
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No. : NCDEX/MEMBERSHIP- 020/2023

Date : April 12, 2023

Subject : Submission of Half Yearly Networth Certificate as on March 31, 2023

Attention of members is drawn to the Exchange circular number NCDEX/COMPLIANCE-16/2016/239 dated September 27, 2016 on Enhanced Supervision of Stock Brokers/Depository Participants and circular number NCDEX/MEMBERSHIP-005/2023 dated February 01, 2023 on Clarification to Gazette Notification of SEBI (Stock Brokers) (Amendment) Regulations, 2022.

In this regard, members are requested to comply with the following requirement:

1. Half Yearly Networth Certificate along with Statement of Computation of Networth as on March 31, 2023 based on unaudited financial statement should be submitted to the Exchange on or before **May 31, 2023** as specified in point (a) of para 6.1.1 (Monitoring Criteria for Stock Brokers) of aforesaid Exchange circular dated September 27, 2016.
2. Members are requested to upload all the above details as prescribed in an electronic format through NCFE Portal. No physical copies should be submitted to the Exchange.
3. Networth Submission should be according to the Revised Networth Requirement as per Exchange circular no. NCDEX/MEMBERSHIP-005/2023 dated February 01, 2023 on Clarification to Gazette Notification of SEBI (Stock Brokers) (Amendment) Regulations, 2022.
4. Members are requested to adhere and comply with the applicable Networth (i.e., higher of the Base Networth or Variable Networth) as stated in the SEBI gazette notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022
5. For Variable Networth & Base Networth requirements, method of computation & formats regarding Half-Yearly Networth Submission and Actions for Non-Compliance, kindly refer Annexure I and II respectively.

Members are advised to ensure due compliance of the above regulatory requirement on or before **May 31, 2023**.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Bhavna Kariwala
Assistant Vice President - Membership

Encl: Annexure I & Annexure II

For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 26 62339
2. Customer Service Group by e-mail to : askus@ncdex.com

Annexure I –

(A) Variable Networth Requirement

Variable Networth shall be calculated as specified in the SEBI Notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022. It is 10% of the average daily cash balance (including Cash/FDRs/BGs) of clients retained with the member across segments/exchanges in the previous 6 months. For better understanding on the same, kindly refer Exchange circular number NCDEX/MEMBERSHIP-005/2023 dated February 01, 2023 on Clarification to Gazette Notification of SEBI (Stock Brokers) (Amendment) Regulations, 2022.

(B) Revised Base Networth Requirement & Method of Computation

Trading members / Clearing members of the Exchange/NCCL are required to maintain networth as prescribed by the Exchange/ NCCL at all points of time as per the continuing membership norms of the Exchange/NCCL. Revised Base Networth for members according to the type of membership of the member entity as per SEBI Gazette Notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022, is as under:

Segment	Type of Membership	Revised Base Networth - Applicable from 23.02.2023 (Effective 31.03.2023 submissions)		Revised Base Networth - Applicable from 23.02.2024 (Effective 31.03.2024 submissions)	
		Corporate	Individuals/PF /LLP/HUF	Corporate	Individuals/PF /LLP/HUF
Commodity Derivatives	TM	0.25 Crores	0.10 Crore	1 Crore	1 Crore
	TCM	3 Crores	3 Crores	5 Crores	5 Crores
	STCM	10 Crores	10 Crores	15 Crores	15 Crores
	PCM	25 Crores	NA	50 Crores	NA
TM = Registered Trading Membership.					
TCM = Registered Trading and Self Clearing Membership.					
STCM = Registered Trading and Clearing Membership.					
PCM = Registered Professional Clearing Membership.					

Method of computation applicable is as prescribed by Schedule VI of Securities and Exchange Board of India (Stock Brokers) (Amendment) Regulations, 2022.

(C) Formats of Networth Certificate**Format: C-1 (Networth Certificate for Corporates, Firms & Individuals)**

(To be provided on the Letterhead of the certifying Chartered Accountant/ Company Secretary)

CERTIFICATE

Member Name: _____

Member Applicable Networth (**Higher of 'Base Networth' or 'Variable Networth'**):

1. Base Networth is Rs. _____/-
2. Variable Networth is Rs. _____/-

This is to certify that the Networth of M/s./Mr./Ms. _____ (Name of Member) as on _____ as per the statement of computation of even date annexed to this report is Rs. _____ only).

We further certify that:

- M/s./Mr./Ms. _____ (Name of Trading Member) is not engaged in any fund-based activities or business other than that of securities or commodity derivatives. Existing fund based assets, if any, have been divested from the books of account and have not been included for the purpose of calculation of networth.
- The computation of Networth based on my / our scrutiny of the books of accounts, records and documents is true and correct to the best of my / our knowledge and as per information provided to my / our satisfaction.
- The computation of Networth is in accordance with method of computation prescribed by Schedule VI of SEBI (Stock Brokers) (Amendment) Regulations, 2022.
- The computation of Variable Networth is in accordance with the method of computation prescribed by SEBI as per Gazette Notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022 on revised Networth requirement or as amended from time to time*.
- We hereby confirm that we are not the related party to the aforesaid entity

Place:
Date:
UDIN:

For (Name of Certifying Firm)

Name of Partner/Proprietor
Chartered Accountants / Company Secretaries
Membership Number

*Shall be read with amendments, circular, notification issued in this regard till date

Format C-1
Method of computation of Networth as per Schedule VI of SEBI (Stock Brokers)
(Amendment) Regulations, 2022

The method of computation of Networth as prescribed by Schedule VI of SEBI (Stock Brokers) (Amendment) Regulations, 2022 is as follows:

Capital + Free Reserves

Less: Non-allowable assets viz.,

- (a) Fixed Assets
- (b) Pledged Securities
- (c) Member's Card
- (d) Non-allowable securities (unlisted securities)
- (e) Bad deliveries
- (f) Any Debts and Advances (except trade debtors of less than 3 months)
- (g) Prepaid expenses, losses
- (h) Intangible Assets
- (i) 30% of Marketable securities

Annexure II - Action for Non-Compliance:

1. Non-Submission of half yearly Network

All members are required to ensure that they submit network certificate along with computation of network based on unaudited financial statement as on March 31, 2023 in the prescribed formats, as applicable, on or before May 31, 2023 in order to avoid any penalty for late / non-submission of half yearly network. Further, non-submission of any of the documents or submission of documents in other than the prescribed format would be construed as non-submission.

In terms of Exchange circular no. NCDEX/COMPLIANCE-020/2017/285 dated October 31, 2017 on revised penalty structure, penalty for late / non-submission of half yearly network would be levied as under:

- Penalty of Rs. 200/- per day for 1st month after the due date
- Penalty of Rs. 500/- per day for 2nd month after the due date till the date of submission or disablement
- 2 weeks' notice shall be given to the member after 2nd month from the due date, subsequent to which the member shall be disabled in all segments by the Exchange

The disablement notice issued to the Member shall be shared with all the Exchanges for information.

2. Minimum Network Requirement:

All the members of the Exchange are required to maintain Network at all points of time as prescribed in Exchange Circular no. NCDEX/MEMBERSHIP-005/2023 dated February 01, 2023 on Clarification to Gazette Notification of SEBI (Stock Brokers) (Amendment) Regulations, 2022. In case the Network is below the prescribed minimum network (i.e. higher of the Base Network or Variable Network), the Exchange would initiate appropriate disciplinary action including the following:

Category	For Trading members (who are not clearing member)	For Clearing Members (i.e. TCM/ STCM)
	Penalty to be levied	Effective Deposit* to be blocked
Network shortfall less than or equal to 10% of the prescribed minimum	Rs. 10,000/-	10% of Total Deposits (cash and collateral)
Network shortfall less than or equal to 25% of the prescribed minimum.	Rs. 15,000/-	25% of Total Deposits (cash and collateral)
Network shortfall less than or equal to 50% of the prescribed minimum.	Rs. 20,000/-	50% of Total Deposits (cash and collateral)
Network shortfall less than or equal to 90% of the prescribed minimum.	Rs. 30,000/-	90% of Total Deposits (cash and collateral)

Networth shortfall greater than 90% and Networth is negative	Trading Terminal shall be disabled (suspended square off mode) with immediate effect
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*Effective Deposits referred here is (i.e. BC plus ABC) minus Minimum Liquid Networth (MLN)

Notes:

1. In case of STCMs, if networth falls below prescribed levels (i.e. higher of the Base Networth or Variable Networth), other than blocking of Base capital/Additional Base Capital, STCMs will be allowed 3 months' time to increase their networth (under intimation to the TMs associated with such STCM) - failing which, they will not be allowed to clear trades of TMs affiliated to them. TMs associated with such STCM will make alternative clearing arrangements during this three months period. The Exchange will also not allow any new TM to affiliate with such STCMs.
2. It may be further noted that, incorrect method of calculation of networth will be treated as non-submission of networth certificate and appropriate action will be taken against the member.
3. Further, in terms of Exchange circular no. NCDEX/MEMBERSHIP-037/2019 dated July 30, 2019, Networth certificate submissions without UDIN will be treated as non-submission and appropriate action will be taken against the member.