

## Updated Risk Management Policy for Settlement of Client Accounts

**Objective:** The objective of policy is to appropriately deal with regulatory directives of settlement of client accounts registered for equities, equity derivatives, currency derivatives, commodity derivatives and other segments, for funds and securities /commodities. The treatment of securities/commodities in this policy would have same understanding to meet regulatory directives. This process is elaborated for settlement, operations and risk management so that desired action shall be taken thus being named as “Risk Management policy (herein after named as RMS Policy) for settlement of client accounts” and to be read and understood as part of our RMS policy. This is being implemented for clients registered with Systematix Shares and Stocks (India) Limited (hereinafter referred to as “SSSIL”).

**Background:** As per SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009 settlement of funds and / or securities shall be done within 1 working day of the pay-out, unless client specifically authorizes the trading member in writing to maintain a running account. Clients whose funds and securities are maintained on running account basis have to be settled by members on a monthly / quarterly basis as per client mandate. The actual settlement of funds and securities shall be done by at least once in a month or quarter, depending on the mandate of client and gap of between two running account settlements should not exceed 30 or 90 days respectively.

In addition to this, as per SEBI directive issued vide Circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 relating to Handling of Clients’ Securities by Trading Members/Clearing Members. In view which, we need to maintain two types of demat accounts for client(s) securities:

- Client Unpaid Securities Account (CUSA)
- Client collateral account

The following needs to be adhered to:

- 1) The securities received in pay-out against which payment has been made by clients, shall be transferred to demat account of clients within one working day of pay-out.
- 2) With regard to securities that have not been paid in full by the clients (unpaid securities), shall be

transferred into a separate client account titled – “client unpaid securities account”

- 3) The securities kept in ‘client unpaid securities account’ shall either be transferred to the demat account of respective client upon fulfillment of client’s funds obligation or shall be disposed off by us, as per prevalent liquidation policy. The unpaid securities shall be sold in Unique Client Code (UCC) of client (without pre-order confirmation) to the extent of debit balance of the respective settlement.
- 4) In case of securities not sold due to reason such as inactive / suspended shares, upper circuit, lower circuit, regulatory enforcement / court directions or such other legitimate reasons then such securities would be transferred to client demat account on T+ 5 day from pay-out date.
- 5) Excess client securities can be kept in “Client collateral account” without pledging to Clearing Corporation (CC).
- 6) It should also be ensured that securities are not transferred to “Client collateral account” directly from “Client unpaid securities account”.
- 7) It shall be ensured that securities, so held in “Client Collateral/Collateral” account are released to clients along with their funds’ settlement (i.e. once in every 30/90 days) after making necessary retention in accordance with Exchange circular.
- 8) We may, however, at our discretion, transfer unpaid securities to Client demat account in case the client is having demat account with SSSIL and has executed Power of Attorney (POA) of the demat account for transferring securities against obligation, in favour of SSSIL.
- 9) At the Clearing Corporation, securities pay in obligation is netted at member level. In event of offsetting delivery position within SSSIL clients, if seller client fails to deliver his obligation resulting into internal shortage, such positions shall be closed out at price of the securities higher of 1) Average Trading Price (ATP) on Auction day or 2) Close Price on Auction-day or 3) seller trading rate Plus 2%. The Seller shall in addition to the above, will be debited with an additional penalty of 1%.

In view of the above directives, settlement of securities would be applicable for securities lying in client collateral account.

**Procedure:** The procedure to handle settlement of funds and securities held in Client Collateral Account:

1. The actual settlement of funds and securities shall be done by at least once in a quarter or month, depending on the mandate of client and gap of between two running account settlements should not exceed 90 or 30 calendar days.

2. All funds and securities of clients need to be settled on the same day. The balance of funds and securities of client either for Exchange or across Exchanges
3. While settling client accounts, both funds and securities of clients need to be settled on the same day.
4. While settling account, we shall send the client a 'statement of accounts' containing an extract from the client ledger for funds and an extract from the register of securities displaying all receipts/deliveries of funds/securities.
5. In case a client has not traded during quarter / month and does not hold any funds or securities at any point of time during the quarter / month, then the statement of account to the client is not generated from the software, due to non obligation of settlement.
6. For the clients having outstanding obligations on the settlement date, SSSIL may retain requisite /securities/funds towards such obligations and may also retain the funds expected to be required to meet margin obligations for next 5 trading days as specified by the exchanges.
7. SSSIL shall retain 1.25 times of the outstanding amount till the fulfillment of client's funds obligation or shall be disposed off in the market by SSSIL within five trading days after the pay-out date, in case of securities lying in Client Unpaid Securities Account (CUSA). After fulfillment of client's obligations, the securities shall be released to from CUSA account to respective client Demat account.
8. No inter client/family adjustment can be done for the purpose of settling client accounts.
9. The following funds / securities may be retained us at the time of settlement:
  - a. Entire pay-in obligation of funds & securities outstanding at the end of day on date of settlement.
  - b. Funds / securities to the extent of value of transactions executed on the day of such settlement in the capital market
  - c. Cheques received by the Member from the client and credited in the respective client ledger but uncleared on the date of settlement.
  - d. In equity and commodity derivative segment apart from margin liability as on the date of settlement, additional Margins (maximum up-to 125% of margin requirement, aggregating to 225% on the day of settlement)
  - e. In case of debit balance, securities would be released after retaining margins of 1.25 times of the debit balances as mentioned in point (7) above,.
  - f. An amount equivalent to the provisional bill for the pay-in shortage (auction bill).
  - g. Securities lying in collateral account to be released by settlement team on confirmation

from RMS team.

- h. Securities of clients to the extent of unclear cheques would not releases.

10. Periodic settlement is not required to be done in the following cases:

- a. Clients settling trades through “custodians”
- b. If Margin has been received in the form of Bank Guarantees and Fixed Deposit Receipts which have been created by the clients.
- c. We may retain funds and securities where net amount due to clients across segments and across exchanges up to Rs 5,000/- for equities and Rs 10000/- for commodities. This would be retained to meet other obligations such as DP charges, etc. unless the client proposes to withdraw the full amount / close the account.

The above threshold limit on retention of amount shall not be applicable in case of client who have not traded even once during the month/quarter in which the settlement is being undertaken. Cheques received from clients and credited in the respective client ledger but un- cleared on the date of settlement.

- d. For the purpose of settlement of funds, the mode of transfer of funds shall be by way of electronic funds transfer viz., through National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), etc. The required bank details for initiating electronic fund transfers shall be obtained from clients and shall be updated in case of any updations. We may also issue a physical payment instrument, only in cases where electronic payment instructions have failed or have been rejected by the bank and after keeping adequate record of the same. However, in such case settlement will be deemed to have been done only if proof of clearing the funds is on record
- e. In case of new clients, no settlement would be required in the month/quarter in which funds/securities are received for the first time.

11. Sending of statements :

- a. Retention statements shall be sent to the respective clients on same day of settlement.
- b. Statement should necessarily contain the following details:
  - i. Extract from the client ledger for funds and an extract from the register of securities/commodities displaying all receipts/payments/ deliveries of funds/securities/commodities.
  - ii. The statement shall also explain the retention of funds/securities/commodities and the details of the pledge, if any.
  - iii. Closing balance of funds / securities/commodities available with the member on the date of settlement.
  - iv. A clause stating that clients shall bring any dispute arising from the statement of account or settlement so made to the notice of the broker preferably within 7

working days from the date of receipt of funds/securities/commodities or statement, as the case may be.

- v. A clause intimating the client that the client has provided a running account authorization which can be revoked at any time.
- c. We have to send statement of account/retention statement even to such clients, whose settlement is not required to be done (as mentioned in point 10 (c) above, on a quarterly/monthly basis.
- d. We are also required to send to client's statement of accounts containing an extract from client ledger for funds, securities and commodities along with a statement explaining the retention of funds/securities/commodities.

**Applicability:** This would be applicable with immediate effect and updated on our website for clients to be informed and updated of this policy or any amendments thereafter.

**Review:** The internal auditors would review the implementation of aforesaid policy. Also this policy has been placed before Board of Directors for approval and would be subject annual review and/or in case of any major regulator directives.

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**Background:** As per SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009 settlement of funds and / or securities shall be done within 1 working day of the pay-out, unless client specifically authorizes the trading member in writing to maintain a running account. Clients whose funds and securities are maintained on running account basis have to be settled by members on a monthly / quarterly basis as per client mandate. The actual settlement of funds and securities shall be done by at least once in a month or quarter, depending on the mandate of client and gap of between two running account settlements should not exceed 30 or 90 days respectively.

**Procedure:** The procedure to handle settlement of funds and securities/commodities:

1. The actual settlement of funds and securities shall be done by at least once in a quarter or month, depending on the mandate of client and gap of between two running account settlements should not exceed 90 or 30 calendar days.
2. All funds and securities of clients need to be settled on the same day. The balance of funds and securities of client either for Exchange or across Exchanges
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4. While settling account, we shall send the client a ‘statement of accounts’ containing an extract from the client ledger for funds and an extract from the register of securities displaying all receipts/deliveries of funds/securities.
5. In case a client has not traded during quarter / month and does not hold any funds or securities at any point of time during the quarter / month, then the statement of account to the client is not generated from the software, due to non obligation of settlement.
6. For the clients having outstanding obligations on the settlement date, SCSPL may retain requisite /securities/funds towards such obligations and may also retain the funds expected to

be required to meet margin obligations for next 5 trading days as specified by the exchanges.

7. SCSPL shall retain 1.25 times of the outstanding amount till the fulfillment of client's funds obligation or shall be disposed off in the market by SCSPL within five trading days after the pay-out date, in case of securities lying in Client Unpaid Securities Account (CUSA). After fulfillment of client's obligations, the securities shall be released to from CUSA account to respective client Demat account.
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  - d. Apart from margin liability as on the date of settlement, additional Margins (maximum up-to 125% of margin requirement, aggregating to 225% on the day of settlement)
  - e. In case of debit balance, securities would be released after retaining margins of 1.25 times of the debit balances as mentioned in point (7) above,.
  - f. Securities lying in collateral account to be released by settlement team on confirmation from RMS team.
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  - a. If Margin has been received in the form of Bank Guarantees and Fixed Deposit Receipts which have been created by the clients.
  - b. We may retain funds and securities where net amount due to clients across segments and across exchanges up to Rs 10000/-. This would be retained to meet other obligations such as DP charges, etc. unless the client proposes to withdraw the full amount / close the account.

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- d. We are also required to send to client's statement of accounts containing an extract from client ledger for funds, securities and commodities along with a statement explaining the retention of funds/securities/commodities.

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