

### **Internal Shortage Policy- Sharekhan Ltd**

Internal Shortage policy is framed where the seller and buyer of a security is with Sharekhan, and the seller does not fulfil the contractual obligation of delivering the securities sold by the seller.

We have two settlement cycle existing in the Capital Market segment of all Sharekhan registered exchanges. Given below are the process followed by Sharekhan for both settlement cycles.

#### **T+1 Normal Settlement:**

In case of any pay-in shortage by clients, as on the pay-in day (settlement date), the defaulting seller will have provisional debit of 130% of the total value of transaction based on the closing price as on T-day or T+1 day (in case of multiple settlements), whichever is higher till such time the Auction / close out process can be completed in the ledger.

In case there is a shortage of sell obligation, on T+1 (Settlement Day) or T+2 (in case of multiple settlements), Clearing House conducts a buying auction for all shortages reported. The defaulting seller would be debited with the rate at which these shares were auctioned at exchange and in additional statutory charges and a facilitation fees of 1% on total exchange auction value would be levied on the client ledger. Buyer clients would be credited with the total value calculated based on the auction rate conducted by the Clearing House.

#### **Important Note:**

- Any shortage in Normal Market that cannot be bought in the Auction Market shall be closed out as specified by SEBI. Close out shall be at the highest price prevailing across the Exchanges from the day of trading till the auction day or 20% above the settlement price on the auction day, whichever is higher, or as declared from time to time.
- Compulsory Close-out of securities under Corporate Action: In case a company announces any corporate action for securities, then as specified by SEBI, short deliveries, if any, of the shares traded on cum basis shall be directly closed out. Shortages shall be directly closed out at the highest price prevailing across the Exchanges from the day of trading till the day of auction or 10% above the settlement price on the auction day, whichever is higher, or as declared from time to time.

#### **Trade-To-Trade Segment:**

Any shortages in Trade-To-Trade shall be directly closed-out on the settlement date at the highest price prevailing across Exchanges from trading date till the settlement date or 20% above the closing price on the T Day, whichever is higher, or as declared from time to time. The buyer clients would be credited as per the close-out price declared by the Clearing House.

#### **T + 0 Normal Settlement:**

There is no auction applicable for T+0 settlement cycle. Closeout at the highest price prevailing across Exchanges on the day of trading or 10% above the closing price, whichever is higher would be debited to the client. Buyer clients would be credited with the close-out price specified by the Clearing House.