

Circular**DEPARTMENT: COMPLIANCE**

Download Ref No: NCL/CMPL/67927

Date: May 08, 2025

Circular Ref. No: 10/2025

To All Clearing Members

SUB: Administrative Actions in case of failure to maintain minimum prescribed Network

As per the continuing membership norms of NSE Clearing Limited (NCL), all Members of the Clearing Corporation are required to maintain minimum Net worth at all points of time. Members are required to meet the minimum Net worth prescribed for Clearing Membership, as per SEBI Gazette Notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022.

Further, if there is a shortfall in network/ discrepancy in computation resulting in shortfall, the Clearing Corporation shall initiate administrative action against the member. Such administrative actions are taken to ensure timely mitigation of residual risk arising from the shortfall in clearing members' net worth or administrative action for not meeting network on a continuous basis.

NCL shall block the deposits/collaterals (Cash and Cash Equivalents) of the Clearing Member as per below mentioned table. Upon initiating blocking of deposits/collaterals, no exposure shall be available to the Clearing Member on such blocked deposits / collaterals (Cash and Cash Equivalents) until recoupment of shortfall in net worth by the Member to the satisfaction of the Clearing Corporation or for the specified period.

The Clearing Corporation shall follow a graded mechanism by blocking the deposits / collaterals (Cash and Cash Equivalents) as specified in the Table given below.

Shortfall as a % of the prescribed minimum Net Worth for Clearing Membership	Blocking of deposits/Collaterals #
Shortfall up to 10%	10%
Shortfall over 10% and up to 20%	25%
Shortfall over 20% and up to 50%	50%
Shortfall over 50%	100%

#Percentage shall be applied on the average daily total deposits / collaterals (i.e. cash and cash equivalent balances of proprietary and Client's deposits) in the previous calendar month and amount so derived shall be blocked only from proprietary deposits / collaterals subject to the minimum of shortfall amount.

Members may please note that in order to ensure adequate residual risk mitigation, the amount to be blocked would be based on:

- i. Previous calendar month's average daily total cash and cash equivalent balances of proprietary and Client's deposits as reported to NCL.
- ii. The percentage mentioned in the above table corresponding to the extent of shortfall shall be applied to the amount derived as per the Point (i) above, subject to minimum of shortfall amount.

The Clearing Corporation shall block the deposits / collaterals after 2 trading days from the date of intimation to the Clearing Member by the Clearing Corporation regarding the blocking of such deposits/collaterals.

On receipt of intimation/queries regarding shortfall in Net worth, Clearing Members are advised to promptly submit their response to the Clearing Corporation. Failure to submit response within the prescribed timelines along with necessary documentary evidence would be construed as "No additional information is available with the Clearing Member" and the Clearing Corporation shall proceed with the administrative action based on the available documents. It is, therefore, emphasized that the Clearing Members shall submit complete, accurate and correct information in response to Clearing Corporation communications during the inspection of net worth.

The administrative actions taken/to be taken by the Clearing Corporation, as stated above, will be ceased/withheld once the Clearing Member submits documentary evidence establishing recoupment of net worth to the satisfaction of the Clearing Corporation or after the specified period.

The Clearing Corporation shall process and communicate within 3 trading days from the date of last submission by the Clearing Member. Members may please note that shortfall in the net worth shall be deemed to persist till the same is recouped by Clearing Member to the satisfaction of the Clearing Corporation.

The above administrative action shall be independent of NCL Circular No NCL/CMPL/59930 dated December 26, 2023 and Circular No. NCL/CMPL/61844 dated April 30, 2024 and any other disciplinary action / monetary penalty that may be levied by the Relevant Authority as may deem fit for the violation including incorrect / short reporting of net worth to the Clearing Corporation, in accordance with Rules, Regulations, Byelaws and circulars by the Clearing Corporation from time to time.

Further, monetary penalty of Rs. 50,000/- shall be levied on members who have reported shortfall in networth to NCL.

The provisions of this circular shall be applicable with immediate effect.

Members are requested to take note of the same.

**For and Behalf of
NSE Clearing Limited**

**Jinal Shah
Associate Vice President**

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