

Policy of Client Unpaid Securities Pledgee Account (CUSPA)

1. Background and Purpose

This SOP/Policy defines the processes for managing unpaid securities under the **Clients' Unpaid Securities Pledgee Account (CUSPA)** framework at **Star Finvest Private Limited**.

It is aligned with the following regulatory circulars:

- SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 (dated November 11, 2022)
- SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/75 (dated June 5, 2024)
- NSE circular NSE/INSP/61507 dated 05/04/2024

The purpose of this policy is to ensure regulatory compliance, safeguard client interests, and manage risks arising from unsettled trades.

2. Scope

Scope This SOP/Policy applies to all equity settlement obligations (T+1) where a client has not provided sufficient funds to settle trades.

To streamline the process of handling client securities and prevent misuse, SEBI has mandated brokers to open a Client Unpaid Securities Pledgee Account (CUSPA).

3. What is CUSPA?

CUSPA, or Client Unpaid Securities Pledgee Account, is a special type of account maintained by trading members (brokers) at depositories (NSDL or CDSL). Its primary purpose is to hold unpaid securities purchased by clients who haven't completed the payment process.

4. How does CUSPA work?

Here's a breakdown of the CUSPA mechanism:

- **Transaction Initiation:** An investor initiates a trade to buy securities.
- **Settlement Obligation:** The broker has a T+1 (settlement day) obligation to deliver the purchased securities to the investor's demat account.
- **Payment Failure:** : If the investor fails to make the required payment for the purchased securities within a specified timeframe (typically T+1days), the unfunded securities are transferred to the broker's CUSPA account.
- **Auto-Pledge:** These unfunded securities are automatically pledged in favour of the CUSPA account, essentially acting as collateral for the outstanding payment.

5. Key Principles

- **Automated Pledge:** From February 24, 2025, clearing corporations directly credit securities into clients' demat accounts; unpaid securities are simultaneously pledged in favour of STAR FINVEST PVT LTD CUSPA account.
- **Charges:** Standard charges for pledge, unpledge, invocation, and liquidation apply.
- **Client Rights:** Clients may independently liquidate pledged securities at any time.
- **Auto-Release:** Uninvoked or unreleased pledges automatically release after seven working days, as per SEBI rules.

At the time of securities pay-out settlement, If the Client fails to meet his fund obligation and securities are unpaid, the securities will be transferred to the buyer's demat account along with the creation of an auto-pledge in favour of Star Finvest Private Limited Client Unpaid Securities Pledgee Account (CUSPA).

Pledge/Un-pledge charges shall be applicable and the client will be notified via email about their pledge/unpledged securities transactions. If the client fulfills the fund obligation within 5 trading days from the pay-out day (T+1+5), the securities will be unpledged and will be available as free balance in the client's demat account.

In the event of non-receipt of funds from the client against unpaid securities, Star Finvest Private Limited will liquidate the securities in the market on T+6 Day as per RMS Policy.

Broker's Industry Standards Forum (ISF) with respect to aforesaid provision and in consultation with SEBI, it is clarified that unpaid securities pledged in favor of CUSPA account of member (reduced by the appropriate haircut subject to minimum 20%) may be considered for collection

and reporting of margin by member to the extent of debit balances in client ledger arising out of buying obligation of such securities.

Prior intimation shall be sent one-day prior regarding CUSPA liquidation the extent of ledger debit.