B D SHAH SECURITIES LIMITED

R-701, Rotunda, Apollo Street, Fort, Mumbai – 400057

This POLICY on Client's Unpaid Securities Pledgee Account (CUSPA) is the Property of M/s B D SHAH SECURITIES LIMITED (BDSSL) and is confidential.

I hereby approve the Policy on Client's Unpaid Securities Pledgee Account

For B D Shah Securities

Mitesh Bipin Shah

Director

Date: 17/08/2026

Place: Mumbai

Contents, Distribution, Amendments

Contents:

Distribution List

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Amendments Made On 17-08-2026

No.	Nature of Amendment	Reason for amendment	Date of Amendment
1	Amendment in Point C and addition of Points D to I and notes. Addition of Point D to H applicable from 31-10-2026 and Point I applicable from 03-01-2027	SEBI Circular No. HO/38/11/(9)2026-MIRSDPOD/ I/15382/2026 dated July 03, 2026	31-10-2026

B D SHAH SECURITIES LIMITED

POLICY ON CLIENT UNPAID SECURITIES PLEDGEE ACCOUNT

POLICY ON "CLIENT UNPAID SECURITIES PLEDGEE ACCOUNT

WHAT IS A CLIENT UNPAID SECURITIES PLEDGEE ACCOUNT (CUSPA)

IN ORDER TO FURTHER STREAMLINE THE PROCESS OF HANDLING CLIENT SECURITIES AND PREVENT MISUSE, SEBI HAS MANDATED BROKERS TO OPEN A CLIENT UNPAID SECURITIES PLEDGEE ACCOUNT (CUSPA). THE FRAMEWORK WILL COME INTO EFFECT FROM 1ST APRIL 2023.

1. Equity trades are settled on T+1, where T refers to the trade day.
2. Brokers are required to credit securities to the buyer's account within 1 working day of the settlement day. BDSSL generally completes this on the settlement day itself.
3. If the buyer fails to meet his fund obligation above the value of Rs. 2500.00 by the settlement day, the securities will be transferred to the buyer's demat account along with the creation of an auto-pledge in favour of BDSSL's Client Unpaid Securities Pledgee Account (CUSPA).
4. Shares worth 125% of the net debit will be held as pledged in BDSSL's CUSPA and the remaining shares will be released to the buyer's demat account on T+1.
5. Pledge charges are applicable, and the defaulting buyer will be notified via email/SMS regarding their fund obligation.
6. If the client fulfills the fund obligation within 4 trading days from the pay-out day (T+1+4), the pledge will be released, and the securities will be available as free balance in the client's demat account.
7. If the client fails to fulfill the fund obligation within 4 trading days from the pay-out day (T+1+4), the securities will be sold in the market on T+1+5 to recover debits or dues, including penalties, interest, DP charges, etc.
8. In situations of payment or delivery failure by the pay-in day, losses and costs are borne by the defaulting party.
9. Note that such unpaid securities will not be considered to calculate the margin obligation of the defaulting party.
10. To avoid any kind of margin shortage, positions (including derivatives) may be square-off on any of these days. Therefore, it is advisable to ensure timely fulfillment of your fund obligations to avoid any unnecessary losses or risks.

For example, Mr. X purchased 100 shares of ABC Ltd at Rs. 500 per share using margins, on Monday (T). He fails to meet a fund obligation of Rs. 50,000 on Tuesday (T+1). as a result, the purchased 100 shares are auto pledged in favour of BDSSL's CUSPA. He will have time to bring in funds to cover his position till Monday (T+1+4). if he fails to do so, CUSPA will sell these 100 shares on T+1+5 to recover the debit. Mr. X will be liable to pay any applicable charges.

SEBI has been stipulating many regulatory changes with respect to pledge and margin requirement. Exchange has come out with circular dated April 05, 2024 wherein 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.

what is CUSPA (Client Unpaid Securities Pledgee Account)?

For Indian investors, navigating the intricacies of the stock market can sometimes involve unfamiliar terms. one such term that has recently gained prominence is the client unpaid securities pledgee account (CUSPA). This blog delves into the world of CUSPA, explaining its purpose, functioning, and potential implications for investors.

What are Unpaid Securities?

Prior to April 1, 2023, a potential issue existed when investors purchased securities but failed to fulfil their payment obligations. This could create complexities in the settlement process and pose challenges for Brokers. To address this, the Securities and Exchange Board Of India (SEBI) introduced the CUSPA framework.

A. 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.

B. 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 Day), 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.

C. WHAT HAPPENS IF YOUR SECURITIES ARE IN CUSPA?

ONCE THE SECURITIES ARE IN CUSPA:

- Notification: The broker is obligated to notify the investor about the non-payment and the transfer to CUSPA. Communication should be sent on or before the start of the next trading day on which the CUSPA pledge is created in the Depository system. Notification should include minimum:

a) client’s ledger debit amount/ client’s outstanding funds and margin obligation;
b) details of the securities pledged in CUSPA, including name of the security and quantity;
c) information regarding the right of the TM to invoke the pledge and liquidate the unpaid securities in the event of failure by the client to fulfil the payment obligation;
d) any other information that the TM considers appropriate

- Payment Window: The investor has a limited window (usually a T+5 days) to make the payment and have the securities transferred back to their demat account.

- Non-Payment Consequences: If the investor fails to settle the dues within the specified timeframe, the broker has the right to sell the pledged securities on the stock exchange to recover the outstanding amount. (Payin of held shares by Invocation)

D. Margin Reporting And Prohibition on Exposure (Paragraphs 46.5 of the SEBI Circular)

- The value of securities pledged in CUSPA may be considered for reporting client margin collection as follows:
    - For Peak Margin Reporting, the maximum value of CUSPA securities pledged during the day may be considered; and
    - for End-of-Day Margin Reporting, the value of CUSPA securities remaining pledged in the Depository system at the end of the day may be considered.
- Valuation of CUSPA securities for margin collection and reporting shall be carried out in the same manner as securities pledged under the margin pledge mechanism prevailing from time to time.
- No Exposure will be provided to clients against CUSPA securities

E. Release of Excess CUSPA Pledge (Paragraphs 46.6 and 46.7 of the SEBI Circular)

Any Excess CUSPA Pledge (more than actual debit of the client) shall be released daily on EOD basis. The valuation shall be the same as Margin pledge securities.

F. Invocation of Pledge and Liquidation of Unpaid Securities (Paragraphs 46.8 and 46.9 of the SEBI Circular)

Where the client fails to meet the payment obligation within the timeline prescribed in this policy, BDSSL shall provide reasonable notice to the client and then invoke the pledge and liquidate the unpaid securities as per the mechanism mentioned under SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/82 dated June 03, 2025. In case of those clients whose UCC is marked as “Not Permitted to Trade” after the creation of Pledge, the securities may be credited to BDSSL Account and sold under the proprietary code. The proceeds of the said sale shall be credited to the Client’s account.

G. Auto-release of Pledge (Paragraph 46.10 of the SEBI Circular)

In case where the shares are not released / invoked within 5 working days after the payout date, the DP shall auto-release the said shares at EOD on the sixth working day which will lead to locking of release on the 5th and the 6th day even for invocation or sale release by the client.

H. Prohibition on Further Pledging or Transfer of CUSPA-Pledged Securities - Paragraph 46.11 of the SEBI Circular

Securities Pledged for CUSPA will never be pledged or repledged further by BDSSL to any Bank or NBFC for raising funds.

I. Extension of Pledge in Exceptional Circumstances (Paragraphs 46.12 to 46.14 of the SEBI Circular)

i. Exceptional Circumstance under which the CUSPA securities can be extended If not liquidated within 5 working days after the date of payout. The request can be done to the DP within the time stipulated by the DP (as per the circular 6:00 pm) on the 5th day. The extension can be made for 1 calendar week or as revised by SEBI or in case the conditions mentioned below continue throughout the period of 1st extension, Exchanges, DPs from time to time.

ii. Permitted Reasons for CUSPA Pledge Extension (PRCPE) as per the Guidelines:

- CUSPA01 - Security being in lower circuit with only sellers;
- CUSPA02 - suspension or trading halt due to surveillance or any other reason;
- CUSPA03 - security under GSM and permitted only weekly/ monthly trading
- CUSPA04 - sale not permitted due to MII/ SEBI instructions
- CUSPA05 - sale not permitted due to orders of an authority other than MII/ SEBI
- CUSPA06 - sale not permitted due to PIT Regulations (insider trading restrictions including trading window closure)

iii. BDSSL shall communicate the extension to its client through email or SMS or both.

J. Benefits of CUSPA

- Streamlined Settlement: CUSPA ensures a smoother settlement process by holding unpaid securities and facilitating easier recovery for brokers.
- Transparency: The auto-pledge feature provides transparency to investors regarding the status of their securities and potential consequences of non-payment.
- Reduced Risk: By holding unpaid securities as collateral, CUSPA mitigates the risk of brokers incurring losses due to client defaults.

K. Investor considerations with CUSPA

- Timely Payments: Investors need to be aware of their payment obligations and ensure timely settlements to avoid their purchased securities being transferred to CUSPA.
- Monitoring Account: If you invest in stocks, then regularly monitoring your demat account activity is crucial to identify any potential CUSPA transfers due to payment failures.
- Communication with Broker: Open communication with your broker regarding any payment delays or challenges can help avoid unnecessary complications related to CUSPA.

Conclusion

The introduction of CUSPA has streamlined the settlement process in the Indian stock market. While it protects brokers from potential losses, investors need to be aware of their obligations and the implications of non-payment. By understanding CUSPA and maintaining a responsible approach to settlements, investors can ensure a smooth and hassle-free trading experience.

Note: The policy shall be communicated to all the existing and new clients via weblink by message or email. Whenever the said policy is revised the same shall be approved by the Board and revised version be uploaded on website and weblink be communicated to the clients. In case where communication is undelivered/ bounced, the same shall be communicated through alternate channels (physical delivery - Hand Delivery / Courier or electronic instant messaging services to such clients.

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