

## NSE Clearing Limited

### Circular

#### DEPARTMENT: COMPLIANCE

Download Ref No: NCL/CMPL/61368

Date: March 28, 2023

Circular Ref. No: 7/2024

To All Members

#### **Sub: Submission of Half Yearly Networth Certificate as on March 31, 2024**

As per the continuing membership norms of the Clearing Corporation, all Members of the Clearing Corporation are required to maintain minimum Networth at all points of time and submit the Networth certificate on a half yearly basis to the Clearing Corporation. With regard to the same, members are hereby advised to submit the Half Yearly Networth Certificate as on March 31, 2024 on ENIT by **May 31, 2024**.

It may be noted that no additional time shall be provided for submission of Networth certificate beyond the due dates mentioned above.

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/LAD-NRO/GN/2022/73 dated February 23, 2022.

Members are further advised to refer to NCL Circular ref no. NCL/CMPL/55460 dated February 01, 2023 for clarification on ascertaining Networth as per SEBI Gazette Notification.

Members may please note the following and ensure compliance:

- For the purposes of calculation of variable networth, Cash balance would include 'Client Cash / FDR / BG' retained by the member (across the Exchanges/ segments) which will be a consolidation of daily reporting by the members to Clearing Corporations in Segregation and Monitoring of Collateral at Client Level as per column number 22,23,24,38,39 and 40 i.e. Cash Retained by TM, Bank Guarantee (BG) Retained by TM, Fixed Deposit Receipt (FDR) Retained by TM, Cash Retained with CM, Bank Guarantee (BG) retained with CM and Fixed deposit receipt (FDR) retained with CM respectively.
- All clearing members (including banks) are required to adhere to format specified in Annexure.

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- In case the reported Networth is less than the minimum Networth required or reported Networth has a variation of 25% or more as compared to the last reported half yearly Networth, members are required to mention the reason for the same when submitting the same on ENIT.
- In case of any shortfall in Networth as on March 31, 2024, a revised Networth certificate as on a subsequent date meeting the minimum required Networth shall be submitted along with the original Networth certificate as on March 31, 2024, before the due date.
- Non-submission of Networth certificate within the due date or in case of any shortfall, failure to submit a revised Networth certificate along with the original Networth certificate as on March 31, 2024, shall result in action as prescribed in NCL Master Circular ref no. NCL/CMPL/57386 dated June 30, 2023
- For Networth requirements, method of computation and formats regarding Half-Yearly Networth Submission, kindly refer to Annexure I.

Further, members are required to submit Networth on ENIT and a separate communication shall be issued in this regard.

**For and on behalf of  
NSE Clearing Limited**

Jinal Shah  
Chief Manager

<b>Telephone No</b>	<b>Fax No</b>	<b>Email id</b>
1800 266 0050	022-26598243	membership@nsccl.co.in

## NSE Clearing Limited

### ANNEXURE - I

#### (A) Base Networth Requirement & Method of Computation

Trading members / Clearing members of the Exchange/NCL are required to maintain Network as prescribed by the Exchange/ NCL at all points of time as per the continuing membership norms of the Exchange/NCL. Base Networth for various classes of members as per SEBI Gazette Notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022, is as under:

Segment	Type of Membership	Base Networth - Applicable from 23.02.2023		Base Networth - Applicable from 23.02.2024	
		Corporate/LLP	Firm / Individual	Corporate/LLP	Firm / Individual
Capital Market	TM	0.75 Crore	0.75 Crore	1 Crore	1 Crore
	TM (Alpha)	0.50 Crore	0.50 Crore	1 Crore	1 Crore
	TM & SCM	3 Crore	3 Crore	5 Crore	5 Crore
	TM & CM	10 Crore	10 Crore	15 Crore	15 Crore
	PCM	25 Crore	NA	50 Crore	NA
Futures & Options	TM	1 Crore	0.75 Crore	1 Crore	1 Crore
	TM (Alpha)	0.50 Crore	0.50 Crore	1 Crore	1 Crore
	TM & SCM	3 Crore	3 Crore	5 Crore	5 Crore
	TM & CM	10 Crores	10 Crores	15 Crores	15 Crores
	PCM	25 Crores	NA	50 Crores	NA
Currency Derivatives	TM	1 Crore	1 Crore	1 Crore	1 Crore
	TM & SCM	5 Crores	5 Crores	5 Crore	5 Crores
	TM & CM	10 Crores	10 Crores	15 Crore	15 Crore
	PCM	25 Crores	NA	50 Crore	NA
Commodity Derivatives	TM	0.50 Crore	0.50 Crore	1 Crore	1 Crore
	TM & SCM	3 Crore	3 Crore	5 Crore	5 Crore
	TM & CM	10 Crores	10 Crores	15 Crore	15 Crore
	PCM	25 Crores	NA	50 Crore	NA
Debt Segment	TM	0.50 Crore	0.50 Crore	1 Crore	1 Crore
	TM & SCM	3 Crore	3 Crore	5 Crore	5 Crore
	TM & CM	10 Crores	10 Crores	15 Crore	15 Crore
	PCM	25 Crores	NA	50 Crore	NA

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TM = Registered Trading Membership.
TM & SCM = Registered Trading and Self Clearing Membership.
TM & CM = 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.**

## NSE Clearing Limited

### (B) Formats 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. \_\_\_\_\_/- (as mentioned in SEBI gazette notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022 )

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 Networth is in accordance with the method of computation prescribed by SEBI as per SEBI 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:

Firm) Date:

UDIN:

**For (Name of Certifying**

**Name of Partner/Proprietor**

**Chartered Accountants / Company Secretaries**

**Membership Number**

\*Shall be read with amendments, circular, notification issued in this regard till date.

## NSE Clearing Limited

### **Format: C-1 (Networth Certificate for Professional Clearing Members)**

*(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. \_\_\_\_\_/- (as mentioned in SEBI gazette notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022 )

2. Variable Networth is Rs. \_\_\_\_\_/-

This is to certify that the Networth of M/s. \_\_\_\_\_ (**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:

- 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 SEBI 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:**

**Firm) Date:**

**UDIN:**

**For (Name of Certifying**

**Name of Partner/Proprietor**

**Chartered Accountant / Company Secretary**

**Membership Number**

\*Shall be read with amendments, circular, notification issued in this regard till date.

## NSE Clearing Limited

### **Format: C-1 (Networth Certificate for Banks)**

*(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. \_\_\_\_\_/- (as mentioned in SEBI gazette notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022 )
2. Variable Networth is Rs. \_\_\_\_\_/-

This is to certify that the Net worth of M/s. \_\_\_\_\_ (Name of the Member) as on \_\_\_\_\_ as per RBI guidelines is Rs. \_\_\_\_\_ only.

We further certify that:

- 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 SEBI 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:**

**Firm) Date:**

**UDIN:**

**For (Name of Certifying**

**Name of Partner/Proprietor**

**Chartered Accountant / Company Secretary**

**Membership Number**

\*Shall be read with amendments, circular, notification issued in this regard till date.

## **NSE Clearing Limited**

### **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



## NSE Clearing Limited

### CLARIFICATION ON NETWORTH COMPUTATION

#### A) Share Capital + Free Reserves

S.No.	Components of Net worth	Remarks
1	<b>Share Capital</b>	<p>This element shall include:-</p> <ul style="list-style-type: none"> <li>• Paid-up equity share capital of the member.</li> <li>• Paid-up Preference share capital of the member.</li> <li>• Fully, compulsorily &amp; mandatorily convertible debentures/ Bonds/ warrants which are convertible within a period of 5 years from the date of issue</li> <li>• Share application money</li> </ul> <p>Loans from partners / directors / promoters will not be considered as share capital</p>
2	<b>Free Reserves</b>	<p>As per Sec. 2(43) of the Companies Act, 2013, free reserves mean such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend: Provided that—</p> <p>(i) any amount representing unrealised gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or</p> <p>(ii) any change in carrying amount of an asset or of a liability recognised in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value, shall not be treated as free reserves.</p> <p>Free Reserves shall include Profit &amp; Loss, General Reserve, Securities Premium, Preference Share Redemption Reserve, Capital Redemption Reserve etc. balance of which represents surplus arising out of sale proceeds of assets but will not include reserves created by revaluation of assets.</p> <p>Free Reserves should not include reserves such as Revaluation Reserve, Capital Reserve, Amalgamation Reserve, Debenture Redemption Reserve and other like reserves.</p>

## NSE Clearing Limited

### B) Non-Allowable Assets

S. No.	Components of Net worth	Remarks														
3	<b>Fixed Assets</b>	<p>This shall include: -</p> <ul style="list-style-type: none"> <li>• Net book value of all the Tangible Assets as per Balance Sheet / Trial Balance.</li> <li>• Advances given for acquisition of fixed assets</li> <li>• Capital work in progress.</li> </ul> <p>Assets under lease or taken on rent need not be deducted from the Net worth</p>														
4	<b>Pledged Securities</b>	<p>Total value of own securities (as recorded in the books of accounts) pledged with the Banks / NBFC or any Financial Institution for raising funds.</p> <p>Own shares pledged to clearing corporations/clearing members are not required to be deducted from Networth.</p> <p><b>Illustration:</b></p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Total Value of own securities as per books of accounts (all Marketable)</td> <td>Rs. 1000/-</td> </tr> <tr> <td>Total Value of own securities pledged (Included above)</td> <td>Rs. 700/-</td> </tr> <tr> <td colspan="2"><b>Amount to be deducted from Networth</b></td> </tr> <tr> <td>Value of pledged securities (100% of Rs. 700/-) (To be deducted under this point)</td> <td>Rs. 700/-</td> </tr> <tr> <td>30 % of the balance marketable shares (see point 9) (30% of (Rs. 1000-Rs. 700) )</td> <td>Rs. 90/-</td> </tr> <tr> <td><b>TOTAL AMOUNT TO BE DEDUCTED</b></td> <td><b>Rs. 790/-</b></td> </tr> </tbody> </table>	Particulars	Amount	Total Value of own securities as per books of accounts (all Marketable)	Rs. 1000/-	Total Value of own securities pledged (Included above)	Rs. 700/-	<b>Amount to be deducted from Networth</b>		Value of pledged securities (100% of Rs. 700/-) (To be deducted under this point)	Rs. 700/-	30 % of the balance marketable shares (see point 9) (30% of (Rs. 1000-Rs. 700) )	Rs. 90/-	<b>TOTAL AMOUNT TO BE DEDUCTED</b>	<b>Rs. 790/-</b>
Particulars	Amount															
Total Value of own securities as per books of accounts (all Marketable)	Rs. 1000/-															
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<b>TOTAL AMOUNT TO BE DEDUCTED</b>	<b>Rs. 790/-</b>															

## NSE Clearing Limited

S. No.	Components of Net worth	Remarks
5	<b>Non-allowable securities</b>	<p>This shall include: -</p> <ul style="list-style-type: none"> <li>• Value of all unlisted securities as recorded in the balance sheet including available under 'non-current investments'.</li> <li>• Investments done in unlisted securities of associate / subsidiary / group companies.</li> </ul> <p>Liquid &amp; Debt Mutual Funds, G-Sec, non-government debt securities, corporate bonds shall not form part of Non-allowable securities and the same shall be covered under 30% of marketable securities (See point no..9).</p>
6	<b>Any Debts and advances</b>	<p>This shall include: -</p> <ul style="list-style-type: none"> <li>• Any debts and advances (except trade debtors of less than 3 months)</li> <li>• Wherever, a provision is created for Doubtful / Bad Debts, net amount i.e. after reducing provision made for Doubtful / Bad Debts shall be considered.</li> <li>• Any amount given in the nature of Loans, advances, inter corporate deposits given to associates including subsidiaries / group companies of the member.</li> <li>• Loans given to Directors/Partners or any related party of the Member or its Directors or its partners or to the entities in which such director /partners or their relatives have control, irrespective of time period, shall also be deducted.</li> <li>• 'Associate' shall have the meaning as per the SEBI (Intermediaries) Regulations, 2008</li> </ul> <p><i>"associate" means and includes any person controlled, directly or indirectly, by the intermediary, any person who controls, directly or indirectly, the intermediary, or any entity or person under common control with such intermediary, or where such intermediary is a natural person any relative as defined under the Companies Act, 1956 (1 of 1956) of such intermediary or where such intermediary is a</i></p>

## NSE Clearing Limited

S. No.	Components of Net worth	Remarks
		<p><i>body corporate its group companies or companies under the same management;</i></p> <p><i>The expression 'control' shall have the same meaning as defined under clause (c) of Regulation 2 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.</i></p> <ul style="list-style-type: none"> <li><i>The term related party shall have the same meaning as given in clause 76 &amp; 77 of Section 2 of Companies Act 2013 to be read with Rule 4 of the Companies (Specification and definition details) Rules, 2014.</i></li> </ul>
7	<b>Prepaid Expenses, losses</b>	<p>This shall include:</p> <ul style="list-style-type: none"> <li>Prepaid expenses and losses as per Balance Sheet / Trial Balance.</li> <li>Preliminary / Deferred revenue / Pre-operative expenses / Deferred Tax Asset/ MAT credit not written-off as per Balance Sheet</li> <li>GST credit not required to be deducted</li> </ul>
8	<b>Intangible Assets</b>	<p>Net book value of intangible assets such as goodwill, patents, copyrights, trademarks, computer software, investment in artwork and other antique items etc. as per Balance Sheet / Trial Balance</p>
9	<b>30% of Marketable Securities</b>	<p>This shall include:</p> <ul style="list-style-type: none"> <li>Listed securities held either as investment or Stock-in-Trade / Inventories shall be referred as marketable securities.</li> <li>Value of these Securities to be considered for calculating this element shall be the value as recorded in the books of accounts, on the date of the computation of the Networth.</li> </ul> <p>It is observed that Clearing Corporations applies different hair cut for less riskier securities (Liquid and Debt Mutual Funds, G-Sec, non- government debt securities, corporate bonds, T-bills &amp; Sovereign Gold bonds) for the purpose of collecting collaterals from members. NCL vide its circular no. NCL/CMPT/48346 dated May 21, 2021 stipulated different hair cut on different type of</p>

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S. No.	Components of Net worth	Remarks															
		<p>approved securities. Based on this, instead of deducting 30% value, such approved securities (Liquid and Debt Mutual Funds, G- Sec, non-government debt securities, corporate bonds, T-bills &amp; Sovereign Gold bonds) can be aligned with the percentage hair cut applied by the clearing corporation on such collaterals.</p> <p>In case Liquid and Debt Mutual Funds, G-secs, T-bills, Sovereign Gold bonds, non-government debt securities, corporate bonds does not form part of aforementioned Exchange circular, Members are advised to refer SEBI circular dated Feb 21, 2019 for the haircut.</p> <p><b>Illustration:</b></p> <table border="1" data-bbox="716 1041 1524 1457"> <thead> <tr> <th data-bbox="716 1041 1274 1115">Particulars</th> <th data-bbox="1274 1041 1360 1115"></th> <th data-bbox="1360 1041 1524 1115">Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td data-bbox="716 1115 1274 1157">Listed Shares</td> <td data-bbox="1274 1115 1360 1157">A</td> <td data-bbox="1360 1115 1524 1157">Rs. 200</td> </tr> <tr> <td data-bbox="716 1157 1274 1199">G-Sec (having 10% haircut)</td> <td data-bbox="1274 1157 1360 1199">B</td> <td data-bbox="1360 1157 1524 1199">Rs. 100</td> </tr> <tr> <td data-bbox="716 1199 1274 1272"><b>TOTAL MARKETABLE SECURITIES</b></td> <td data-bbox="1274 1199 1360 1272">A+B</td> <td data-bbox="1360 1199 1524 1272">Rs. 300</td> </tr> <tr> <td data-bbox="716 1272 1274 1457"><b>Deduction from Networth</b> 30% of Listed Shares – (30% of Rs. 200) - Rs. 60/- 10% of G Sec – 10% of Rs. 100 - Rs. 10</td> <td data-bbox="1274 1272 1360 1457"></td> <td data-bbox="1360 1272 1524 1457">Rs. 70</td> </tr> </tbody> </table> <p>In this process, for those securities / other type of mutual funds wherever hair cut applied by Clearing Corporation is higher than 30%, maximum ceiling percentage of 30% shall be applicable.</p> <p>Further, whenever member is dealing with more than one Exchanges / Clearing Corporations then for the purpose of haircut, maximum applicable haircut / VAR by any of the Clearing Corporations with shall be taken for valuation of such securities (Liquid and Debt Mutual Funds, G-Sec, non- government debt securities, corporate bonds, T-bills &amp; Sovereign Gold bonds).</p>	Particulars		Amount (Rs.)	Listed Shares	A	Rs. 200	G-Sec (having 10% haircut)	B	Rs. 100	<b>TOTAL MARKETABLE SECURITIES</b>	A+B	Rs. 300	<b>Deduction from Networth</b> 30% of Listed Shares – (30% of Rs. 200) - Rs. 60/- 10% of G Sec – 10% of Rs. 100 - Rs. 10		Rs. 70
Particulars		Amount (Rs.)															
Listed Shares	A	Rs. 200															
G-Sec (having 10% haircut)	B	Rs. 100															
<b>TOTAL MARKETABLE SECURITIES</b>	A+B	Rs. 300															
<b>Deduction from Networth</b> 30% of Listed Shares – (30% of Rs. 200) - Rs. 60/- 10% of G Sec – 10% of Rs. 100 - Rs. 10		Rs. 70															