
NATIONAL COMMODITY CLEARING LIMITED

Circular to all Clearing Members of the Clearing Corporation

Circular No. : NCCL/MEMBERSHIP-003/2023

Date : April 18, 2023

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

This is with reference to circular no. NCCL/MEMBERSHIP-001/2022 dated March 15, 2022 on Gazette Notification of SEBI (Stock Broker) (Amendment), 2022 and circular no. NCCL/MEMBERSHIP-001/2023 dated February 03, 2023 on Clarification to Gazette Notification of SEBI (Stock Brokers) (Amendment) Regulations, 2022.

In this regard, Clearing Members are requested to comply with the following requirements:

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 Clearing Corporation on or before **May 31, 2023**.
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 Clearing Corporation.
3. Networth Submission should be according to the Revised Networth Requirement as per circular no. NCCL/MEMBERSHIP-001/2023 dated February 03, 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 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.

In this regard, Trading Cum Clearing Members (TCM) & Strategic Trading Cum Clearing Members (STCM) are requested to refer to NCDEX circular no. NCDEX/MEMBERSHIP-020/2023 dated April 12, 2023 on "Submission of Half Yearly Net Worth Certificate as on March 31, 2023".

Members are requested to take note and ensure compliance with the above regulatory requirements.

Encl: Annexure I & II

For and on behalf of
National Commodity Clearing Limited

Disha Thakker
Senior Manager

For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 266 6007
2. Customer Service Group by e-mail to : contactus@nccl.co.in

Annexure I:

A) Variable Network Requirement

Variable Network shall be calculated as specified in the SEBI Notification No. SEBI/LADNRO/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 circular number NCCL/MEMBERSHIP-001/2023 dated February 03, 2023 on Clarification to Gazette Notification of SEBI (Stock Brokers) (Amendment) Regulations, 2022.

B) Revised Base Network Requirement & Method of Computation

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. Revised Base Network 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 Network - Applicable from 23.02.2023 (Effective 31.03.2023 submissions)		Revised Base Network - 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	15 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) 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 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 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 Net worth 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:

UDIN:

Secretaries

For (Name of Certifying Firm) Date:

Name of Partner/Proprietor

Chartered Accountants / Company \

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:

- a) The following actions will be taken for non-submission of net worth certificate :
1. Charges of Rs. 200/- per day for 1st month after the due date.
 2. Charges of Rs. 500/- per day for 2nd month after the due date till the date of submission or disablement.
 3. 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.

The disablement notice issued to Professional Clearing Members (PCM) shall be shared with all the Exchanges / Clearing Corporations for information. Further, non-submission of any of the documents or submission of documents in other than the prescribed format would be construed as non-submission.

- b) Professional Clearing Members (PCMs) are required to maintain Networth at all points of time as prescribed in Circular no. NCCL/MEMBERSHIP-001/2023 dated February 03, 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 Clearing Corporation would initiate appropriate disciplinary action including the following: :

Category	For Clearing Members (i.e. PCM)
	* Effective Deposit to be blocked.
Networth shortfall less than or equal to 10% of the prescribed minimum	10% of Effective Deposit (cash and collateral)
Networth shortfall less than or equal to 25% of the prescribed minimum.	25% of Effective Deposit (cash and collateral)
Networth shortfall less than or equal to 50% of the prescribed minimum.	50% of Effective Deposit (cash and collateral)
Networth shortfall less than or equal to 90% of the prescribed minimum.	90% of Effective Deposit (cash and collateral)
Networth shortfall greater than 90% and Networth is negative	Clearing Terminal shall be disabled (suspended square off mode) with immediate effect.

*Effective Deposits referred here is Base Capital (BC) plus Additional Base Capital (ABC) minus Minimum Liquid Net worth (MLN).

Note :

1. Other than blocking of as mentioned above, PCMs will be allowed 3 months' time to increase their net worth (under intimation to the TCMs and TMs associated with such PCM) - failing which, they will not be allowed to clear trades of TCMs and TMs affiliated to them. TCMs and TMs associated with such PCMs will make alternative clearing arrangements during this 3 months period. NCCL will also not allow any new TCMs and TMs to affiliate with such PCMs.

2. It may be further noted that, incorrect method of calculation of net worth will be treated as non-submission of net worth certificate and appropriate action will be taken against the Clearing Member.

3. Clearing Members may further note that, submission of Networth Certificate and Computation without correct UDIN (Unique Document Identification Number) will be treated as non – submission of Networth Certificate and Computation and applicable charges / penalties / action will be taken against the Clearing Member.