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GST No. 08AAACP8036A1ZR

# PRABHAT FINANCIAL SERVICES LIMITED

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Member: National Stock Exchange of India Limited, BSE Limited, SEBI REGN. NO.-INZ000169433

D. P.: Central Depository Services (India) Limited. SEBI REGN NO. IN-DP-CDSL-216-2003

## Policy on Handling of Client Unpaid Securities Pledgee Account (CUSPA)

### 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 Pledgee 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 **Prabhat Financial Services Limited** for managing unpaid securities in compliance with the applicable SEBI circulars and 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 unpaid within the prescribed timelines.
- To comply with the 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 the case of non-fulfilment of settlement obligations.

### 3. Definition of CUSPA

A **Client Unpaid Securities Pledgee Account (CUSPA)** is a demat account maintained by a trading member (Prabhat Financial Services Limited) with the depositories (CDSL) to hold securities purchased by clients for which payment has not been received by the settlement deadline. These unpaid securities are automatically pledged in favor of Prabhat Financial Services Limited to serve as collateral for the outstanding payment.

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.



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## 4. Operational Framework and Process Flow

### A. Trade Execution and Fund Cut-off

- Market trade is settled on a **T+1 basis**, where **T** refers to the trading day.
- Clients are expected to fulfill their payment obligations by 08:00 AM on **T+1 Day**.
- If funds are received after 08:00 AM on **T+1 Day** the trade will be treated as unpaid as at **T+1 day**.

### B. Stock Balance Consideration

- On **T+1 Day**, only the **stock balance as of 8:00 AM** in the client's demat account will be considered for settlement.
- On **T+1**, if payment has not been received, the corresponding securities will be pledged in favor of Prabhat Financial Services Limited's **CUSPA account**.

### C. Pledge Creation for Unpaid Securities

- The securities will be delivered to the client's demat account on **T+1** but will be **auto-pledged** in favor of Prabhat Financial Services Limited's **CUSPA A/c**.
- Securities pledged will be equal to **125% of the client's debit obligation**. Any additional securities beyond the required coverage will be unencumbered and free in the client's account.

### D. Payment Window and Release Conditions

- The client is given up to **T+1+4 trading days** to clear the debit by remitting funds.
- If clear funds reflect in the client's ledger by **3:00 PM on any day after T+1 day**, the pledged securities will be released and made available as a free balance in the client's demat account by end of day.

### E. Liquidation of Securities

- If no payment is received by **T+1+4**, Prabhat Financial Services Limited will initiate the **sell of pledged securities on T+1+5**.
- The proceeds from such liquidation will be used to recover:
  - Purchase consideration
  - Any interest or penalty charges
  - Applicable DP/pledge transaction charges



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- If sale proceeds fall short of the obligation, the shortfall will be recovered from the client. Any excess balance post-recovery will be refunded to the client.

## 5. Regulatory Framework and Reference

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

- SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022
- CDSL/OPS/DP/SETTL/2023/151 dated March 09, 2023
- NSE Circular dated April 5, 2024, which states:

"Unpaid securities pledged in favor 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 08:00 AM on the day after trading day to avoid pledge creation.
- Monitor demat and ledger balances and review alerts shared by Prabhat Financial Services Limited on a regular basis.
- Communicate promptly with the support or compliance desk in case of payment delays or discrepancies.
- Understand that unpaid securities are not counted toward Allocation of margin at client level, and any derivative positions may be subject to auto square-off due to Allocation shortage.
- Maintain adequate balance in the bank and trading accounts to ensure smooth processing and release of securities.

## 7. Practical Illustration

Timeline	Event Description
T (Monday)	Mr. A purchases 100 shares of XYZ Ltd @ ₹500 = ₹50,000

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T (by 3:30 PM)	No funds received → trade marked as unpaid
T+1 (Tuesday)	Securities delivered to client account; 125% of ₹50,000 pledged to CUSPA
T+1 to T+1+4	Client has window to remit payment
If funds credited before 08:00 AM	Pledge released the same day
T+1+4	No payment → securities sold on T+1+5
Shortfall	Recovered from client; surplus refunded

## 8. Policy Governance and Review

Role	Name/Designation
Prepared by	Mr. Kartikey Sharma, Compliance Officer
Approved by	Mr. Shri Prakash Kabra, Director

The policy shall be reviewed annually or in response to any regulatory changes, with updates documented and approved by the Compliance Department and Board or designated authority.

## 9. Conclusion

This policy is integral to maintaining settlement discipline, regulatory alignment, and investor trust. Prabhat Financial Services Limited is committed to implementing this framework rigorously and transparently.