

## Policy on 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 **Wealthstreet Financial Services Private Limited** for managing unpaid securities in compliance with the applicable SEBI circulars and Exchange guidelines.

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### 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.
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### 3. Definition of CUSPA

A **Client Unpaid Securities Pledgee Account (CUSPA)** is a demat account maintained by a trading member (Wealthstreet) with the depositories (NSDL or 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 Wealthstreet 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 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 Wealthstreet'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 Wealthstreet's CUSPA A/c.
- Securities pledged will be equal to **133% of the client's debit obligation**. Any additional securities beyond the required coverage will be unencumbered and free in the client's account.

##### D. Client Notification

- The client will be informed through **email, SMS, and/or trading platform notification** about the pledge status and their outstanding obligation.

##### E. 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.

##### F. Liquidation of Securities

- If no payment is received by **T+1+4**, Wealthstreet 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

#### **Wealthstreet Financial Services Private Limited**

*Formerly Known as Wealthstreet Advisors Private Limited*

**CIN: U74999GJ2016PTC094432**

**Regd. Off :** A-1101, Mondeal Heights, 11th Floor, Besides Wide Angle, S.G Highway, Ahmedabad-380015

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- Applicable DP/pledge transaction charges
- 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.

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## 5. Regulatory Framework and Reference

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

- **SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2022/44 dated April 28, 2022**
- **SEBI/HO/MIRSD/DOP/P/CIR/2022/146 dated October 21, 2022**
- **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."

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## 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 Wealthstreet 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.

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## 7. Practical Illustration

| Timeline              | Event Description                                      |
|-----------------------|--|
| <b>T (Monday)</b>     | Mr. X purchases 100 shares of ABC Ltd @ ₹700 = ₹70,000 |
| <b>T (by 3:30 PM)</b> | No funds received → trade marked as unpaid             |

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|  |  |
|--|--|
| <b>T+1 (Tuesday)</b>                     | Securities delivered to client account; 125% of ₹70,000 pledged to CUSPA |
| <b>T+1 to T+1+4</b>                      | Client has window to remit payment                                       |
| <b>If funds credited before 08:00 AM</b> | Pledge released the same day   |
| <b>T+1+4</b>                             | No payment → securities sold on T+1+5                                    |
| <b>Shortfall</b>                         | Recovered from client; surplus refunded                                  |

## 8. Advantages of CUSPA Implementation

- ✓ **Investor Protection:** Clients remain informed of their status and risk.
- ✓ **Compliance:** Fully adheres to SEBI & exchange guidelines.
- ✓ **Risk Containment:** Brokers are protected from potential financial losses.
- ✓ **Process Discipline:** Standardizes the handling of non-payment scenarios.

## 9. Policy Governance and Review

| Role               | Name/Designation                    |
|--------------------|-------------------------------------|
| <b>Prepared by</b> | Compliance Officer                  |
| <b>Reviewed by</b> | Risk Management & Operations Teams  |
| <b>Approved by</b> | Mr. Ajay Saraogi, Managing 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.

## 10. Conclusion

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

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