

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

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.

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)

2. Scope

This SOP applies to all **equity settlement obligations (T+1)** where clients fail to provide sufficient funds to settle trades.

3. Key Principles

1. **Pledge Coverage:** Securities equal to 125% of the client's debit balance are pledged into CUSPA.
2. **Automated Pledge:** Clearing corporations directly credit securities into clients' demat accounts; unpaid securities are simultaneously pledged in favour of Swastika's CUSPA Accounts.
3. **Charges:** Standard charges apply for pledge, unpledge, invocation, and liquidation.
4. **Client Rights:** Clients may independently liquidate pledged securities at any time.
5. **Auto-Release:** Un-invoked or unreleased pledges automatically release after seven working days, as per SEBI rules.

4. Daily Operational Workflow

T Day (Trade Date)

- Clients are notified of securities bought and reminded to maintain sufficient funds.

T+1 (Start of Day)

- **Automatic Pledge:** Securities equal to 125% of debit balance pledged to CUSPA before 9:30 AM.
- **Client Alerts:** SMS notifications sent to clients regarding pledging of securities against debit obligation.
- **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+2 onwards

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

T+5 RMS Selling

- If debit persists, RMS team disposes of unpaid securities within five trading days after payout.
- Clients receive final intimation two trading days prior to liquidation.
- On T+5, accounts under liquidation are blocked from fresh positions.
- Securities are sold via bulk upload in the trading system.
- Orders are placed at previous day's closing rates and adjusted to prevailing market rates to maintain market integrity.

5. Special Handling and Exceptions

1. **Daily Un-pledge Operations:** Post-market closure, securities are unpledged based on latest ledger balance.
2. **Five-Day Settlement Window:** Clients making payments within five trading days post-payout are eligible for pledge release.
3. **Transit Funds:** Variances on account of unsettled funds (funds in transit) are temporary in nature and are systematically reconciled in the ensuing cycle.

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.

7. Review and Updates

This SOP is subject to revision based on:

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