Operational Policy Framework: Handling of Client's Unpaid Securities (CUSPA Guidelines)
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1. Objective & Scope

This policy defines the operational framework for managing client's unpaid securities arising out of non-Margin Trading Facility (non-MTF) transactions executed through Adroit Financial Services Pvt Ltd (hereinafter referred to as 'the Company' or 'TM').

The objective of this document is to ensure absolute conformity with the Securities and Exchange Board of India (SEBI) directives governing the Client Unpaid Securities Pledgee Account (CUSPA). This policy is applicable to all trading clients operating under the non-MTF model who possess unpaid funding or margin obligations post-settlement payout.

2. Maintenance and Creation of CUSPA Pledges

• Auto-Pledge Protocol: For all instances where a client has a clear ledger debit balance at the time of payout, the underlying unpaid securities will be directly credited to the client's demat account. This action is instantaneously followed by an auto-pledge creation request designated with the narration 'unpaid'.

• Dedicated Demat Structure: All such unpaid securities will be pledged in favor of a separate, unique demat account opened by the Company, explicitly titled 'Client Unpaid Securities Pledgee Account (CUSPA)'. This setup is completed as part of the Clearing Corporation (CC) direct pay-out process.

• Depository & Operational Alignment: The Company shall establish and maintain separate CUSPA accounts across the respective depositories (NSDL and CDSL) depending on where the client holds their demat account. Under no circumstances shall CUSPA pledges be initiated prior to actual transaction settlement or ahead of future expected obligations.

• Clear Balance Determination: Unpaid obligations are computed strictly based on the end-of-day (EOD) clear ledger balance. Any monetary funds blocked or locked towards ongoing margin requirements across various market segments are explicitly excluded from this clear ledger balance compilation.

3. Regulatory Client Communication & Alerts

• Mandated Communication Timeline: The Company will notify clients of any CUSPA pledge creation via registered email, SMS, or instant electronic messaging platforms. This notification will go out on or before the start of the next trading day following the formal entry of the depository pledge.

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• Core Notification Criteria: Each communication (whether issued as a standalone alert or integrated natively within the client's daily margin statement) must strictly detail:

- The exact client ledger debit amount, outstanding funds, and parallel margin obligations.

- The full nomenclature and precise quantity of the pledged securities.

- A clear, unambiguous legal notice highlighting the Company's operational right to invoke the pledge and liquidate the respective shares in the event of continuous client payment default.

• Continuity Logs: Complete logs of all outgoing delivery updates will be maintained and preserved. In the event of a bounce or undelivered notification, alternative electronic transmission methods will be promptly utilized.

4. Margin Recognition and Exposure Restrictions

• Collateral Value for Margin: Unpaid securities held within the CUSPA framework will count toward client margins. The calculation utilizes the maximum value pledged during the trading day alongside the closing valuation of remaining pledged shares at EOD.

• Complete Exposure Prohibition: The Company is strictly prohibited from granting any fresh trading exposure or leverage to the client based on the valuation of securities locked under a CUSPA pledge. This statutory restriction remains active even if the market valuation of the pledged security increases or a partial debit amount is successfully recovered from the client ledger.

• Requirements for Fresh Exposure: Fresh trading limits or exposures will only be authorized if the client provides separate, entirely unencumbered cleared funds or fresh collateral stock.

• Re-Pledging Prohibitions: Securities held under the CUSPA pledge cannot be re-pledged to a Clearing Corporation to fulfill margin requirements, nor can they be collateralized with commercial banks or NBFCs for capital funding.

5. EOD Valuation & Release of Excess Pledge

• Client-by-Client Assessment: The Company will run an evaluation of every active CUSPA account at each EOD based on three distinct mathematical parameters:

- Variable A: Total value of securities pledged under the CUSPA pool.

- Variable B: Aggregate clear ledger balance across all non-MTF trading accounts (debits represented as negative values, credits as positive values).

- Variable C: Total EOD margin obligations across all market segments.

• Mathematical Formula for Upper Boundary:

Maximum Permissible CUSPA Pledge Value = 2.25 * (C - B)

• Surplus Release Timeline: In the event that the actual pledged value (A) exceeds this maximum permissible threshold, the Company will release the excess pledge on or before the immediate next



trading day via auto-release or manual trigger mechanisms. If the math requires a fractional share unit release, the Company is permitted to retain that specific fraction.

• Zero-Balance Mandatory Release: If both the client's ledger debit (B) and total margin obligation (C) decrease to zero, all outstanding CUSPA pledges for that client must be released unconditionally. No release actions are mandated if the ongoing security value remains below the computed upper threshold.

6. Invocation and Liquidation Framework

• Full 5-Day Liquidation Window: If a client continuously fails to settle their outstanding ledger debt or funding obligations within a full 5 trading days post-payout window, the Company will invoke the CUSPA pledge and liquidate the underlying securities in the open market.

• Prioritization Priority: In cases where specific client instructions or preferences are not formally logged, liquidation will strictly follow a First-In, First-Out (FIFO) methodology based explicitly on the timeline of pledge creation.

• Pre-Liquidation Warning Notice: The Company will ensure a reasonable advance warning notice is delivered to the defaulting client via verifiable electronic channels (SMS or registered email) prior to triggering open market execution.

• Execution Methodology: Liquidation trades will routinely run via the client's designated Unique Client Code (UCC). If the client account is restricted, frozen, or barred from active trading by exchanges or regulators, the shares will be transferred to the Company's proprietary account, executed under the prop code, and settled same-day. Any residual surplus funds remaining post-liquidation will be credited back to the client's ledger.

• Transparency Reporting: All liquidation transactions executed under this framework will be clearly documented and visibly marked in the remarks section of the client's formal contract note.

7. Auto-Release and Regulatory Pledge Extensions

• Depository Auto-Release: If a pledge is neither formally invoked by the Company nor manually unpledged within 5 trading days following payout, the depository will execute an automated unpledge sequence at the conclusion of the 6th trading day, returning the securities to a free, unencumbered status.

• Extension Application Window: If open market liquidation cannot be completed within the 5 trading days limit due to strict market anomalies, the Company will submit a formal application to its Depository Participant (DP) for a one-calendar-week extension. This request must be submitted by 6:00 PM on the 5th trading day post-payout.

• Approved Extension Identifiers: Extension requests are limited to the following designated reasons:

- CUSPA01: Security hits lower circuit with only sellers present (requires active, verifiable sell orders placed on the exchange).

- CUSPA02: Trading halts or formal stock suspension due to surveillance directives.

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- CUSPA03: Stock categorized under Graded Surveillance Measure (GSM), restricting normal daily trade matching.

- CUSPA04: Sale blocked by Market Infrastructure Institutions (MII) or direct SEBI orders.

- CUSPA05: Sale blocked by external regulatory or statutory authorities outside MII/SEBI jurisdiction.

- CUSPA06: Liquidations blocked due to Prevention of Insider Trading (PIT) regulations or official company trading window closures.

• Client Updates: Detailed updates regarding the filing and approval of pledge extensions will be dispatched to the affected client via SMS or email prior to the opening of the next trading day.

8. Policy Governance, Approvals, and Review

• Approving Authority: This policy document is reviewed, formalized, and approved under the direct supervision of the Compliance Officer of Adroit Financial Services Pvt Ltd.

• Client Accessibility: The complete policy framework will be hosted on the company's public website. Direct hyperlinks or digital copies will be proactively shared with all active clients via email/SMS, and embedded as part of the onboarding kit for all incoming clients during account opening.

• Continuous Modifications: Any structural modifications, revisions, or amendments to this policy will require formal re-approval by the Compliance Officer, immediate updates to the online repository, and advance broadcast to clients before becoming operationally effective.

For Adroit Financial Services Pvt Ltd



Mohit Sharma

Compliance Officer