LLP Identification Number: AAX-1400

INTERNAL SHORTAGES POLICY

1. Objective

The objective of this policy is to establish a framework for identifying, monitoring, reporting, and resolving **DELTAMARK PARTNERS LLP** in client and proprietary accounts, in compliance with SEBI Regulations, Exchange circulars, and internal risk management practices.

2. Definition of Shortage

2.1 Securities Shortage

A securities shortage occurs when the Member fails to deliver securities to the Clearing Corporation on settlement date due to:

- Client non-delivery
- Incorrect holdings reporting
- System/operational errors
- Pledging/unpledging delays
- Corporate actions or ISIN changes

2.2 Funds Shortage

A funds shortage occurs when the Member fails to meet funds pay-in obligations due to:

- Client default
- Delayed collection
- Banking or payment gateway failure
- Internal operational error

3. Roles and Responsibilities

3.1 Back Office / Operations Team

- Monitor client securities and fund obligations on a daily basis
- Generate shortage reports (scrip-wise and client-wise)
- Inform Risk & Compliance teams immediately

3.2 Risk Management Team

- Initiate square-off in case of anticipated shortages
- Block trading limits of defaulting clients
- Recommend penalties or recovery actions

3.3 Compliance Officer

- Ensure reporting to Exchanges and Clearing Corporations
- Review root cause and corrective actions
- Ensure adherence to SEBI and Exchange circulars

3.4 Senior Management

- Approve policy and periodic reviews
- Ensure adequate systems and controls

4. Monitoring and Detection Mechanism

- Daily reconciliation of:
    - Client securities balances vs. depository holdings
    - Client ledger vs. bank balances
    - Margin obligations vs. available collateral

- System-generated alerts for:
    - Negative securities balances
    - Negative funds balances
    - Margin shortfalls

5. Handling of Securities Shortages

5.1 Preventive Controls
- Blocking short selling without proper client declaration
- Early pay-in facility usage
- Monitoring client demat balances before settlement
- Auto square-off of delivery shortages

5.2 Settlement Handling
- In case of shortage, the Clearing Corporation auction mechanism shall be followed
- Auction loss and penalties shall be recovered from the defaulting client
- If client fails to pay, loss shall be borne by the Member as per Exchange rules

6. Handling of Funds Shortages

6.1 Preventive Controls
- Collection of margins upfront
- Blocking trading when ledger is negative beyond approved limits
- T+1 collection of pay-in obligations

6.2 Settlement Handling
- Funds shortages shall be met from Member's own funds
- Penalties and interest charged by Clearing Corporation shall be recovered from client
- Persistent defaulters shall be suspended from trading

7. Reporting and Disclosure
- Shortages shall be reported to Exchanges/Clearing Corporations as per applicable circulars
- Internal MIS reports shall be submitted to Senior Management and Compliance Committee
- Root cause analysis shall be documented for each significant shortage

8. Recovery and Disciplinary Action

If client has short delivered any securities against his / her pay-in-obligation towards a counter party who is a client of **DELTAMARK PARTNERS LLP** and it resulted into internal shortage, self - Auction of Internal short scrip will be carried out by **DELTAMARK PARTNERS LLP** and such transactions shall be squared off on T+1 day (Settlement Day) and the buyer will be credited and the seller will be debited with the amount of such shares using the following formula :

The purchase price shall be determined based on the highest of the following rates:

1. Closing rate on T Day (Trade Day);
2. Highest traded price on T Day (Trade Day);
3. Closing rate on T+1 Day (Settlement Day); or
4. Highest traded price on T+1 Day (Settlement Day).

The highest rate among the above shall be considered as the purchase price. Further, an additional penalty of 2% shall be levied on such purchase price."

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