

SHORT SELLING POLICY

Version: 2026/01.01

Version Date: 10/07/2026

Applicability: Stock Broker

ALB STOCK BROKING PRIVATE LIMITED

(HERE IN AFTER REFERRED AS "THE MEMBER")

1. Regulatory Context & Framework

This Policy is formulated in strict compliance with the statutory and regulatory requirements governing secondary market cash and derivatives transactions in India:

- **SEBI Circular No. MRD/DoP/SE/Cir-07/2007 dated December 20, 2007 and SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/1 dated January 05, 2024.**
- **Subsequent SEBI circulars and clarifications on short selling Rules, Bye-laws, and Circulars of NSE, BSE, and Clearing Corporations**
- **SEBI (Stock Brokers) Regulations, 2026.**

2. Objective & Scope

- **Objective:**

To lay down institutional controls, risk boundaries, pre-trade filters, auto-square-off protocols, and mandatory regulatory reporting mechanisms governing short selling by clients trading through the member.

- **Scope & Applicability:**

This policy applies uniformly to:

- All retail, non-institutional, High-Net-Worth (HNI) and corporate trading accounts registered with the member including proprietary trading.
- All equity transactions executed on the Capital Market / Equity Cash segments of **NSE** and **BSE**.

3. Definition of Short Selling

- **Short Selling:**

As defined by SEBI, short selling refers to the sale of a security that the seller does not own at the time of trade execution .

- **Naked Short Selling:**

Selling securities without having borrowed them through an approved Securities Lending and Borrowing (SLB) mechanism or without owning them at the time of trade, resulting in an inability to meet delivery

obligations. Naked short selling beyond intraday is strictly illegal and prohibited .

4. Operational Boundaries:

Permitted vs. Prohibited Activities

4.1. Permitted Activities

- **Intraday Cash Equity Short Sale:** Short selling in eligible equity shares strictly on an **intraday basis**, wherein positions are squared off within the same trading session before the cut-off time .
- **F&O Segment-Linked Equity Scrips:** Short selling only in scrips on which trading in derivative products is permitted by NSE/BSE, as identified in the exchange master files .
- **Exchange-Approved SLB Mechanism:** Any short position permitted to be carried forward *solely* if covered through the institutional/exchange-approved Securities Lending and Borrowing (SLB) framework prior to settlement delivery obligations. *(Note: Members' default retail trading policy does not permit carry-forward without prior explicit credit/SLB confirmation)*

4.2. Strictly Prohibited Activities

- Carrying forward an open short sale position in the cash segment to T+1 without physical borrowing/SLBM confirmation .
- Short selling in illiquid scrips, trade-to-trade (T2T/Z Group) basket stocks, securities placed under the Graded Surveillance Measure (GSM) or Additional Surveillance Measure (ASM) frameworks, or scrips suspended by Exchanges/SEBI .
- Circular trading, synchronized trades, front-running, price manipulation, artificial depression of stock prices, or unauthorized Sell Today, Buy Tomorrow (STBT) in the cash market .
- Any short selling during exchange-mandated halt periods, ban periods, or when internal scrip-wise exposure caps are breached .

5. Margin Rules & Risk Management System (RMS) Controls

In compliance with exchange pre-trade risk controls and regulatory upfront margin mandates :

- **Upfront Margin Requirement:**

Clients must maintain upto 100% upfront margin (comprising VaR margin + Extreme Loss Margin (ELM) + applicable Additional/Surveillance margins) prior to entering any intraday short order.

- **Pre-Trade Scrip-Level Filters:**

Member's electronic Order Routing and RMS engine shall enforce automated checks on price bands, order quantity limits, maximum order value, and scrip-level volatility caps .

- **Real-Time MTM Monitoring:**

Intraday short positions shall be tracked on a continuous Mark-to-Market (MTM) basis . If MTM loss hits the defined risk threshold (**70% to 80%** of available client collateral/ledger balance), The Member reserves the right to trigger automatic de-risking/liquidation .

6. Mandatory Intraday Square-Off Protocol

- **Cut-Off Timeline:**

All intraday short positions must be closed/squared off by the client no later than **15:15 hours IST** (or 15 minutes before official equity market close).

- **Automated RMS Liquidation:**

If the client fails to execute square-off before the prescribed cut-off, member's central RMS auto-square-off engine will systematically initiate market orders to close the open short position .

- **Liability of Execution Failures:**

If an open short position cannot be squared off due to market freeze, circuit filters (lower/upper circuits), liquidity drought, or technical contingencies:

- The trade will automatically enter the Exchange Clearing settlement cycle (T+1) .
- All financial liabilities, including internal or exchange auction penalties, clearing corporation settlement debits, and associated statutory levies, shall be borne solely by the client .

7. Client Intimation & Exchange Reporting Infrastructure

7.1. Client Mandatory Intimation

Under SEBI guidelines, any client executing a short sale must ensure proper disclosure :

- **Retail/Non-Institutional Clients:**

Execution via trading terminals is registered as intraday. If an intended short sale is executed through dealer, the client must explicitly declare the order as a "**Short Sale**" at the time of order placement or via email before trading window closure.

- **Formal Communication Channels:**

Dedicated compliance and support desks, Email/Call to compliance officer & Support desk email ID displayed on our website.

7.2. Reporting to Stock Exchanges (NSE / BSE)

- Member's Compliance and Operations departments shall consolidate client-category-wise and security-wise short sale trade data daily .
- Data shall be uploaded to the respective Exchange portals (such as **NSE ENIT / BSE Electronic Interface**) within the prescribed regulatory timelines on trade date (T-Day or before start of next trading day) .
- Complete electronic audit trails, including order logs, timestamps, trade confirmations, and exchange submission acknowledgments, shall be maintained in verifiable format for a minimum of 8 years.

8. Settlement Shortfall, Demat Pay-In, & Auction Allocation

Where a short position fails to square off and results in a settlement delivery obligation:

- **CDSL DP Verification:**

The DP operations desk verifies if free deliverable balances are available in the client's designated demat account linked via DDPI .

- **Auction Settlement:**

If deliverable shares are absent, the Clearing Corporation (NCL / ICCL) will subject the shortfall to the official Exchange Auction mechanism on T+1 settlement cycle .

- **Client Ledger Debits:**

Any valuation debit, auction square-up difference, exchange penalty for delivery default, and DP transaction/settlement fee will be debited to the client's financial ledger immediately upon clearing finalization .

9. Surveillance, Governance, & Board Review

- **Role of Compliance Officer:**

The Compliance Officer of the member shall oversee continuous monitoring of short-selling alert triggers, verify timely daily upload to NSE/BSE, review internal audit logs, and escalate systemic breaches to the Risk Management team.

- **Annual Policy Review:** In accordance with Regulation 23(3) of the SEBI (Stock Brokers) Regulations, this policy shall be reviewed periodically and at least **once every calendar year** by the Board of Directors of the member to incorporate dynamic market amendments and regulatory circulars.

Disclaimer & Review

This policy & Procedure must be reviewed as and when there are regulatory amendments and in absence of any amendment, on yearly basis. The information contained in this material is intended only for the use of the entity to whom it is addressed and others authorized to receive it. It may contain confidential or legally privileged information. The addressee is hereby notified that any disclosure, copy, or distribution of this material or the contents thereof may be unlawful and is strictly prohibited.