



Wealthstreet
The Financial Engineers

Liquidation and Close-Out of Position Policy

I. Introduction

Wealthstreet Financial Services ("the Company") is committed to ensuring that all client transactions are executed in a fair, transparent, and regulated manner. As a registered intermediary with SEBI, MCX, BSE, and NSE, the Company adheres to all regulatory requirements, including the management of client positions and margin calls. The Company's policies are designed to minimize risks, ensure compliance with applicable regulations, and safeguard both client and company interests.

II. Liquidation/Close-Out of Client Positions

1. Non-Payment of Margins or Outstanding Debts:

Without prejudice to the Company's other rights, the client understands and agrees that Wealthstreet Financial Services shall be entitled to liquidate or close out all or any of the client's positions if the client fails to pay the required margins or any other outstanding amounts, as per the margin maintenance requirements under SEBI regulations. This includes, but is not limited to, any debts, dues, or obligations towards the Company. The proceeds from such liquidation or close-out shall be adjusted against the client's liabilities or obligations. Any losses, financial charges, or costs arising from the liquidation or close-out of the position will be borne solely by the client.

2. In the Event of Death or Insolvency:

In the event of the client's death, insolvency, or any other event that renders the client incapable of receiving or paying for securities, the Company reserves the right to close out any open positions held by the client. The client's estate, nominees, successors, or legal heirs will be liable for any losses incurred. Surpluses, if any, resulting from the liquidation will be entitled to the client's nominees or legal heirs. The transfer of funds or securities to a nominee, as designated by the client, will be deemed as a valid discharge against the legal heirs of the client.

III. Reporting Defaults

1. Defaulting Clients:

As per SEBI's guidelines, Wealthstreet Financial Services will notify the relevant Exchange (MCX, BSE, or NSE) in the event of any default in payment or delivery by the client. In cases where the defaulting client is a corporate entity, partnership, proprietary firm, or any other artificial legal entity, the Company will also report the names of the Director(s), Promoter(s), Partner(s), or Proprietor(s) involved in the entity's default to the relevant Exchange(s). These details are reported to comply with SEBI's **default reporting obligations**.

Wealthstreet Financial Services Private Limited

Formerly Known as Wealthstreet Advisors Private Limited

CIN: U74999GJ2016PTC094432

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IV. Client Notification Before Position Square-Off

1. Notification Process:

The Company will make every effort to notify the client before taking action to square off the client's positions due to margin shortfalls, as required by SEBI regulations. The client will be contacted via email, phone call, or other agreed communication channels. If the client does not respond or take corrective action within a reasonable timeframe, the Company reserves the right to take immediate action to square off the client's position without further authorization from the client. This ensures that the Company can manage risks and comply with regulatory requirements effectively, even in the event of non-response from the client.

End of Day (EOD) Cases:

If a margin shortfall is identified at the end of the trading day (EOD), the Company will wait until the beginning of the next business day (BOD) to check if the margin deficiency is corrected. If the margin is still insufficient at the start of the next business day, the Company will square off the client's position without further notice. This procedure aligns with SEBI's margin maintenance guidelines.

V. T+5 Aging Liquidation Policy

Clients are allowed to purchase delivery of shares using the NRML product type, utilizing a certain percentage of collateral as margin. Liquidation under this policy is required to clear the debit arising in the ledger.

- **T+5 Day Liquidation:**

In the event of an outstanding debit, the Company will initiate liquidation on the **T+5 day**, with **T** being the settlement day. This ensures that clients' obligations are settled in a timely manner and helps mitigate risk exposure, as per SEBI's guidelines on margin and settlement.

- **MTM Losses and Debit in Derivatives Segment:**

MTM losses arising in the futures segment or debit arising from options trading that remains unsettled by the client on the due date basis shall also be considered for liquidation under the **T+5 Aging Liquidation** policy. This ensures that all open positions and outstanding liabilities are addressed within a reasonable time frame, in line with **SEBI's settlement cycle**.

- **Blocking of Fresh Positions:**

On the day of liquidation, clients will be blocked from taking fresh positions in all segments. No fresh positions shall be allowed to be created in any segment. However, clients will still be able to sell their stock or reduce existing positions in the derivatives segment. The detailed **T+5 liquidation policy** should be referred to for the complete functionality.

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VI. Risk Liquidation Policy

To manage risk effectively, Wealthstreet Financial Services monitors margin levels daily and will take appropriate action in the event of margin shortfalls, as prescribed by SEBI.

1. Gross Margin & Net Margin:

The Company uses the following definitions to manage risk:

- **Gross Margin:** Ledger (including cheque under clearing) + Stock (Pre hair-cut value) + FD/BG – Short Sell*130%
- **Net Margin:** Ledger (including cheque under clearing) + Collateral Value (post hair-cut) + FD/BG – Short Sell@130%

2. Categories of Liquidation:

Risk Liquidation can be broadly categorized into two types: a) **Liquidation Due to EOD Shortfall** b) **Intra-Day Liquidation Due to Erosion in Margin**

Both categories can further be divided into:

- Liquidation with **only Equity positions**
- Liquidation with **F&O (Futures and Options) positions**

3. Liquidation Due to EOD Shortfall (Equity Position):

- Liquidation is imminent when the **Net Margin %** \leq 10%. The liquidation will occur to ensure the client's position returns to a **no shortfall** status.
- The client will need to regularize the shortfall immediately post market opening on the next business day (T+1). If not, the Company's risk team will proceed with liquidation as per the risk management protocol.

4. Liquidation Due to EOD Shortfall (F&O Position):

- If the available **Net Margin** is \leq 50% of the applicable SPAN + Exposure Margin + Other Margin, liquidation will occur to meet the required margin levels. This ensures compliance with SEBI's margining and risk management requirements.

VII. Margin Records and Client Communication

1. Margin Records Maintenance:

The Company maintains accurate and up-to-date records of all margin details, which are regularly monitored and reviewed to ensure that positions are adequately covered, in compliance with SEBI's **margining** and **client protection** requirements. These records are essential for internal audits and resolving client disputes.

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2. **Short Margin Notifications:**

In cases where a margin shortfall is identified, the Company will send an **email notification** to the client detailing the short margin status, along with instructions to take corrective action, such as depositing additional funds or providing securities. This is in line with SEBI's **disclosure** and **client notification requirements**.

VIII. Conclusion

Wealthstreet Financial Services is dedicated to protecting both client and company interests through effective risk management processes, including the timely liquidation or close-out of positions when necessary. The Company ensures that all actions taken in this regard are transparent, fair, and in full compliance with regulatory requirements, including **SEBI guidelines** and the rules of the **MCX, BSE, and NSE**.

The client acknowledges and agrees to these terms, understanding that the Company's right to liquidate or close positions is exercised in situations such as non-payment of margins, death, insolvency, or other risk factors. Wealthstreet Financial Services aims to provide clarity, reliability, and security throughout its operations, keeping clients informed at every step.

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