



Stock Broking Pvt. Ltd.

Member : NSE ● BSE ● MCX ● NSDL

Policy on Client Unpaid Securities Pledge Account (CUSPA)

Document Control

| Document | Classification | Status |
|---|----------------|----------|
| Policy on Client Unpaid Securities Pledge Account (CUSPA) | Public | Approved |

Information:

Policy History, Verification and Approval:

| Date | Description of Change | Approved By |
|------------|-----------------------|---------------------------------|
| 01.04.2023 | 1st Policy Prepared | Mr. Rupesh C. Matalia, Director |
| 10.07.2025 | 1st Policy Modified | Mr. Rupesh C. Matalia, Director |

Change in CUSPA Policy – Operational Framework and Process Flow

Agenda: Modification in fund cut-off timing under CUSPA Policy

Approved by Board of Directors on: 10.07.2025

Existing Provision (Old Policy):

Under **Point 4 – Operational Framework and Process Flow**, sub-point **E. Payment Window and Release Conditions**, the policy provided that if clear funds are reflected in the client's ledger by 11:00 AM on any day after T+1, the pledged securities shall be released and made available as free balance in the client's demat account by end of day.

Revised Provision (New Policy):

It is hereby approved that under **Point 4 – Operational Framework and Process Flow**, sub-point **E. Payment Window and Release Conditions**, the fund cut-off timing shall be revised as under: If clear funds are reflected in the client's ledger by 06:00 PM on any day after T+1, the pledged securities shall be released and made available as free balance in the client's demat account by end of day.

Effective Date:

This modification shall be effective from **11.07.2025** and shall form an integral part of the Company's CUSPA Policy.

1. Introduction

The Securities and Exchange Board of India (SEBI), in its continued efforts to strengthen investor protection and enhance settlement discipline, introduced the concept of a **Client Unpaid Securities Pledge Account (CUSPA)**. This framework aims to streamline the handling of unpaid securities, prevent misuse of client securities, and ensure a transparent and automated settlement environment for trading members and their clients.

This policy document establishes the procedures and practices followed by **Matalia Stock Broking Private Limited** for managing unpaid securities in compliance with applicable SEBI circulars and Stock Exchange guidelines.

2. Purpose and Objectives

This policy has been framed with the following objectives:

- To define a clear and transparent mechanism for managing securities purchased by clients but remaining unpaid within prescribed timelines.
- To comply with directives issued by SEBI and recognized Stock Exchanges with respect to unpaid securities.
- To mitigate risks arising out of client defaults by securing dues through pledging of unpaid securities.
- To ensure prompt communication and accountability to clients in case of non-fulfilment of settlement obligations.

3. Definition of CUSPA

A Client Unpaid Securities Pledge Account (CUSPA) is a demat account maintained by a trading member with the depositories (NSDL/CDSL) to hold securities purchased by clients for which payment has not been received within the settlement deadline. Such unpaid securities are automatically pledged in favour of **Matalia Stock Broking Private Limited** to serve as collateral for the outstanding payment obligation.

This pledge mechanism protects the broker from financial exposure and enables structured recovery in case the client fails to meet the fund obligation within the defined grace period.

4. Operational Framework and Process Flow

A. Trade Execution and Fund Cut-off

- Market trades are settled on a T+1 basis, where T refers to the trading day.
- Clients are expected to fulfil their payment obligations by 07:00 PM on T day.
- If funds are received after 07:00 PM on T day, the trade shall be treated as unpaid.

B. Stock Balance Consideration

- On T day, only the stock balance available as of 07:00 PM in the client's demat account shall be considered for settlement.
- If payment has not been received on day up to 7:00 PM, the corresponding securities shall be Marked as unpaid and the same shall be informed to the Clearing Corporation (CC).

C. Pledge Creation for Unpaid Securities

- Securities shall be delivered to the client's demat account on T+1 but shall be auto-pledged in favour of Matalia Stock Broking Private Limited – CUSPA Account.
- Securities pledged shall be equal to 133% of the client's debit obligation. Any securities beyond the required coverage shall remain unencumbered and free in the client's demat account.

D. Client Notification

- Clients shall be informed through email and SMS notifications regarding the pledge status and outstanding obligations.

E. Payment Window and Release Conditions

- Clients are provided a window up to T+1+4 trading days to clear the debit by remitting funds.
- If clear funds are reflected in the client's ledger by 06: 00 PM on any day after T+1, the pledged securities shall be released and made available as free balance in the client's demat account by end of day.
- In case a client sells securities pledged under CUSPA, the sell obligation shall be met by unpledging the respective CUSPA securities

F. Liquidation of Securities

- If payment is not received by T+1+4, the Company shall initiate the sale of pledged securities on T+1+5.
- The proceeds from such liquidation shall be utilised towards recovery of:
 - Purchase consideration
 - Applicable interest or penalty charges
 - Applicable DP / pledge transaction charges
- In case the sale proceeds fall short of the obligation, the shortfall shall be recovered from the client. Any excess amount post recovery shall be refunded to the client.

G. Auto-Release of Uninvoked CUSPA Pledge and Depository Restrictions

- In case the pledge created on such securities is neither invoked nor released within seven trading days from the date of pay-out, the pledge shall be auto-released, and the securities shall become available to the client as free balance without any encumbrance.

- However, the said CUSPA securities shall be blocked by the Depository from the 6th trading day till the 7th trading day (EOD). During this period, the Depository shall restrict pay-in of such securities. Accordingly, if the client sells such securities during the said period, the transaction shall be sent to auction, and in such a scenario, the member shall not bear any losses or charges arising out of the said transaction.

5. Regulatory Framework and Reference

This policy is framed in alignment with the following regulatory directives:

- SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2022/44 dated April 28, 2022
- SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2022/146 dated October 21, 2022
- NSE Circular NSE/INSP/61507 dated April 05, 2024 and BSE Circular 20240406-3 dated April 06, 2024, inter-alia stating

“Unpaid securities pledged in favour of CUSPA (after applying an appropriate haircut, subject to a minimum of 20%) may be considered for margin reporting to the extent of the client’s debit balance arising from such purchase obligation.”

6. Client Responsibilities and Best Practices

Clients are strongly advised to:

- Ensure that fund obligations are met before 07:00 PM on T day to avoid pledge creation.
- Regularly monitor demat and ledger balances and review alerts issued by the Company.
- Communicate promptly with the support or compliance desk in case of payment delays or discrepancies.
- Note that unpaid securities are not considered towards allocation of margin at client level, and derivative positions may be subject to auto square-off due to allocation shortfall.
- Maintain adequate balances in bank and trading accounts to ensure smooth processing and timely release of securities.

7. Practical Illustration

| Timeline | Event Description |
|----------------|--|
| T (Monday) | Client purchases 100 shares of ABC Ltd @ ₹700 = ₹70,000 |
| T (by cut-off) | No funds received → Trade marked as unpaid |
| T+1 (Tuesday) | Securities delivered to client account; 133% of ₹70,000 pledged to CUSPA |

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| | |
| T+1 to T+1+4 | Client has window to remit payment |
| Funds credited before cut-off | Pledge released same day |
| T+1+4 | No Payment->Securities Sold on T+1+5 |
| Shortfall | Shortfall recovered from client; surplus refunded |

8. Advantages of CUSPA Implementation

- **Investor Protection:** Clients remain informed of their status and risk exposure.
- **Regulatory Compliance:** Ensures adherence to SEBI and Stock Exchange guidelines.
- **Risk Containment:** Protects the Company from potential financial losses.
- **Process Discipline:** Standardises handling of non-payment scenarios.

9. Policy Governance and Review

| Role | Name / Designation |
|-------------|--|
| Prepared by | Compliance Officer |
| Reviewed by | Risk Management & Operations Team |
| Approved by | Mr. Rupesh C. Matalia, Director |

This policy shall be reviewed annually or earlier in response to regulatory changes. Any amendments shall be approved by the Compliance Department and the Board or designated authority.

10. Conclusion

This policy is integral to maintaining settlement discipline, regulatory alignment and investor confidence. Matalia Stock Broking Private Limited is committed to implementing the CUSPA framework in a transparent and robust manner.