

Internal Shortage Policy

Version	2
Author of the Policy	Ms. Sonia Shiraj Motorwala
Reviewed by Compliance Officer	Mr. Krunal Rahangadale Head of Compliance Date: 23-10-2026
Name of the entity	Sharekhan Limited (MASK) and its Subsidiaries.

Regulatory references:

- Norms for Base Price, Price Bands, Call Auction in pre-open session and Close-out procedure for Exchange Traded Funds (ETFs) dated 15th June 2026.
- Close-out procedure for shortages in overnight ETFs and liquid ETFs dated 4th September 2026.

Introduction

The Internal Shortage Policy of Sharekhan Limited sets out the manner in which shortages arising from the failure of a selling client to meet securities delivery obligations shall be handled, including the applicable auction and/or close-out mechanism prescribed by SEBI, Exchanges and Clearing Corporations, as applicable, from time to time.

1) Types of Settlement Cycles

There are two settlement cycles applicable in the Capital Market segment, namely T+1 and T+0 settlement cycles.

a. 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 shall be debited at the rate at which the securities are auctioned by the Exchange/Clearing Corporation, along with applicable statutory charges. A facilitation fee of 1% on the total Exchange auction value shall also be levied to 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 Any shortage in the Normal Market that cannot be bought in the Auction Market shall be closed out as prescribed by SEBI / Exchanges / Clearing Corporations, as applicable.

Where auction pay-out cannot be completed on or before Record Date/Book Closure minus one business day, 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 5% above the settlement price on the auction day, whichever is higher.

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.

However, in case of Overnight ETFs and Liquid ETFs, close-out shall be affected as per the specific close-out methodology prescribed by SEBI, NSE Clearing and other Clearing Corporations from time to time, presently being highest price prevailing across Exchanges from trade date till auction date or 5% above settlement price on auction day, whichever is higher.

- 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.

For Overnight ETFs and Liquid ETFs, where specific close-out provisions have been prescribed by the regulator or Clearing Corporation, such provisions shall prevail over the general close-out methodology contained in this Policy.

b. Trade-To-Trade Segment:

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

c) T + 0 Normal Settlement:

There is no auction applicable for shortages in the T+0 settlement cycle. Securities shortages shall be directly closed out at **10% above the highest price of the day across all Exchanges for the T+0 market** or as prescribed by the Exchange / Clearing Corporation from time to time.

2) **Overnight ETFs and Liquid ETFs**

In case of shortage relating to Overnight ETFs and Liquid ETFs:

- i. Any shortages which cannot be bought in the auction market or where the auction seller fails to deliver wholly or partly on auction pay-in day shall be closed out at the highest price prevailing across the recognized Stock Exchanges from the trade date till the auction date or 5% above the settlement price on the auction day, whichever is higher.
- ii. Where auction pay-out cannot be completed on or before Record Date / Book Closure minus one business day, shortages shall be directly closed out at the highest price prevailing across the recognized Stock Exchanges from the trade date till the auction date or 5% above the settlement price on the auction day, whichever is higher.
- iii. Buyer clients shall be compensated as per the close-out value determined by the Clearing Corporation from time to time.

3) Regulatory Override

Notwithstanding anything contained in this Policy, any shortage handling, auction process, close-out rate or compensation mechanism prescribed by SEBI, Stock Exchanges and/or Clearing Corporations from time to time shall automatically become applicable and shall override the provisions stated herein to the extent of such variation.