

### **Internal process note w.r.t handling of client unpaid securities (CUSPA)**

- Security settlement module will compute the ledger balance for all clients' for whom payout is pending on T+1 (initial file at 4am). At the time of payout there will be an additional ledger balance check for clients' who were flagged to have negative balance. (Negative balance of Rs. 1,000 and above)
- 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 the favor of "client unpaid securities pledgee account". We shall also send an intimation to the clients after creation of the pledge.
- For shares in delivery where the client is in negative, we will move shares to the tune of what is needed to be recovered plus a mark-up (set at 30%) as a risk management measure.
- If a client has traded in multiple ISINs, we will fetch the Closing price of the different ISINs from Bhav copy of T-1 and sort in descending order.
- Quantity to be moved to CUSPA will be derived as
  - $\{( \text{Negative balance of ledger} + \text{Mark up (set at 30\%)} \} / ( \text{Closing price of T-1 from bhav copy} )$  where negative balance of ledger (only clear balance + deposits - withdrawals - debits) will be checked when CUSPA movement is being processed.
- A communication (email / SMS / push notification) shall be sent informing the client about their funds obligation and also about the right to sell such securities in event of failure by client to fulfil the obligation.
- In case the clients' fulfils its funds obligation within five trading days after the pay- out, Groww shall release the pledge so that the securities are available to the clients' as free balance.
- In case the client does not fulfil its funds obligation, Groww shall dispose of such unpaid securities in the market within five trading days after the pay-out. Before disposing the securities, Groww sends intimation (email / SMS / push notification) to the clients i.e. 1 trading day before disposing of the securities.
- 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.