Emkay®
Your success is our success

Policy on Client Unpaid Securities Pledgee Account (CUSPA)

Introduction

Pursuant to SEBI circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022, and subsequent circulars issued from time to time, trading members are required to maintain a Client Unpaid Securities Pledgee Account (CUSPA).

CUSPA is a designated pledgee account maintained with depositories (NSDL/CDSL) for the purpose of holding securities purchased by clients who have not fulfilled payment obligations within the prescribed timelines. Such securities remain auto-pledged until settlement of funds, thereby ensuring regulatory compliance and protecting the interests of both clients and intermediaries.

Process Overview.

- As per SEBI circular, SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/75 dated June 5, 2024 and **HO/38/11/(9)2026-MIRSD-POD/I/15382/2026 dated July 03, 2026**, on operational efficiency and risk reduction measures mandate that payout of securities be made directly to client demat accounts effective November 11. 2024 and October 31,2026.

- As per the prescribed process, in cases where payout of client securities pertains to investor accounts having a ledger debit balance (i.e., securities which have not been fully paid for by the client on T Day), the details of such unpaid securities shall be reported to the Exchange on T Day up to 10:00 p.m. or where applicable, by 9:00 a.m. on T+1 Day through NMASS for the purpose of transfer of such securities to the Client Unpaid Securities Pledgee Account ("CUSPA"). The Settlement Team shall verify the particulars, upload the requisite data, and carry out necessary revisions, if required.

- In respect of unpaid securities (i.e., securities not fully paid for by clients on T Day payout, including transactions where T Day purchase/sale bills are posted on the subsequent day), such securities shall be transferred to the respective client's Demat account and thereafter an auto-pledge shall be created (without requiring any specific instruction from the client) with the reason marked as "Unpaid", in favour of a separate account titled Client Unpaid Securities Pledgee Account (CUSPA) on T+1 Day.

  Intimation regarding transfer of securities to the CUSPA account shall be sent to the concerned clients. Further, daily holding details shall be communicated to the respective Branch and registered Authorised Person (AP) to facilitate regular follow-up and appropriate client updates.
- "No trading exposure shall be granted to clients against securities pledged under CUSPA notwithstanding their consideration for margin reporting purposes.

- Securities pledged under CUSPA shall not be pledged, re-pledged, transferred to Clearing Corporation, bank, NBFC or any other entity for raising funds.

- On a daily basis, securities shall be unpledged in FIFO method against clear credit balances or proportionate ledger balance available in the client's account. Such unpledging may be undertaken multiple times during the day, including morning and evening cycles, in accordance with the defined schedule and operational criteria considering **Exchange-prescribed methodology and timelines (review).**
- .

Details of Securities Payout process and timing:

Sr No.	Payout Particulars	Approx Time
1	Payout for Funds receipt / funds cleared post cut off time as specified by depositaries on t-1 day	10.30AM
2	Payout with normal ledger after retaining debit of 100%	11.30 AM
3	Payout with normal ledger, retaining 100% debit after receipt from Exchange into CUSPA for T-1 trades (including post-market trades) and after considering any sale transactions.	4.00 PM
4	Payout with normal ledger, retaining 100% debit based on the current ledger balance, including credits received from cheque clearance and transfers.	6.00 PM

- In the event any corporate action is declared in respect of such securities (including but not limited to rights issue, merger, or demerger), necessary follow-up shall be undertaken with the concerned client and the respective Relationship Manager (RM) to enable the client to avail the benefit in the Demat (DP) account, subject to applicable regulatory provisions and timely action by the client, wherever required.

- An indicative list of clients having debit balances shall be provided to the Risk Department on T+4 Day for the purpose of intimation and requisite follow-up. The unpaid securities shall thereafter be liquidated in the market by the Trading Member/Clearing Member (TM/CM) using the respective client's Unique Client Code (UCC), in accordance with applicable guidelines.

- If not invoked or released within 5 trading days post pay-out, the pledge is **auto-released by the Depository** at the end of the 6th trading day.

- In the event such pledge is neither invoked nor released auto release at end of sixth trading day after pay-out date, the pledge on the securities shall be automatically

released, and the securities shall thereafter be reflected in the client's Demat account as free balance.

-
- "Invocation/liquidation of unpaid securities shall be undertaken on FIFO basis based on date of pledge creation unless otherwise decided under the approved Risk Management Policy."
-
- The TM/CM shall invoke the pledge strictly against the delivery obligation of the client. Upon invocation, the securities shall be blocked for early pay-in in the client's Demat account, and an appropriate audit trail shall be maintained in the TM/CM's CUSPA records for regulatory and compliance purposes.
-
- In exceptional circumstances, where the unpaid pledged securities cannot be liquidated within five trading days after the pay-out date, the TM may make a request to its DP, by 6:00 pm (or any extended time provided by the relevant Depository) on the fifth trading day after the pay-out date, for extension of the pledge by up to one additional calendar week along with Permitted Reasons for CUSPA Pledge Extension (PRCPE). The request for extension of the pledge shall be submitted by the TM to the DP with whom the CUSPA account is maintained, in the manner, format and through the system prescribed by the concerned Depository. The communication shall be sent on or before the start of trading of the next day of the pledge extension in the depository system. On basis the following reasons the same can be consider for extensions.
  - CUSPA01 - Security being in lower circuit with only sellers;
  - CUSPA02 - suspension or trading halt due to surveillance or any other reason;
  - CUSPA03 - security under GSM and permitted only weekly/ monthly trading
  - CUSPA04 - sale not permitted due to MII/ SEBI instructions
  - CUSPA05 - sale not permitted due to orders of an authority other than MII/ SEBI
  - CUSPA06 - sale not permitted due to PIT Regulations (insider trading restrictions including trading window closure)

T+5 Policy & Process

With reference to SEBI Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated 20.06.2019 and **HO/38/11/(9)2026-MIRSD-POD/I/15382/2026 dated July 03, 2026**. In accordance with the said circular, the following process shall be followed for handling T+5 debit positions. Where shares are purchased on T Day and payment is not received by T+1 Day, such shares shall be transferred to the Client Unpaid Securities Pledgee Account (CUSPA) in compliance with applicable SEBI guidelines. In the event the client fails to clear the debit arising from such purchase, invoke and liquidate unpaid securities after expiry of payment timeline prescribed by the policy and after providing reasonable notice. T+5 shall be the outer limit unless extended in accordance with applicable regulations, the pledged shares marked in CUSPA shall be liquidated on T+5 Day. The liquidation mechanism shall be implemented as detailed below.

STEP 1:

On T+4 Day (at the commencement of trading hours), an email intimation shall be sent to the client communicating the running debit balance. A further intimation shall be issued by end of day (EOD). For the purpose of this process, "running debit" shall mean the cumulative debit balance commencing from T Day.

STEP 2:

On T+5Day, the client's trading code shall be blocked for further trading activities (except for sale of existing holdings) until the running debit balance is cleared.

On T+5 Day, the trading code shall continue to remain blocked for further trading (except sale of existing positions) until the running debit balance is cleared. The client shall be provided an opportunity to clear the debit balance either through payment or by sale of holdings103. In the event of non-clearance within the stipulated time, the RMS Team shall liquidate positions/securities during market hours to the extent of the debit balance reflected in the ledger, and the pledged securities shall be invoked and appropriated accordingly.

The following changes will occur due to this new process:

- Corporate action benefits including, but not limited to, split, bonus, and dividend shall be directly credited to the client's trading and Demat account, thereby ensuring transparency in respect of securities holdings.

- Pledge and unpledge charges shall be levied on the client's Demat account in respect of auto-pledged securities transferred to CUSPA. Such charges shall be applied on a per ISIN per day basis at Rs. 15 + GST, in accordance with applicable depository participant tariff structure.

- For early pay-in transactions executed with the Exchange, a standard Demat transaction charge of Rs. 15 + GST per transaction/ISIN as applicable.

- For Pledge invocation, invocation charges Rs 75/ + GST per transaction/ISIN as applicable and stamp duty thereon will be debited.

- Extensions (up to one week) are allowed only for specific reasons (e.g., lower circuit, trading halt, regulatory restrictions) and must be requested by the 5th trading day after pay-out. Each extension must be communicated to the client.

- Record-Keeping and Compliance

TMs must preserve logs of all client communications and policy notifications. The Policy shall be hosted on the Company's website. The policy or web link shall be communicated to all applicable clients before implementation and whenever revised. Communication

records shall be preserved. In case communication is returned undelivered, alternate verifiable communication channels shall be used."

Note - In case of sale executed on T+5 Day of securities pledged in the CUSPA account resulting in a credit balance in the client ledger, such credit shall be eligible for further trading exposure up to 80% of the excess sell/credit amount, provided Early Pay-In (EPI) has been completed. However, such exposure shall exclude the scrip in which the sale has taken place, in accordance with NSE Circular No. NSE/INSP/61507 dated April 05, 2024.

Policy created by: Compliance Team	Policy created on: 21/10/2026
Policy re-reviewed by: Compliance Officer	Policy reviewed on: 21/10/2026
Policy approved by: Chief Operating Officer	Policy approved on: 21/10/2026
Officer responsible for implementation : Head - Compliance	Periodicity of Review: Event based