Client Unpaid Securities Pledge Account (CUSPA) Policy

Regulatory Framework

This policy is framed pursuant to applicable SEBI circulars and Exchange/Depository operational guidelines governing handling of client securities, including SEBI Circular No. HO/38/11/(9)2026-MIRSD-POD/I/15382/2026 dated 03 July 2026 and NSE Circular NSE/INSP/75508 dated 31 July 2026 on Operational Guidelines for Handling of Client's Unpaid Securities by Trading Members.

The policy is intended to ensure segregation of client securities, prevention of misuse of unpaid securities, timely pay-in and payout, appropriate creation and release of CUSPA pledges, and controlled invocation/liquidation of unpaid securities applicable in PL capital Pvt. Ltd. (PL).

The CUSPA provisions in this revised policy shall be implemented from 31 October 2026, subject to the effective dates prescribed by SEBI, NSE, the Clearing Corporations and Depositories. The provisions relating to extension of pledge in exceptional circumstances shall apply from 03 January 2027, as prescribed in NSE/INSP/75508.

Payout of Securities

Exchange Direct Payout

Clients eligible for direct payout shall be uploaded to the Exchange for direct payout to their demat account in accordance with applicable settlement processes.

Where securities are unpaid in full, the securities received in payout shall be credited directly to the client's demat account and an auto-pledge with reason **"unpaid"** shall be created in favour of the Trading Member's **Client Unpaid Securities Pledgee Account (CUSPA)**, without requiring a separate client instruction, in accordance with the applicable Clearing Corporation and Depository process. Securities bought under MTF will be auto pledged while doing the payout to clients under Client Securities Margin Funding Account (CSMFA).

CUSPA – Creation and Identification of Unpaid Securities

CUSPA means the Client Unpaid Securities Pledgee Account maintained by the Trading Member for holding pledge of unpaid securities, where the Trading Member chooses to operate the CUSPA mechanism.

- CUSPA shall apply only to securities that have not been paid for in full by the client.
- For determination of unpaid status, the clear ledger balance shall be considered. Funds blocked/used for existing margin obligations will be excluded from the freely available clear ledger balance for this determination.

- The CUSPA pledge shall be created as part of the Clearing Corporation direct payout process through the prescribed Depository/Clearing Corporation mechanism.
- Where the client has made partial payment of the dues, then the share will blocked under CUSPA as pr applicable CUSPA rule.

Communication to Client

For every CUSPA pledge created, the PL shall communicate the prescribed information to the client through email, SMS, or both, or permitted electronic instant messaging services, at the registered contact details.

- The communication shall be sent before the start of the next trading day on which the CUSPA pledge is created in the Depository system.
- The communication shall include the client's ledger debit/outstanding funds and margin obligation.
- It shall include the securities pledged in CUSPA, including security name and quantity.
- It shall inform the client of the PL's right to invoke the pledge and liquidate the unpaid securities if the payment obligation is not fulfilled.
- The communication may be standalone or included as additional information in the daily margin statement.
- All communication logs shall be preserved.
- All CUSPA pledges created on the same day may be covered in one consolidated communication; a fresh communication is required for a pledge created on a subsequent day.
- If communication is bounced/undelivered, an alternate permitted communication channel shall be used and the communication trail retained.

Daily Calculation and Release of Excess CUSPA Pledge

At the end of every trading day, the PL shall perform a client-wise calculation to determine the maximum value of CUSPA securities that may remain pledged. The following values shall be determined:

- A = Value of securities pledged in CUSPA, valued in the same manner as securities pledged under the margin pledge mechanism for margin collection/reporting.
- B = Aggregate clear ledger balance of the client across all non-MTF ledgers, with debit balances treated as negative and credit balances as positive.
- C = End-of-day margin obligation of the client across all segments.

Maximum Permissible CUSPA Pledge Value = 2.25 × (C – B).

Where the calculation results in a value equal to or below zero, no CUSPA pledge may be retained and the relevant CUSPA pledges shall be released. Where the actual CUSPA value exceeds the Maximum

Permissible CUSPA Pledge Value, the PL shall release the excess quantity by EOD. The release of the shares will be based on liquidity and ageing stock in CUSPA.

If the client pays after creation of the CUSPA pledge, any resulting excess CUSPA pledge shall be released by EOD considering the cut-off time of such clear payment as 5:00 PM. Where ledger debit and margin obligation become zero, all remaining CUSPA pledges shall be released.

Margin Reporting and Prohibition on Exposure

CUSPA securities may be considered for client margin collection reporting in accordance with the applicable rules:

- For Peak Margin Reporting, the maximum value of CUSPA securities pledged during the day may be considered.
- For End-of-Day Margin Reporting, the value of CUSPA securities remaining pledged in the Depository system at the end of the day may be considered.

Valuation shall be carried out in the same manner as securities pledged under the margin pledge mechanism prevailing from time to time.

Notwithstanding the above reporting treatment, the PL shall not provide any exposure to the client on the basis of CUSPA securities. An increase in the value of CUSPA securities or partial recovery of the client's debit shall not, by itself, be used to provide exposure. Only free and unencumbered additional funds or collateral provided by the client may be considered for exposure, subject to applicable margin requirements.

Release and Priority of CUSPA Pledges

CUSPA pledges may be released upon fulfilment of the applicable conditions for release, in accordance with SEBI regulations and applicable guidelines. While securities under CUSPA shall ordinarily be released on a First-In-First-Out (FIFO) basis, PL reserves the right, as part of its Risk Management Policy, to determine the selection of securities for release or liquidation based on the client's outstanding dues, the liquidity of the securities, prevailing market conditions, and the overall risk exposure.

Accordingly, where warranted by risk considerations, PL may priorities the release or liquidation of securities by considering their liquidity, market risk, and the value of the client's outstanding dues, subject to applicable regulatory requirements.

The PL shall not retain CUSPA securities beyond the maximum permissible value.

Invocation and Liquidation of Unpaid Securities

Where the client fails to fulfil the payment obligation within the timeline prescribed in this policy, the PL may invoke the CUSPA pledge and liquidate the unpaid securities after providing prior notice through a through email/SMS/What's app/ in app notification.

The PL may prescribe a payment timeline shorter than five trading days. (T+1+4 Days). The maximum period permitted under the applicable guidelines is five trading days from the payout date.

- Before invocation and liquidation, reasonable notice shall be provided to the client through email, SMS or permitted electronic instant messaging, with communication logs retained.
- Upon invocation, the securities shall be handled through the prescribed mechanism, including pay-in blocking/validation to the extent of the client's delivery obligation, as applicable.
- Ordinarily, liquidation shall be carried out using the client's Unique Client Code (UCC).
- If the client's trading account is frozen or the trading code is marked as not permitted to trade, then the invoked securities shall be credited to the PL's demat account and sold under the proprietary code, with same-day pay-in of the securities to avoid accumulation of client securities in the PL's demat account.
- Any surplus funds remaining after adjustment of the client's outstanding obligation shall be credited to the client's ledger.
- Liquidation trades shall be appropriately identified in the contract note/remarks as required under applicable Exchange requirements.

Auto-release of CUSPA Pledge

If a CUSPA pledge is neither invoked nor released within five trading days after the payout date, the pledge shall be automatically released by the Depository at the end of the sixth trading day after the payout date, unless a valid extension has been processed in accordance with the applicable guidelines.

- The securities shall become free from encumbrance in the client's demat account upon auto-release.
- The PL may request release at any time before the Depository auto-release.
- Invocation of a CUSPA pledge shall ordinarily be permitted only within five trading days from the payout date, subject to valid extension.

The previous practice/reference to automatic release on the seventh trading day is superseded by this provision.

Prohibition on Further Pledging or Transfer

Securities pledged in favour of the PL's CUSPA shall not be pledged, re-pledged or transferred to any bank, NBFC for raising funds or for margin purposes.

Extension of CUSPA Pledge in Exceptional Circumstances

From 03 January 2027, extension of a CUSPA pledge may be requested only in the exceptional circumstances and through the process prescribed by the applicable Depository/Exchange guidelines. Permitted reasons include:

- CUSPA01 – Security 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, including insider-trading restrictions/trading-window closure.

The PL shall seek extension only where the permitted reason exists and shall make appropriate attempts to liquidate the securities. For CUSPA01, an attempt to place a sell order is required before seeking extension.

The initial extension request shall be submitted to the relevant DP by 6:00 PM on the fifth trading day after the payout date, or such extended time as may be permitted by the Depository. The extension may be for up to one additional calendar week, subject to the prescribed process. If the permitted circumstance continues, a further extension may be requested in accordance with the Depository process. Once the permitted circumstance ceases, no further extension shall be sought on that basis.

Each extension shall be communicated to the client through email, SMS, or permitted electronic instant messaging on or before the start of trading of the next day following creation of the extension in the Depository system, and the communication log shall be retained.

For an extended CUSPA, invocation shall be permitted up to the trading day immediately preceding the existing pledge expiry date. Release may be requested at any time before auto-release. If neither invocation nor release occurs within the permitted timeline, the pledge shall auto-release on the applicable pledge expiry date.

Policy Governance and Client Communication

This policy shall be approved by the competent authority in accordance with the PL's internal governance framework, hosted on the PL's website, and communicated to applicable existing clients before implementation (31-10-2026). For clients onboarded subsequently, the policy or a direct web-link shall be communicated as part of account opening/before CUSPA is applied.

Whenever this policy is revised, the revised policy shall be approved, hosted on the website, and communicated to clients before it becomes effective. Communication logs shall be preserved.

Operational Controls and Records

- Client-wise daily CUSPA calculation and release records shall be maintained.
- CUSPA creation, release, invocation and extension records shall be retained with an appropriate audit trail.
- Client communications and delivery/bounce records shall be preserved.
- Liquidation attempts, orders and contract-note identification shall be retained as required.
- The process shall be aligned with applicable Clearing Corporation and Depository instructions and system changes issued from time to time.

Supersession / Key Changes from Earlier Policy

The following provisions of the April 2025 version are revised to align with NSE/INSP/75508:

- The earlier 125% security-cover based CUSPA release test is replaced by the client-wise formula 2.25 × (C – B).
- The earlier statement that unpaid CUSPA securities are not considered for margin obligations is replaced with the permitted margin-reporting treatment, while expressly prohibiting exposure on the basis of CUSPA securities.
- The earlier T+7 automatic release provision is replaced by auto-release at the end of the sixth trading day after payout where the pledge is neither invoked nor released, subject to valid extension.
- The policy now specifies the required client communication content and timing for CUSPA creation.
- The policy now specifies FIFO as the release/liquidation priority methodology unless another methodology is expressly documented.
- The policy now incorporates the exceptional extension framework and permitted CUSPA extension reasons, effective from 03 January 2027.
- The policy expressly prohibits further pledging/re-pledging/transfer of CUSPA securities for raising funds or margin purposes.

Reference

NSE Circular NSE/INSP/75508 dated 31 July 2026 – Operational Guidelines for implementation of SEBI Circular No. HO/38/11/(9)2026-MIRSD-POD/I/15382/2026 dated 03 July 2026 on “Handling of Client’s Unpaid Securities by Trading Members”.