
NATIONAL COMMODITY CLEARING LIMITED

Circular to all Clearing Members of the Clearing Corporation

Circular No. : NCCL/Membership- 009/2024

Date : October 14, 2024

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

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 Network Certificate along with Statement of Computation of Network as on September 30, 2024 based on unaudited financial statement should be submitted to the Clearing Corporation on or before **November 30, 2024**.
2. Clearing Members are requested to upload all the above details as prescribed in an electronic format through the links made available on NCFE Portal. No physical copies should be submitted to the Clearing Corporation.
3. Network Submission should be according to the Revised Network 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. Clearing Members are requested to adhere and comply with the applicable Network (i.e., higher of the Base Network or Variable Network) as stated in the SEBI gazette notification No. SEBI/LADNRO/GN/2022/73 dated February 23, 2022
5. For Variable Network & Base Network requirements, method of computation & formats regarding Half-Yearly Network Submission and Actions for Non-Compliance, kindly refer Annexure I and II respectively.

Clearing 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

Ketan Jadhav
Assistant Vice President- Regulatory

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) Minimum Network Requirement:

Clearing members are required to maintain network as prescribed by the Clearing Corporation at all points of time.

Network for various category of members is as under:

Segment	Type of Membership	Base Network (in Rs.)		Variable Network -(in Rs.) #	
		Corporate	Individuals/PF /LLP/HUF	Corporate	Individuals/PF /LLP/HUF
Commodity Derivatives	TCM	5 Crores	5 Crores	10% of the average daily cash balance of clients retained with the member across segments/exchanges in the previous 6 months	
	STCM	15 Crores	15 Crores		
	PCM	50 Crores	NA		
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.

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

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.

(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 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 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 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 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:
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

Place:

For (Name of Certifying Firm)

Date:

Name of Partner/Proprietor

Chartered Accountants / Company Secretaries Membership Number

UDIN:

Annexure II

Action for Non – Compliance:

1. Non/Late-Submission of half yearly Network

Clearing Members are requested to ensure that they submit network certificate along with computation of network based on unaudited financial statement as on March 31, 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.

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 (suspended square off mode) by the Exchange/Clearing Corporation.

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

2. Penalty for not meeting Network requirements

Professional Clearing Members (PCMs)/ Clearing Members are required to maintain Network 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 Network is below the prescribed minimum network (i.e. higher of the Base Network or Variable Network), the Clearing Corporation would initiate appropriate disciplinary action including the following:

Category	For Clearing Members ((i.e. TCM/ STCM and PCM)
	* Effective Deposit to be blocked.
Network shortfall less than or equal to 10% of the prescribed minimum	10% of Effective Deposit (cash and collateral)
Network shortfall less than or equal to 25% of the prescribed minimum.	25% of Effective Deposit (cash and collateral)
Network shortfall less than or equal to 50% of the prescribed minimum.	50% of Effective Deposit (cash and collateral)
Network shortfall less than or equal to 90% of the prescribed minimum.	90% of Effective Deposit (cash and collateral)
Network shortfall greater than 90% and Network is negative	Trading Terminal/s 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. In case of STCMs/ PCMs, if networth falls below prescribed limit (i.e. higher of the Base Networth or Variable Networth), other than blocking of Effective Deposit, STCMs/PCMs will be allowed 3 months' time to increase their net worth (under intimation to the TCMs and TMs associated with such STCMs/ PCMs) - failing which, they will not be allowed to clear trades of TCMs and TMs affiliated to them. TCMs and TMs associated with such STCMs/ PCMs will make alternative clearing arrangements during this three months period. Further, such STCMs/ PCMs shall not be entitled to affiliate any new TCMs and TMs.
2. It may be further noted that, Computation of Networth by method other than the L.C. Gupta method, shall be treated as Non-submission of Networth and appropriate penalty/actions as applicable.
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.
4. Further, to the above mentioned penalty / disciplinary action, in case Member having trading rights (i.e. TM, TCM and STCM) fails to submit the revised Networth certificate meeting the Networth requirement by next submission cycle, appropriate disciplinary action shall be initiated.