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**NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED**

Circular to all members of the Exchange

Circular No. : NCDEX/MEMBERSHIP-043/2021

Date : November 15, 2021

Subject : Submission of Annual Return for the Financial Year 2020-21

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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 2020-2021 to the Exchange.

All members who have been activated for trading prior to April 1, 2021 are required to submit their Annual Return latest by **December 31, 2021**, in respect of the financial year ended March 31, 2021.

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 **December 31, 2021**. 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.

User manual for procedure for online submission of Annual Return through NCFE is available at <http://extranet.ncdex.com/common/NCDEXDocuments/NCFE/User%20Manual/> and also available in downloads section of NCFE portal. (Downloads - Download Files- NCFE-User Manual- User Manual Annual Return)

Checklist for submission of Annual return, action for non-compliance and guidelines pertaining to statutory auditors are provided as Annexure I, II and III 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 non- submission /late submission charges/ any other action that the Exchange may deem fit.

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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**

Vishnu Gupta  
Senior Manager-Membership

Encl: Annexure I, II & and III

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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](mailto:askus@ncdex.com)

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**Annexure I – Checklist for submission of Annual Return:**

1. All submissions should be as on March 31, 2021.
2. Associate details should be submitted as per Regulation 2(1) (b) of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 of SEBI.
3. Net worth Certificate (annexure C-1) and Computation page (annexure C-1A) should be calculated as per L.C. Gupta method (Refer format provided on Net worth tab in annual return module on NCFE portal). UDIN is to be mentioned by a Chartered accountant in the Net-Worth Certificate.
4. CA 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.
5. 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.
6. Documents which should be uploaded in the annual return module on different Tabs are mentioned in user manual. For details, please refer user manual at the given path.
7. 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.

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**Annexure II - 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 system in the prescribed formats, as applicable, on or before December 31, 2021 in order to avoid any late / non-submission charges. 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, Non-submission charges/late submission charges 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 Net worth Requirement :**

All members of the Exchange are required to maintain Net worth at all points of time as prescribed by the Exchange. In case the Net worth is below the prescribed minimum requirement, 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 Deposit* to be blocked
Networth shortfall less than or equal to 10% of the prescribed minimum	Rs. 10,000/-	10% of Total Deposits (cash and collateral)

Networth shortfall less than or equal to 25% of the prescribed minimum.	Rs. 15,000/-	25% of Total Deposits (cash and collateral)
Networth shortfall less than or equal to 50% of the prescribed minimum.	Rs. 20,000/-	50% of Total Deposits (cash and collateral)
Networth 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	

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

**Note:**

- a) In case of STCMs, if net worth falls below prescribed levels, other than blocking of Base capital/Additional Base Capital, STCMs will be allowed 3 months` time to increase their net worth (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.
- b) It may be further noted that, incorrect method of calculation of net worth will be treated as non-submission of net worth certificate and applicable charges/penalties/action will be levied to the member.
- c) Further, in terms of Exchange circular no. NCDEX/MEMBERSHIP-037/2019 dated July 30, 2019, Net worth certificate submissions without UDIN will be treated as non-submission and applicable charges/penalties/action will be levied to the member.

3. 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 1, 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.5000/-
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, late submission charges of Rs. 5000/- will be levied without prejudice to the right of the Exchange to take any other disciplinary action that it may deem fit.

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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.

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**Annexure III: 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.