# Clients' Unpaid Securities Pledgee Account (CUSPA) & T+5 RMS Selling Policy

## 1. Background and Purpose

This Standard Operating Procedure (SOP) outlines the process for managing unpaid securities under the Clients' Unpaid Securities Pledgee Account (CUSPA) framework at Swastika Investmart Limited. It ensures compliance with SEBI regulations and provides a structured mechanism to safeguard client interests while mitigating risks from unsettled trades. This SOP has been revised to align with the updated regulatory framework on handling of clients' unpaid securities, as set out below.

Applicable SEBI circulars:

- SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 (November 11, 2022)
- SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/75 (June 5, 2024)
- SEBI Circular No. HO/38/11/(9)2026-MIRSD-POD/I/15382/2026 dated July 03, 2026 on "Handling of Client's Unpaid Securities by Trading Members"
- NSE Circular Ref. No. 41/2026 (Download Ref No. NSE/INSP/75508) dated July 31, 2026, forwarding the Operational Guidelines on the above SEBI Circular
- SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/82 dated June 03, 2025 (invocation mechanism for pledged securities)

## 2. Scope

This SOP applies to all equity settlement obligations (T+1) where clients fail to provide sufficient funds to settle trades, including the creation, communication, release, invocation, liquidation and, in exceptional and permitted circumstances, extension of CUSPA pledges. Operational Guidelines 1 to 9 referred to in this SOP come into force with effect from October 31, 2026. Operational Guideline 10 on extension of pledge in exceptional circumstances comes into force with effect from January 03, 2027.

## 3. Key Principles

1. **Pledge Coverage:** All unpaid securities – i.e., securities not fully paid for by the client, determined with reference to the end-of-day clear ledger balance (excluding funds blocked for an existing margin obligation) – are pledged into CUSPA as part of the Clearing Corporation's direct pay-out process, without any specific instruction from the client.
2. **Automated Pledge:** Clearing corporations directly credit securities into clients' demat accounts; unpaid securities are simultaneously subject to an auto-pledge creation request, marked with the reason "unpaid", pledging such securities in favour of Swastika's CUSPA Accounts.
3. **Maximum Permissible Pledge Value:** At the end of each trading day, on a client-wise basis, **the maximum value of securities that may continue to be held as CUSPA pledge is 2.25 × (End-of-Day Margin Obligation across all segments – Aggregate**

**Clear Ledger Balance across all non-MTF ledgers).** Any value pledged in excess of this threshold is released on or before the next trading day.

4. **Charges:** Standard charges apply for pledge, unpledge, invocation, and liquidation.
5. **Client Rights:** Clients may independently liquidate pledged securities at any time, subject to pay-in validation to the extent of their delivery obligation.
6. **No Exposure on CUSPA Securities:** No trading exposure is extended to clients on the basis of CUSPA-pledged securities; only free and unencumbered additional funds/collateral separately provided by the client may be considered for exposure.
7. **Auto-Release:** A CUSPA pledge that is neither invoked nor released within five trading days after the pay-out date is automatically released by the Depository at the end of the sixth trading day after the pay-out date, unless a valid extension has been obtained under Operational Guideline 10.
8. **Extension in Exceptional Circumstances (effective January 03, 2027):** Where unpaid pledged securities cannot be liquidated within five trading days after the pay-out date on account of a Permitted Reason for CUSPA Pledge Extension (PRCPE), Swastika may seek an extension of the pledge from its Depository Participant by up to one additional calendar week, as set out in Section 4.
9. **No Re-pledge or Transfer:** Securities pledged in favour of Swastika's CUSPA shall not be further pledged, re-pledged, or transferred to any Clearing Corporation, bank, or Non-Banking Financial Company (NBFC) for raising funds.

## 4. Daily Operational Workflow

### T+1 (Start of Day)

- **Automatic Pledge:** All unpaid securities are pledged to CUSPA before 9:30 AM.
- **Client Alerts:** Clients are informed by email, SMS, or instant messaging of the pledge created, their debit amount, and Swastika's right to invoke the pledge and liquidate the unpaid securities on default.
- **Client Obligation Window:** Clients must clear debit by 5 PM; cleared balances trigger un-pledge post-market closure.
- **Note:** Unsettled funds (received via cheque and ATOM) will be treated in next ensuing settlement cycle.

### T+1 onwards

- **Liquidation Process:** RMS team may liquidate pledged securities to recover debit balances and charges, subject to pay-in validation.
- **Client Right to Liquidate:** Clients may liquidate pledged securities themselves at any time.

### T+5 RMS Selling

- If debit persists, unpaid securities are disposed of within five trading days after payout.
- Clients receive reasonable advance notice before invocation of the pledge and liquidation of unpaid securities.

- Unpaid securities are ordinarily sold using the client's UCC; where the client's trading account is frozen, they are sold under Swastika's own code and any surplus is credited back to the client's ledger.
- On T+5, accounts under liquidation are blocked from fresh positions.
- Securities are sold via bulk upload, and such trades are identified in the contract note as member-initiated liquidation/square-off trades.
- Orders are placed at previous day's closing rates and adjusted to prevailing market rates.
- **Extension in Exceptional Circumstances (effective January 03, 2027):** Where unpaid securities cannot be sold within five trading days for permitted reasons (lower circuit, suspension/trading halt, GSM restrictions, directions of SEBI/MII/other authorities, or PIT Regulations), the pledge may be extended by up to one additional calendar week, and each extension is communicated to the client before the start of the next trading day.

## 5. Special Handling and Exceptions

1. **Daily Un-pledge Operations:** Securities pledged in excess of the Maximum Permissible CUSPA Pledge Value are released on or before the next trading day; where debit and margin obligation reduce to zero, all pledges are released.
2. **Five-Day Settlement Window:** Clients making payments within five trading days post-payout are eligible for pledge release.
3. **Transit Funds:** Unsettled funds (funds in transit) are temporary and are systematically reconciled in the ensuing cycle.
4. **No Re-pledge or Transfer:** CUSPA-pledged securities shall not be pledged, re-pledged, or transferred to any Clearing Corporation, bank, or NBFC.
5. **Margin Reporting:** The value of CUSPA securities may be considered for Peak Margin and End-of-Day Margin Reporting, without any trading exposure to the client.
6. **Policy Governance and Disclosure:** This SOP is approved by Swastika's competent authority, hosted on its website, and communicated to all clients (existing and new); clients are re-communicated the policy before any revision takes effect.

## 6. Compliance and Audit

- All processes strictly adhere to SEBI guidelines and clearing corporation procedures.
- Daily reconciliations of holdings, pledges, and client balances are performed.
- Exceptions or discrepancies are documented and reported as per internal risk and compliance standards.
- Any extension of a CUSPA pledge is sought strictly for a Permitted Reason for CUSPA Pledge Extension (PRCPE) specified by the Exchanges.

## 7. Review and Updates

This Policy is subject to revision based on:

- SEBI circulars and clarifications,
- Changes in clearing corporation procedures,
- Internal risk management requirements.