
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No. : NCDEX/MEMBERSHIP-040/2021

Date : October 18, 2021

Subject : Submission of Half Yearly Net worth Certificate as on September 30, 2021

Attention of members is drawn to the Exchange circular number NCDEX/COMPLIANCE-16/2016/239 dated September 27, 2016 on Enhanced Supervision of Stock Brokers/Depository Participants.

In this regard, members are requested to comply with the following requirement:

1. Half Yearly Net worth Certificate along with Statement of Computation of Net worth as on September 30, 2021 based on unaudited financial statement should be submitted to the Exchange on or before **November 30, 2021** 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 all the above details as prescribed in an electronic format through NCFE Portal. No physical copies should be submitted to the Exchange.
3. Computation of Net Worth should be as per Dr. L. C. Gupta Method only.
4. Formats for submission of Net worth (Net worth Certificate & Computation of Net worth) and Actions for Non-Compliance are provided in Annexure I and II respectively.

Members are advised to ensure due compliance of the above regulatory requirement on or before **November 30, 2021**.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Vishnu Gupta
Senior Manager - 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 – Format for submission of net worth certificate and Computation:**Net Worth Certificate (Annexure C-1)**

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

Certificate dated _____ submitted by (TMID)___ to NCDEX

CERTIFICATE

This is to certify that the Net worth of M/s./Mr./Ms. _____ as on _____ as per the statement of computation of even date annexed to this report is Rs. _____ only (Rupees (in words) _____) calculated as per Dr. L.C. Gupta method of Annexure C – 1A.

We further certify that:

- The computation of net worth 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 net worth is in accordance with method of computation prescribed by Dr. L. C. Gupta method committee report.
- We hereby confirm that we are not the related party to the aforesaid entity.

Place:

For (Name of Chartered Accountant Firm)

Date:

Name of the Partner/Proprietor
Chartered Accountant
CA Stamp and Membership Number
UDIN

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

Statement of Computation of Net worth (Annexure C-1A)

Computation of Net worth as on..... prescribed by Dr. L.C. Gupta Committee is as follows:

| | | |
|----|--|--|
| A. | Capital | |
| B. | Free Reserves | |
| C | 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) Doubtful Debts and Advances* | |
| | (g) Prepaid expenses, losses | |
| | (h) Intangible Assets | |
| | (i) 30% of Marketable securities | |
| D | Total Net Worth(A+B-C) | |
| . | | |

*Explanation:

Includes debts/advances overdue for more than three months or given to associates

For (Name of Chartered Accountant Firm)

Place:

Name of Partner/Proprietor
 Chartered Accountant
 CA stamp and Membership Number
 UDIN

Date:

Annexure II - Action for Non-Compliance:

1. Non-Submission of half yearly Net worth

All members are required to ensure that they submit net worth certificate along with computation of net worth based on unaudited financial statement as on September 30, 2021 in the prescribed formats, as applicable, on or before November 30, 2021 in order to avoid any late / non-submission charges. 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, Non-submission charges would be levied as under:

- Charges of Rs. 200/- per day for 1st month after the due date
- Charges 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 Net worth Requirement :

All the 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 net worth, 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 |
| 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:

1. 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 month 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 net worth will be treated as non-submission of net worth certificate and applicable charges/penalties/action will be levied to the member.
3. 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.