance with this Policy and applicable regulatory/Exchange requirements.
- Before invocation and liquidation, the Trading Member shall provide the client with reasonable notice, wherever required.

Upon invocation:

1. the securities shall be dealt with through the prescribed depository mechanism;
2. the necessary block/early-pay-in trail shall be maintained as applicable;
3. the depository shall verify the relevant details against the client-level obligation, as prescribed;
4. the securities shall be sold in the market using the client's **Unique Client Code (UCC)**; and
5. the proceeds shall be appropriated towards the client's outstanding obligation and applicable charges, in accordance with law and contractual terms.

Any surplus amount remaining after settlement of the client's obligation and applicable charges shall be credited to the client's ledger/account, subject to applicable regulatory requirements.

**11. Auto-Release of Pledge**

Where the pledge relating to unpaid securities is neither invoked nor released within the prescribed five-trading-day period, the pledge shall be subject to **system-based auto-release by the Depository at the end of the sixth trading day**, in accordance with the applicable regulatory and operational framework.

Upon such release, the securities shall become available to the client as free securities, without encumbrance, subject to any other lawful restriction or obligation applicable to the client.

The Trading Member may also request release of the pledge before such auto-release, wherever permissible.

**12. Prohibition on Further Pledge or Transfer**

Securities pledged in favour of the Trading Member's CUSPA in respect of unpaid securities shall **not be further pledged or transferred to banks or NBFCs for raising funds**.

The securities shall remain subject to the regulatory framework applicable to unpaid client securities until release, invocation or liquidation in accordance with this Policy.

**13. Extension in Exceptional Circumstances**

In exceptional circumstances where the unpaid securities cannot be liquidated within the prescribed five-trading-day period, the Trading Member may seek an extension in accordance with the applicable regulatory and MII operational framework.

Such circumstances may include, subject to recognition under applicable MII guidelines:

- the security being in a lower circuit with only sellers;
- suspension or trading halt;
- surveillance-related restrictions;
- circumstances affecting the ability to liquidate the securities; or
- other unforeseen circumstance beyond the reasonable control of the Trading Member and recognised by the relevant MIIs.
- Where eligible, an extension of up to **one additional calendar week** may be sought in accordance with the prescribed procedure.
- The request for extension shall be made within the stipulated timeline, including the applicable **6:00 PM cut-off on the fifth trading day**, wherever prescribed.
- Further extension may be sought where the qualifying circumstances continue, subject to the applicable regulatory/operational guidelines.
- The client shall be informed of each extension granted/requested, as applicable.

**14. Failure to Seek Extension**

- Where an extension is required but the Trading Member does not seek the extension within the prescribed timeline, the pledge shall be subject to the applicable **system-based auto-release mechanism**.
- The Trading Member shall have no right to continue the pledge beyond the period permitted under the applicable regulatory framework merely because the client has not made payment.

**15. Client Responsibilities**

The client shall:

1. maintain sufficient funds in the trading account to meet all payment obligations;
2. regularly monitor the ledger and transaction statements;
3. promptly respond to communications regarding unpaid securities;
4. make payment within the prescribed period;
5. ensure that registered mobile number and email ID are updated with the Trading Member;
6. understand that failure to meet payment obligations may result in invocation and sale of the unpaid securities; and
7. bear applicable brokerage, statutory charges, taxes, penalties, interest or other charges, wherever lawfully applicable.

**16. Sale of Unpaid Securities**

Where liquidation becomes necessary, the Trading Member shall undertake the sale in accordance with applicable SEBI, Exchange, Depository and MII requirements and its internal risk management procedures.

The sale shall be carried out using the client's UCC and appropriate records shall be maintained.

The Trading Member shall not be responsible for any loss arising solely from market price fluctuations between the purchase, invocation and sale of the securities, subject to applicable law and regulatory requirements.

**17. Appropriation of Sale Proceeds**

The proceeds arising from liquidation shall be adjusted against the client's outstanding obligations, including applicable charges and statutory dues, as permissible under the applicable regulatory framework and contractual terms.

Any surplus remaining after adjustment of the outstanding obligation shall be credited to the client's ledger/account.

Where the sale proceeds are insufficient to fully discharge the client's obligation, the client shall remain liable for the balance amount, subject to applicable law and contractual l terms.

**18. Records and Audit Trail**

The Trading Member shall maintain appropriate records relating to:

- unpaid securities;
- client-wise outstanding obligations;
- auto-pledge creation;
- client communications;
- daily pledge-value monitoring;
- release of pledge;
- invocation of pledge;
- extension requests and approvals, wherever applicable;
- sale/liquidation of securities;
- sale proceeds and appropriation thereof; and
- all other relevant communications and transaction records.

Such records shall be preserved for the period prescribed under applicable regulatory requirements.

**19. Review and Amendment**

This Policy shall be reviewed periodically and whenever there is any amendment to the applicable SEBI, Stock Exchange, Depository or MII requirements.

In case of any inconsistency between this Policy and any applicable law, regulation, SEBI circular, Exchange/Depository circular or operational guideline, the latter shall prevail.

The Trading Member reserves the right to modify this Policy from time to time to ensure continued compliance with applicable regulatory requirements.

**20. Client Acknowledgement**

By continuing to maintain and operate the trading account with the Trading Member, the client acknowledges that the client has read and understood this Policy and agrees to comply with the payment obligations and procedures relating to unpaid securities.

The client further acknowledges that failure to make timely payment may result in creation, continuation, invocation and/or liquidation of the pledge over unpaid securities in accordance with this Policy and applicable regulatory requirements.

**Policy Prepared On 13.08.2026**