

RUNNING ACCOUNT SETTLEMENT POLICY

Effective Date: As per SEBI Circular | **Classification:** Mandatory Compliance | **Applies to:** All Trading Clients

1. INTRODUCTION

This is with reference to SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009 and SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016, the settlement of funds and / or securities shall be done within 1 working day of the pay-out, unless client specifically authorizes the stock broker in writing to maintain a running account.

Accordingly, **Skywards Investec Private Limited (Bullsmart)** shall follow the polices guided by regulators from time to time.

Post implementation of SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 and after introduction of pledge / repledge mechanism in the depository system running account settlement for securities has been discontinued and therefore, SEBI circulars dated December 03, 2009 and September 26, 2016, are now applicable for settlement of running account of client's "funds" only.

2. POLICY OVERVIEW

Running Account Settlement is a mandatory SEBI-regulated process under which stockbrokers are required to periodically transfer unused client funds back to the respective client's registered bank account. This mechanism ensures that brokers do not hold client funds indefinitely and that clients always retain control over their capital.

Settlements are conducted on the first Friday or Saturday of the applicable cycle (monthly or quarterly), as authorized by the client in writing.

[Note: Settlement of running account for securities has been discontinued since SEBI Circular dated June 20, 2019. This policy applies exclusively to client funds.]

3. KEY POLICY ASPECTS

Aspect	Details
Authorization	Clients must specifically authorize the broker in writing to maintain a running account and must choose between a monthly or quarterly settlement cycle.
Settlement Frequency	Funds are transferred to the client's registered bank account on the first Friday or Saturday of the applicable month or quarter, as per the client's preference.

Inactive Accounts	If no trades are executed within a 30-day period, the entire free credit balance must be returned to the client's bank account on the next applicable monthly settlement date.
Retention Limits	Brokers may only retain funds to cover outstanding obligations, open positions, or up to 50% of the daily margin requirement (plus 175% additional margin for liabilities). No excess retention is permitted.
Client Notification	Brokers are obligated to notify clients of each settlement via both SMS and email to the registered contact details.

4. OBJECTIVE OF THE POLICY

This section defines the governing objectives for how the Broker manages, settles, and reports on client funds held in running accounts, in full compliance with SEBI regulations.

Objective	Policy Requirement
Inactivity-Based Settlement	Clients with no trades in the preceding 30 calendar days will have their entire credit balance settled on the next monthly settlement date as notified in the Exchange annual calendar, within 3 working days.
Active Client Settlement	Clients who have traded within the last 30 days are settled per their registered preference — monthly (within 30 days) or quarterly (within 90 days) — on the first Friday/Saturday of the applicable cycle.
Permissible Withholding	Funds may be retained only for: (i) unsettled pay-in obligations (T & T-1 day), or (ii) margin requirements up to 225% of total EOD margin liability across all segments, net of haircut-adjusted collateral. No other retention is permitted.
Client Statements	Clients will receive a settlement statement and intimation of funds refunded or withheld via SMS and email after each settlement, along with a retention statement within 5 working days.
Audit Trail	Complete records of last trade date, settlement dates, balances refunded/withheld, retention rationale, and all client communications will be maintained and made available for regulatory review.
Exchange Compliance	All settlements will align with the annual cycle calendar published by the Exchanges. Where the settlement date falls on a trading holiday, settlement is advanced to the immediately preceding trading day.

5. SETTLEMENT FREQUENCY & CYCLES

Cycle Type	Maximum Gap Between Settlements	Applicable Months (Quarterly)
Monthly	30 calendar days	All 12 months (first Friday of each month)
Quarterly	90 calendar days	January, April, July, October (first Friday of each month)

Settlement basis: The TM shall settle the running account after considering the End-of-Day (EOD) obligation of funds across all exchanges on the date of settlement. At least one settlement must occur within the applicable 30/90-day gap, as per the client's chosen cycle.

6. PERMISSIBLE FUND RETENTION BY TRADING MEMBER

Where a client has outstanding trade positions on the scheduled settlement date, the Trading Member (TM) may retain funds only as follows:

3.1 Pay-in Obligations

- Entire funds pay-in obligation outstanding at EOD on the settlement date for T day and T-1 day across all exchanges.

3.2 Margin Liability (225% Rule)

- The TM may retain the EOD margin liability across all segments and exchanges, plus additional margins up to 125% of total margin liability on the day of settlement.
- Therefore, the TM may retain up to 225% of the total margin liability in all segments across exchanges (margin liability excludes MTM and pay-in obligation).
- Securities pledged/repledged (margin pledge via Depository system) are adjusted before client funds.
- Excess securities or cash-equivalent collateral deposited with CC, after adjustment of the 225% margin liability, need NOT be unpledged.

3.3 Illustrative Computation Table (from SEBI Circular)

Scenario	Fund Pay-in Obligation (T & T-1 Day) [A]	EOD/Peak Margin Requirement [B]	225% of Margin [C = 225%×B]	Securities Pledged/Repledged [D]	Client Fund Balance [E]	Excess Funds Retained [F = E - ((C - D) + A)]
1	1,10,000	1,00,000	2,25,000	2,00,000	3,00,000	1,65,000

2	50,000	20,000	45,000	15,000	50,000	0
3	1,50,000	1,00,000	2,25,000	2,80,000 ^	1,80,000	30,000

^ In Scenario 3, excess securities of Rs. 55,000 (i.e., 2,80,000 – 2,25,000) are not required to be unpledged.

3.4 Collateral Adjustment Order

- TM shall first adjust the value of securities (after applying appropriate haircut) accepted as collateral via margin pledge in the Depository system.
- TM shall similarly adjust the value of commodities (after applying appropriate haircut).
- Only after the above adjustments shall the TM adjust client funds.

3.5 Discontinued Retention

- Retention of any amount on grounds of administrative or operational difficulties in settling accounts of active/regular trading clients is discontinued with immediate effect.

7. INACTIVE CLIENT ACCOUNTS

Trigger	No transaction in 30 calendar days since the last transaction, with a credit balance in the running account.
Action Required	The entire credit balance must be returned to the client by the TM within the next 3 working days.
Independence from Prior Settlement	This return is mandatory irrespective of when the running account was previously settled.

8. SETTLEMENT VALIDITY & PAYMENT RULES

7.1 What Constitutes a Valid Settlement

- A client's running account is considered settled only upon actual payment into the client's bank account.
- Journal entries alone do not constitute settlement.
- Journal entries in client accounts are permitted only for levy or reversal of charges.

7.2 Physical Payment Instruments

Where electronic payment fails, a physical instrument (cheque or demand draft) may be issued. The settlement date is the date of realization of the physical instrument into the client's bank account — not the date of issue of the instrument.

9. CLIENT NOTIFICATIONS & STATEMENTS

Settlement Intimation	Upon settling the running account, the TM must send an intimation to the client via SMS (on registered mobile) and email.
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Electronic Transfer Details	Intimation must include the transaction number and date.
Physical Instrument Details	Intimation must include the instrument number and date.
Retention Statement	TM must send the retention statement along with the statement of running accounts within 5 working days, as per existing provisions.
Dispute Window	Clients must raise any dispute on the running account statement to the TM within 30 working days from the date of the statement.

10. AUTHORIZED PERSONS — RESTRICTIONS

- An Authorized Person is strictly not permitted to accept client funds or securities.
- The TM must maintain a proper check to ensure this restriction is enforced.
- Proprietary trading by an Authorized Person is permitted only using their own funds and securities — client funds must not be used for proprietary trading purposes.

11. STOCK EXCHANGE MONITORING OBLIGATIONS

Stock Exchanges are required to develop an online system for effective monitoring of timely settlement of running accounts of client funds. Specifically:

- The system must verify that excess client funds are not retained by the TM as on the date of settlement.
- The online system must consider all client obligations across all exchanges to discourage excess fund retention.
- Monitoring responsibility may be shared among Stock Exchanges.
- Stock Exchanges must put in place appropriate reporting requirements for TMs to enforce the above system.

12. IMPORTANT NOTES & EXCEPTIONS

- If the designated settlement day falls on a trading holiday, the settlement is advanced to the immediately preceding trading day.
- Running account authorization applies exclusively to client funds. It does not extend to securities held in the client's demat account.
- There is no minimum balance requirement to maintain a trading account; however, active trading activity is necessary for the broker to retain any balance beyond the next settlement date.
- Clients may revoke or modify their running account authorization at any time by submitting a written request to the broker.
- All settlement records must be maintained by the broker and made available to clients upon request, in accordance with SEBI guidelines.

13. IMPLEMENTATION

Aspect	Requirement
Effective Date	Immediately upon Board approval.

Regulatory Alignment	Aligned with SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2025/1 dated January 06, 2025 and all subsequent circulars issued by SEBI and the Exchanges from time to time.
Client Communication	The Broker shall communicate this Policy to all clients and make it available on its website and within client disclosures as required.

14. GRIEVANCE REDRESSAL

Complaints relating to settlement delays, incorrect balances, or non-receipt of funds shall be addressed in accordance with the Broker's Grievance Redressal Policy and the SEBI SCORES mechanism. Clients are advised to first approach the Broker's designated Grievance Officer before escalating the matter to SEBI SCORES.

15. CLARIFICATION / INFORMATION

For any clarification or information on the implementation of this Policy, please contact the Compliance Officer:

Contact	Details
Name	Subhra Simantinee
Designation	Compliance Officer
Email	compliance@bullsmart.in
Tel. No.	+91-9513496115

16. REGULATORY BASIS

This policy is framed in accordance with SEBI circulars governing the settlement of running accounts of clients of trading members. Non-compliance by brokers may attract regulatory action by SEBI, including penalties and suspension of trading membership.

Clients are encouraged to regularly review their settlement notifications and report any discrepancies to their broker's compliance team or escalate to SEBI's SCORES portal.

17. REVIEW

The said policy shall be reviewed by the Board of the Directors on a yearly basis or as and when any update comes change in the Relevant Regulation/Circular comes or any change in the Skywards Investec Private Limited's internal control or Structure.

The Compliance officer has the authority to give directions to undertake additions, changes, and modifications, etc. to this Policy, and the same shall be effective per the authority of the Compliance Officer and thereafter be ratified by the Board of the Directors at its next review.