

Standard Operating Procedure for Payout of securities directly to client demat accounts and for operation of Client Unpaid Securities Pledge Account (CUSPA).

1. Background

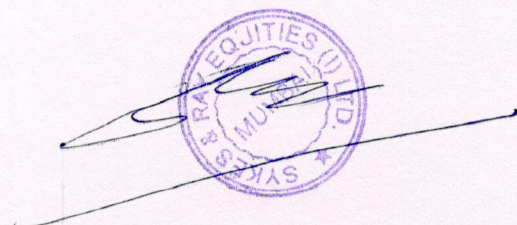
In order to protect clients' funds and securities and to ensure that the Stock Broker segregates securities or moneys of the client or clients and does not use the securities or moneys of a client or clients for self or for any other client, SEBI has issued various circulars from time to time.

SEBI and Exchanges vide various circulars regarding Handling of Clients' Securities by Trading Members(TM) / Clearing Members (CM) have mandated the securities received in pay-out, shall be transferred to the demat account of the respective clients directly from the pool account of the TM/CM within one working day of the pay-out.

With regard to the unpaid securities (i.e., the securities that have not been paid for in full by the clients), such securities shall be transferred to respective client's demat account followed by creation of an auto-pledge (i.e., without any specific instruction from the client) with the reason "unpaid", in favor of a separate account titled – "client unpaid securities pledgee account (CUSPA)"

2. Procedure.

1. Client buys securities and have to pay for the same before pay-in incase of debit in account.
2. Pay-out of Securities is received from the Clearing Corporation (CC) into the pool account on pay-out date.
3. Pay-out of Securities from Pool Account is given to all clients on the date of pay-out with clear credit balance.
4. Pay-out of securities is given to clients on the date of pay-out where there is debit or unclear balance with a creation of auto



pledge in favour Sykes & Ray Equities (I) Ltd (SRE). Securities are valued after applicable VAR margin.

5. After the creation of pledge, a communication (email / SMS/Physical letter) is sent by SRE informing the client about their funds obligation and also about the right of SRE to sell such securities in event of failure by client to fulfill their obligation.
6. If the client fulfills its full settlement funds obligation and clears the entire settlement debit within five trading days after the payout, SRE after confirmation from the bank releases the pledge subsequently so that the securities are available to the client as free balance.
7. Keeping the client interest in mind the client is given enough time to clear the debit. Regular follow-up is made with the client to clear the debit. If the client does not fulfill its full settlement funds obligation for that particular settlement, SRE disposes off such unpaid securities in the market within five trading days after the pay-out. SRE before disposing the securities intimates (email / SMS/physical Letter) to the client, one trading day before such sale.
8. The unpaid securities shall be sold in the market with the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account.
9. As an investor friendly gesture clients are given time to clear the debit and avoid invocation. SRE shall invoke the pledge only against the delivery obligation of the client in case client fails to clear the settlement debit in full. On invocation, the securities shall be blocked for early pay-in in the client's demat account with a trail being maintained in the SRE's client unpaid securities pledgee account.
10. In case, such pledge is neither invoked nor released within seven trading days after the pay-out, the pledge on securities shall be auto released and the securities shall be available to the client as free balance without encumbrance.



11. Client with Margin Trading Facility (MTF), incase where the client does not have sufficient collateral in the MTF pledge account or buys an MTF unapproved stock or due to any reason the stock cannot go into MTF funding through pledge then the shares shall go to the client DP with an auto pledge to SRE CUSPA account. Incase there is part credit in client ledger available then the shares transferred to the client DP account shall be free to the extent of credit and the remaining shall be auto pledge in CUSPA.

