
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No. : NCDEX/MEMBERSHIP-046/2023

Date : September 20, 2023

Subject : Submission of Annual Return for the Financial Year 2022-23

In terms of Regulation 7.2.3 of Regulations of the Exchange, members are hereby advised to submit the Annual Return for the financial year ended 2022-2023 to the Exchange.

All members who have been activated for trading prior to April 01, 2023 are required to submit their Annual Return latest by **October 31, 2023**, in respect of the financial year ended March 31, 2023.

Members, who have already submitted any of the documents which are prescribed in this circular for any other purpose, are required to upload the said documents pursuant to and in compliance with this circular.

Online submission of Annual Return through NCFE:

Annual Returns are required to be submitted only by way of uploading in an electronic format through NCFE. The last date for submission is **October 31, 2023**. No physical copies should be submitted to the Exchange.

Members are required to enter all the details and upload the necessary documents as prescribed in the Annual Return module through NCFE.

Further, the path for the submission of Annual Return & User manual for procedure of online submission of Annual Return through NCFE will be communicated through a separate circular.

Checklist for submission of Annual return, Revised Networth Requirement & Format for Networth certificate and computation, action for non-compliance and guidelines pertaining to statutory auditors are provided as Annexure I, II, III and IV respectively.

Members are requested to ensure that all applicable documents are uploaded before the due date. Incorrect / Incomplete submission of Annual return, if any, observed during the scrutiny would be construed as non-submission and will attract penalty for non/late submission / any other action that the Exchange may deem fit.

Members may please note that mere submission of documents through Annual Returns will not result in simultaneous updating of records at the Exchange and Members are required to follow the laid down procedure for obtaining approval/intimation to the Exchange, as the case may be, for changes already carried out.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Seema Nayak
Chief Compliance Officer

Encl: Annexures

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 – Checklist for submission of Annual Return:

1. All submissions should be as on March 31, 2023 except details under General Information TAB in annual return module on NCFE portal such as correspondence and registered office address, compliance officer, associate details etc.
2. Associate details should be submitted as per Regulation 2(1) (b) of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 of SEBI.
3. Networth Certificate (C1 Certificate) and Networth Computation (C1 Computation) should be as per method of computation of Networth prescribed by Schedule VI of SEBI (Stock Brokers) (Amendment) Regulations, 2022 (Refer Annexure II). UDIN is to be mentioned by practicing Chartered Accountants/ Company Secretaries in the Net-Worth Certificate.
4. Submission of Financial Statements in XBRL format is optional.
5. CA/CS certified undertaking with respect to Annual return submissions should be in format as prescribed by the Exchange in certification tab in annual return module on NCFE portal.
6. Fit and Proper Person undertaking should be in a format as prescribed by the Exchange in certification tab in annual return module on NCFE portal.
7. For all submissions in respect of annual returns to be uploaded on NCFE portal, data values should be updated in actual numbers and not converted in lakh or crores.
8. Documents that should be uploaded in the annual return module on different Tabs will be mentioned in user manual.
9. Members are required to submit financial statements in the format as prescribed under Companies Act, 2013 irrespective of whether they fall under the purview of Companies Act, 2013 or not. Kindly refer NCDEX circular no. NCDEX/COMPLIANCE-016/2016/239 dated September 27, 2016 on Enhanced Supervision of Stock Brokers/Depository Participants.

Annexure II –
(A) Revised Network Requirement

Trading members / Clearing members of the Exchange/NCCL are required to maintain network as prescribed by the 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/LAD-NRO/GN/2022/73 dated February 23, 2022, is as under:

Segment	Type of Membership	Base Network – Applicable from 23.02.2023 (Effective 31.03.2023 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	0.25 Crores	0.10 Crore	*10% of the average daily cash balance of clients retained with the member across segments/exchanges in the previous 6 months	
	TCM	3 Crores	3 Crores		
	STCM	10 Crores	10 Crores		
	PCM	25 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 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 Reason should be provided in the certificate in case where the Variable Network is submitted as “Nil.”

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 Accounts / Company Secretary.

(B) Format 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 Network (**Higher of 'Base Network' or 'Variable Network'**):

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

For (Name of Certifying Firm)

Date:

UDIN:

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 III- Action for Non-Compliance:
1. Non Submission of Annual Return :

All members are required to ensure that they upload all the details and documents through the NCFE portal in the prescribed formats, as applicable, on or before October 31, 2023 in order to avoid any penalty for non/late submission. Further, non-submission of any of the documents forming part of the Annual Return or submission of documents in other than the prescribed format would be construed as non-submission of Annual Return.

In terms of Exchange circular number NCDEX/COMPLIANCE-020/2017/285 dated October 31, 2017 on revised penalty structure, penalty for non/late submission would be levied as mentioned below:

- Rs. 200/- per day for the 1st month after due date till the date of submission.
- Rs. 500/- per day for the 2nd month after due date till the date of submission.
- Non-submission beyond two months from the due date will result in disablement of trading terminal after giving 2 weeks' notice.
- The disablement notice issued to the Member will be shared with all the Exchanges for information.

2. Minimum Networth Requirement :

All the members of the Exchange are required to maintain Networth 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 Networth is below the prescribed minimum networth (i.e. higher of the Base Networth or Variable Networth), the Exchange would initiate appropriate disciplinary action including the following:

Matrix for blocking Base capital/Additional Base Capital:

Category	For Trading members (who are not clearing member)	For Clearing Members (i.e. TCM/ STCM)
	Penalty to be levied	Effective Deposits* to be blocked

Networth shortfall less than or equal to 10% of the prescribed minimum	Rs. 10,000/-	10% of Effective Deposits (cash and collateral)
Networth 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 Total Deposits (i.e. BC plus ABC) minus Minimum Liquid Networth (MLN).

Note:

- a) In case of STCMs, if networth falls below prescribed levels, other than blocking of Effective deposits, 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 may make alternative clearing arrangements during this three months period. The Exchange will also not allow any new TM to affiliate with such STCMs.
- b) It may be further noted that, incorrect method of calculation of networth will be treated as non-submission of networth certificate and applicable penalties/action will be levied to the member.
- c) 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 applicable penalties/action will be levied to the member.

3. Change in Shareholding Pattern (SHP)/Sharing pattern, Details of Promoter Group,

Designated directors:

Any change in Shareholding Pattern (SHP)/Sharing pattern, Details of Promoter Group, Designated directors require prior approval of the Exchange. In case, the changes in SHP/Promoter Group have been carried out by the member without the prior approval of the Exchange, such changes will be a violation and will attract penalties as per our Circular No. NCDEX/MEMBERSHIP-007/2018/139 of June 01, 2018. The applicable penalties will be recovered as soon as such violations are noticed through the Annual Return submitted by the members. Exchange may also take any other action apart from levying penalties prescribed in our above circular, including placing the trading terminals on square off mode.

Particular	Penalty Amount
Any change in the shareholding pattern / profit sharing ratio of the member without the approval of the NCDEX (No Impact on existing Details of Promoter Group percentage)	Rs.5,000/-
Any change in the shareholding pattern / profit sharing ratio without the prior approval of the NCDEX involving dilution not below the minimum prescribed shareholding of the details of promoter group (Increase in Promoter Group%) or (Decrease in Promoter Group % but not below 51%)	Rs.10,000/-
Change in the shareholding pattern without the approval of the NCDEX which has resulted in the dilution of the shareholding / profit sharing ratio of the dominant promoter group below 51% (Promoter Group goes below 51%)	Rs. 1,00,000/- and for multiple instances Rs. 1,50,000/-
Change in shareholding/transmission of share due to death of Shareholder	Nil
Any change in designated directors/partners without seeking prior written approval of the NCDEX	Rs. 5,000/- per Instance

It may be noted that the act of the Exchange levying penalty is not be construed as approval of the changes carried out by members on their own accord.

In case of non-submission of specified documents with regard to changes carried out without prior approval, within 30 days from the date of Exchange letter, penalty of Rs. 5000 for late submission will be levied without prejudice to the right of the Exchange to take any other disciplinary action that it may deem fit.

Where consequent to change in shareholding without prior approval, Promoter Group holding goes below 51% leading to change in Promoter Group/management, Exchange will disable the trading terminal of the member by placing it on square off mode after 30 days from the date of Exchange letter. The said action will be withdrawn only post approval of the change so carried out.

Annexure IV: Guidelines pertaining to statutory auditors:

Exchange vide circular number NCDEX/COMPLIANCE-016/2016/239 dated September 27, 2016 had brought the provisions of SEBI circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 to the notice of members. In compliance to Clause 5.3 of aforementioned SEBI circular:

- I. No stock broker shall appoint or re-appoint—
 - a) an individual as statutory auditor for more than one term of five consecutive years; and
 - b) an audit firm as statutory auditor for more than two terms of five consecutive years:

- II. Provided that—
 - 1) An individual statutory auditor who has completed his term under clause I (a) above shall not be eligible for re-appointment as statutory auditor for the same stock broker for five years from the completion of his term.
 - 2) A statutory audit firm which has completed its term under clause I (b) above, shall not be eligible for re-appointment as statutory auditor for the same stock broker for five years from the completion of such term.
 - 3) Provided further that as on the date of appointment no statutory audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a stock broker in the immediately preceding the financial year, shall be appointed as statutory auditor of the same stock broker for a period of five years.

All the members are required to take note of the above and ensure adherence.

Any change in statutory auditor to be intimated to the Exchange in the format prescribed in Exchange Circular no. NCDEX/MEMBERSHIP-012/2019 dated February 28, 2019.