KSN Credence Commodities Trading Private Limited

INTERNAL SHORTAGE POLICY

1. Purpose

This Policy has been formulated by **KSN Credence Commodities Trading Private Limited** ("the Company") to lay down the procedure for handling internal shortages arising out of client pay-in shortages against purchases by other clients through internal netting of trades.

The objective of this Policy is to ensure fair treatment of clients, provide transparency in the handling of internal shortages, and comply with the applicable rules, regulations, circulars and guidelines issued by SEBI, the Stock Exchanges and the respective Clearing Corporations from time to time.

Clients are advised not to sell securities purchased on the previous trading day until the securities have been credited to their demat account. If the purchased securities are short delivered by the selling client, the transaction may result in an internal shortage and appropriate action shall be taken in accordance with this Policy.

2. Policy on Internal Shortage

Where a selling client fails to deliver securities towards the pay-in obligation and such failure results in an internal shortage due to inter-client netting of trades, **KSN Credence Commodities Trading Private Limited** shall have the right to handle such shortage in accordance with the applicable Exchange and Clearing Corporation regulations.

In such cases, the defaulting seller shall be debited with the **valuation price or the average auction price, whichever is higher**, in accordance with the applicable Exchange and Clearing Corporation provisions. The corresponding amount shall be credited to the affected purchasing client.

Where no auction price is available for a client-to-client shortage, the defaulting seller shall be debited at the **closing price on the auction day plus 5% for F&O securities or 10% for non-F&O securities, or the highest market price from the trading day to the auction day, whichever is higher**. The purchasing client shall be compensated accordingly.

The affected purchasing client shall be informed of the shortage on or before the auction day. In such cases, the client may not receive delivery of the securities and shall instead receive monetary compensation in accordance with this Policy.

If the purchasing client wishes to obtain delivery of the securities, the client may purchase the securities from the market on the following trading day at their own discretion. Brokerage and other applicable charges shall be levied as per the Company's tariff.

3. Regulatory Changes

In the event of any amendment to the provisions of the SEBI Act, Rules, Regulations, Stock Exchange Bye-laws, Clearing Corporation guidelines or any other applicable regulatory requirements, such provisions shall prevail over this Policy. This Policy shall be deemed to be modified to the extent necessary to ensure compliance with the prevailing regulatory framework.

4. Applicability

This Policy shall remain applicable until any revised mechanism for handling internal shortages is introduced by the respective Clearing Corporation or any regulatory authority, after which the revised mechanism shall automatically prevail.