

PROCESS NOTE ON SETTLEMENT OF FUNDS AND SECURITIES

In adherence to the SEBI regulations, all trading accounts, wherein the client has opted for running account, has to be compulsory settled on quarterly basis. Accordingly, we have set up a process of periodically settling the client accounts and are ensuring that the process of settlement of funds and securities for each and every client happens in accordance with the SEBI / Exchange guidelines. Further, upon completion of this process, statement of accounts are sent to the respective clients indicating that such settlement has been effected.

Process of Settlement

- For all the clients having outstanding obligations on the settlement date, requisite securities / funds are retained towards such obligations in addition to funds expected to be required to meet margin obligations.
- Net balance of a client is identified by computing free balance after adjusting future dated debits and Margin requirements for all the segments across Exchanges.
- Further, for covering debit balance of the clients, retention of funds/securities calculated based on 225% of T-day Margin obligation and other obligations at another Commodity Exchange.
- It is ensured that there should not be gap of maximum 90 (Quarterly) or 30 (Monthly) days (as per the preference of client) between two settlements.
- Settlement period is considered from the date of activation of account.
- For Settlement of client account as per the preference of client (or else within 90 days) funds below Rs. 50,000/- are retained as part of retention (net amount across segment/exchange).

Since we have a huge client base, it is practically not possible to settle accounts of all clients on one particular date of the month /quarter hence a system has been developed by which a settlement date for each and every client is automatically allocated, so that each client's account is settled as per the defined date.

In case a client is registered during a particular Quarter, we undertake settlement of his / her account after 84 days from date of registration and hence there might be a possibility that settlement of his / her account may not take place during the calendar quarter in which he or she is registered.

Processing for settlement happens once in a week. After payout for one cycle is over, system automatically assigns the next settlement date (settlement date + 84 days) for that client as per the

mode preferred by the client based on pre-defined logic. Accordingly, considering the set parameters, whatever be the balance on that day for that client, the same is released to the client.

In order to avoid inconvenience to clients, a SMS is been sent to the clients intimating the settlement 2 days prior of their settlement date. We have also provided a link in our software so branch and regional offices can see the set of clients who are due for payout every week.

Generally, settlement process and payout is released on the weekends as every day there are transactions happening and hence it is difficult to complete the entire process in a time bound manner as next day is a trading day and limits are to be assigned to client. In order to avoid such situations, we ensure that settlement happens on every weekend.

At the time of processing for settlement, balances are pulled from Back office, future dated debits and Margin requirements are calculated for all segments and then net releasable balance is arrived at. Basis this computation, different payout files are generated and uploaded in Back office, Banks and at Depository for actual processing of transaction. While calculating retention amount, we do consider securities after hair cut, unrealized credit bills or unrealized cheques which are excluded.

Once payout is processed, SMS are sent to clients informing the value of securities transferred and amount of funds released in their account. Client can see the detailed calculation of funds and securities released and withheld in online client login.

Statement of settlement is sent to all clients whose account is settled within 7 days during that week. Statements are generated from last settlement date of that client till the current settlement date so all transactions done during said period is covered in the statement.

As a process, we are now also settling securities of clients in commodity manually on similar lines as above above process and transfer excess securities of commodity transfer in client DP.

Activation/ deactivation of client's account and non-settlement of client account

The Client's trading and demat are deactivated due to various reasons like issue of order by SEBI retraining or prohibiting from accessing securities market, direction from regulatory authority like Income-tax, Enforcement Directorate etc. to freeze the account, pending litigation with the client etc. Once their accounts are deactivated, all activities relating to securities market are suspended including dealing and settlement of funds and securities. Client's account will be activated once the SEBI banned period is over or there is direction from regulatory authority to unfreeze the account etc. Only Once activated, the process of settlement of funds and securities will be carried out.
