31 October 2026

Policy on Handling of Client Unpaid Securities (CUSPA)

LGT Capital Markets Private Limited

Effective Date: 31 October 2026
Approved By: Designated senior management as applicable

Regulatory Reference: NSE Circular No. NSE/INSP/75508 dated 31 July 2026 and applicable SEBI, Depository, and Clearing Corporation guidelines.

1. Purpose and Objective

The objective of this Policy is to establish a comprehensive framework for the identification, creation, management, monitoring, release, invocation, and liquidation of Client Unpaid Securities Pledge Account (CUSPA) securities maintained by LGT Capital Markets Private Limited ("the Company").

This Policy is intended to:

- Ensure compliance with applicable regulatory requirements.
- Safeguard the interests of clients and the Company.
- Maintain uniform procedures across business functions.
- Facilitate transparent and timely communication with clients regarding unpaid securities.
- Establish risk controls for handling debit balances arising from securities transactions.

2. Scope

This Policy shall apply to:

- All clients of the Company.
- Equity cash market transactions resulting in unpaid securities obligation.

The provisions of this Policy shall govern the transaction lifecycle from the identification of unpaid securities until the final release or liquidation of the pledged securities.

3. Regulatory Framework

This Policy has been formulated in accordance with:

- NSE Circular No. NSE/INSP/75508 dated 31 July 2026.
- Applicable SEBI circulars.

4. Definitions

4.1 Client Unpaid Securities

Securities purchased by a client where settlement obligations remain unrecovered due to an outstanding debit balance in the client's ledger.

4.2 CUSPA

Client Unpaid Securities Pledge Account established for holding securities pledged against unpaid obligations of clients.

4.3 Pledge
Creation of a security interest over eligible securities in favour of CUSPA in accordance with depository procedures.

4.4 Invocation
Enforcement of pledge rights whereby pledged securities are transferred for the realization of unpaid obligations.

4.5 Release
Removal of pledge marking when the underlying debit obligation ceases to exist.

4.6 Clear Ledger Balance
Ledger balance excluding uncleared funds, provisional entries, or contingent adjustments.

4.7 Margin Obligation
Regulatory, Exchange, or Clearing Corporation margin requirements applicable to a client.

4.8 Competent Authority
Officials authorized by the Company to approve actions under this Policy.

4.9 FIFO
First-In-First-Out (FIFO) methodology whereby the earliest-created pledge receives priority for release or invocation.

5. Creation of CUSPA Pledge

For trades not covered under the Margin Trading Facility ("MTF"), the pay-out of unpaid securities, i.e., securities that have not been paid for in full by the client, securities shall be made directly to the client's demat account by clearing corporation (CC) followed by an auto-pledge creation request, without any specific instruction from the client, with the reason "unpaid", in favour of a separate demat account titled "Client Unpaid Securities Pledgee Account (CUSPA)", opened by the LGT ("TM"). (Pledges so created are hereinafter referred to as "CUSPA pledge")

The CUSPA pledge shall be created as part of the CC direct pay-out process. For determination of unpaid status of the securities, the end of day clear ledger balance is to be considered. However, any funds out of said end of day clear ledger balance is blocked (used) for existing margin of client, then same may be excluded from end of day clear ledger balance for determination of unpaid status of the securities.

5.1 Identification of Unpaid Securities
At the end of each trading day, the Operations Team shall:
- Review client ledger balances.
- Identify securities linked to unresolved debit obligations.
- Verify settlement status.

5.2 Creation Process
The following process shall be followed for creation of pledge under the Client Unpaid Securities Pledge mechanism:

A. Securities purchased by the client shall be credited to the client's demat account through the Direct Payout mechanism of the Clearing Corporation.
B. On T-day post market hours, eligible securities shall be identified through a system-driven process in the back-office system based on the client's outstanding ledger debit balance. The post-haircut value of securities, subject to the extent of the client's debit balance, shall be considered for pledge creation. A pledge marking file for the identified securities shall be generated and uploaded to the Clearing Corporation's NMASS portal before 10:00 a.m. on T+1 day.
C. Upon receipt of confirmation from the Depository/Clearing Corporation for successful pledge creation, the pledge records shall be updated in the internal back-office system.

6. Client Communication

For all CUSPA pledges created, LGT shall communicate the required information to the client through email, SMS, or both, at the email address and/or mobile number registered with the LGT. Log of communication shall be preserved by LGT.

The communication shall be sent on or before the start of the next trading day on which the CUSPA pledge is created in the Depository system.

The communication shall contain, at a minimum, the following details:

- client's ledger debit amount/ client's outstanding funds and margin obligation;
- details of the securities pledged in CUSPA, including name of the security and quantity;
- information regarding the right of the LGT to invoke the pledge and liquidate the unpaid securities in the event of failure by the client to fulfil the payment obligation; - any other information that the LGT considers appropriate.

7. Methodology for Release of Pledged Securities

Pledged securities shall be released on a **First-In-First-Out (FIFO)** basis, determined by the chronological order of pledge creation. Accordingly, securities pledged earlier shall be released prior to securities pledged at a later date, subject to the fulfilment of applicable margin requirements.

7.1 Circumstances for Release

Pledge release may occur when:

- The client settles the outstanding debit balance.
- Erroneous pledge creation is identified.

7.2 Release Timelines

The Company shall process releases promptly and, wherever applicable, not later than the next trading day after the client settles the outstanding debit balance.

7.3 Verification Prior to Release

The following shall be confirmed:

- Relevant outstanding dues are recovered.
- System records are updated accurately.

7.4 Release of Excess CUSPA Pledge

At the end of every trading day, LGT shall, on a client-wise basis, determine the following:

A = Value of the securities pledged in CUSPA, i.e. Valuation of CUSPA securities shall be carried out in the same manner as valuation of securities pledged under the margin pledge mechanism done for Margin Collection and Reporting purpose.
B = Aggregate clear ledger balance of the client across all non-MTF ledgers (debit balances shall be treated as negative and credit balances shall be treated as positive).
C = End-of-Day margin obligation of the client across all segments.

The maximum value of securities that may remain pledged in CUSPA shall be determined as follows:

Maximum Permissible CUSPA Pledge Value = $2.25 \times (C - B)$

Where **A** exceeds the maximum permissible CUSPA pledge value, LGT shall release the pledge on the appropriate quantity of securities corresponding to the excess value on or before the next trading day. As a result of aforesaid calculation, if any fraction of unit/quantity of securities to be released then LGT is not required to release fraction of unit/quantity and same may be retained.

Release of the pledge may be effected either through auto-release or through a LGT-initiated release.

8. Invocation and Liquidation

Where the client fails to meet the payment obligation within the three trading days after securities payout LGT shall, invoke the pledge and liquidate the unpaid securities.

Before invocation of the pledge and liquidation of unpaid securities, LGT shall send notice to the client by T+3, through email or SMS at the email address and/or mobile number registered with the LGT. Log of the communication shall be preserved.

Upon invocation, the invoked securities shall be blocked for early pay-in in the client's demat account, with a trail being maintained in the LGT CUSPA account;

The unpaid securities shall ordinarily be sold in the market using the Unique Client Code ("UCC") of the respective client. Where the client's trading account is frozen, or the client's trading code is marked as "Not permitted to trade" or an equivalent status by the Stock Exchange after creation of the pledge, the invoked securities shall be credited to the demat account of the LGT and sold by the LGT under its proprietary code; and in such exceptional cases, the LGT shall ensure that pay-in of the securities is completed on the same day as the invocation, so as to prevent accumulation of client securities in the demat account of the LGT. Any surplus funds remaining after adjustment of the client's outstanding obligation shall be credited to the client's ledger.

Trade executed using the client's UCC for liquidation of unpaid securities pursuant to invocation of a CUSPA pledge shall be appropriately identified in the contract note issued to client.

9. Margin Reporting and Exposure Controls

CUSPA securities may be considered for margin reporting as permitted under applicable regulatory provisions as below:

- 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.

The Company shall not grant fresh trading limits or enhanced exposure facilities based on securities lying under CUSPA.

10. Record Retention

The Company shall preserve relevant documents in physical or electronic form, including:

- Client ledger reports.
- Communication records.
- Liquidation reports.

Records shall be maintained for the period prescribed under applicable laws, regulations, and internal archival standards.

11. Review and Amendment of Policy

This Policy shall be reviewed:

- At least once every year.
- Upon the issuance of new regulatory requirements.
- Following material process changes.
- Whenever management considers revision necessary.

Amendments shall be approved by the designated senior management, as applicable.