
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No. : NCDEX/MEMBERSHIP- 044/2024

Date : October 04, 2024

Subject : Submission of Half Yearly Networth Certificate as on September 30, 2024

Attention of members is drawn to the Exchange circular reference number NCDEX/COMPLIANCE16/2016/239 dated September 27, 2016, on Enhanced Supervision of Stock Brokers/Depository Participants and circular reference 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 requirements:

1. Half Yearly Networth Certificate along with Statement of Computation of Networth as on September 30, 2024, based on unaudited financial statements should be submitted to the Exchange on or before **November 30, 2024**, 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 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/LADNRO/GN/2022/73 dated February 23, 2022.
5. For Revised Networth requirements and formats regarding Half-Yearly Networth Submission and Actions for Non-Compliance, kindly refer Annexure I and II respectively.
6. In case, member reports or Exchange observes a shortfall in networth in one submission and again submits/observes a subsequent shortfall in second consecutive submission of the Annual Return/Half Yearly Networth submission, then action would be initiated in terms of disablement of Trading Terminal at the submission of shortfall of networth in second consecutive submission of the Annual Return/Half Yearly Networth submission whichever might be appropriately applicable.

Members are advised to ensure due compliance of the above regulatory requirement on or before **November 30, 2024**.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Kanti Pal
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) Revised Network Requirement

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

(Amount in Rs.)

Segment	Type of Membership	Base Network – Applicable from 23.02.2024 (Effective 31.03.2024 submissions)#		Variable Network - Applicable from 23.02.2023 (Effective 31.03.2023 submissions)#	
		Corporate	Individuals/PF /LLP/HUF	Corporate	Individuals/PF/ LLP/HUF
Commodity Derivatives	TM	1 Crore	1 Crore	*10% of the average daily cash balance of clients retained with the member across segments/exchanges in the previous 6 months.	
	TCM	5 Crores	5 Crores		
	STCM	15 Crores	15 Crores		
	PCM	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.					

Members should ensure that its Base Network/Variable Network (whichever is higher) is maintained throughout the year.

* For better understanding, kindly refer to Exchange circular number NCDEX/MEMBERSHIP-005/2023 dated February 01, 2023, on Clarification to Gazette Notification of SEBI (Stock Brokers) (Amendment) Regulations, 2022.

Please note that the reason should be provided in the certificate in cases where the Variable Network is submitted as “Nil” or “NA”.

Please note that the Network computed as per the method of computation of Network prescribed by Schedule VI of SEBI (Stock Brokers) (Amendment) Regulations, 2022, and Variable Network shall be duly certified by the practicing Chartered Accountant / Company Secretary.

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

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

CERTIFICATE

Member Name: _____

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

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

This is to certify that the Network 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 calculating of network.
- The computation of Network 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 Network is in accordance with method of computation prescribed by Schedule VI of SEBI (Stock Brokers) (Amendment) Regulations, 2022.
- The computation of Variable Network 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 Network requirement or as amended from time to time.
- We hereby confirm that we are not a related party to the aforesaid entity.

Place:
Date:
UDIN:

For (Name of Certifying Firm)
PAN no. of CA/CS Firm

Name of Partner/Proprietor
Chartered Accountants / Company Secretaries
PAN no. of Partner/Proprietor
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

Place:

Date:

UDIN:

For (Name of Certifying Firm)

PAN no. of CA/CS Firm

Name of Partner/Proprietor
Chartered Accountants / Company Secretaries
PAN no. of Partner/Proprietor
Membership Number

Annexure II - Action for Non-Compliance:

1. Non/Late-Submission of half yearly Network

All members are requested to ensure that they submit network certificate along with computation of network based on unaudited financial statement as on September 30, 2024 in the prescribed formats, as applicable, **on or before November 30, 2024** in order to avoid any penalty for late / non-submission. 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 non/late-submission 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 Effective Deposits (cash and collateral)
Network shortfall less than or equal to 25% of the prescribed minimum.	Rs. 15,000/-	25% of Effective Deposits (cash and collateral)

Networth shortfall less than or equal to 50% of the prescribed minimum.	Rs. 20,000/-	50% of Effective Deposits (cash and collateral)
Networth shortfall less than or equal to 90% of the prescribed minimum.	Rs. 30,000/-	90% of Effective 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	

*Effective Deposits referred here is (i.e. BC plus ABC) minus Minimum Liquid Network (MLN)

Note:

1. In case of STCMs, if networth falls below prescribed levels (i.e. higher of the Base Network or Variable Network), other than blocking of Base capital/Additional Base Capital, STCMs will be allowed 3 months' time to increase their network (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 network will be treated as non-submission of network certificate and applicable action/penalties will be levied to the member.
3. Further, in terms of Exchange circular no. NCDEX/MEMBERSHIP-037/2019 dated July 30, 2019, Network certificate submissions without UDIN will be treated as non-submission and applicable action/penalties will be levied to the member.

In case of repeated instance of shortfall in net worth, the following action will be taken against the non-complied member.

Sr. No.	Penalty/Disciplinary Actions	Periodicity
1	5 days to be given to recoup the net worth	After notice shortfall
2	Disablement of trading terminal	On completion of 5 working days of Exchange intimation to the member to recoup the net worth

Following points will be taken into consideration while initiating the action:

- (a) The disciplinary action will be applicable to all existing members who have reported or have been observed to have a shortfall in net worth.
- (b) Action will apply only to consecutive / successive submissions. For instance, where a shortfall in net worth is observed in unaudited half yearly submission, if the member fails to recoup

the net worth in the consequent audited annual submission, then this provision will become applicable.

- (c) In case the shortfall of net worth is observed for disabled members, the proposed action will not be initiated as the member is already in a state of disablement. Enablement of such members will only post meeting all continued compliances, including the net worth criteria.
- (d) This action of disablement is in addition to the existing actions for network shortfall, such as levying penalties and blocking deposits.