

National Stock Exchange of India Limited

Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/62146	Date: May 22, 2024
Circular Ref. No: 34/2024	

To All Trading Members,

Sub: Administrative actions for shortfall in the networth of Trading Members

This is with reference to SEBI Gazette Notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022. As per the continuing membership norms of the Exchange, all Members of the Exchange are required to maintain minimum networth at all points of time and submit the networth certificate on a half yearly basis to the Exchange.

The networth of the Trading Member is verified by the Exchange during the inspection of the Trading Member's records and if the networth is not meeting the prescribed minimum requirement, the Exchange has decided to initiate administrative action against the member to mitigate residual risk.

The Exchange shall block the deposits / collaterals (cash and cash equivalent) of the Trading Member to the extent of percentage (mentioned in the following table) of the average proprietary deposits / collaterals of the Trading Member placed with Clearing Corporation (CC) in the previous calendar month after 2 trading days from the date of communication of the decision regarding the blocking of such deposits/collaterals to the Trading Member. No exposure shall be granted on such blocked deposits / collaterals at the Trading Member level.

The Exchange shall follow a graded mechanism by blocking the deposits / collaterals as specified in the Table given below until recoupment of shortfall in networth by the Trading Member to the satisfaction of the Exchange.

Shortfall up to % of the prescribed minimum Net Worth	1 st level	2 nd level	3 rd level	4 th level
	Till 30 th day from the date of administrative action	From 31 st day to 60 th day from the date of administrative action	From 61 st day to 90 th day from the date of administrative action	From 91 st day onwards from the date of administrative action
Shortfall up to 10%	10%	20%	20% + No new clients	No new clients + Disablement of trading terminals

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Shortfall up to % of the prescribed minimum Net Worth	1 st level	2 nd level	3 rd level	4 th level
	Till 30 th day from the date of administrative action	From 31 st day to 60 th day from the date of administrative action	From 61 st day to 90 th day from the date of administrative action	From 91 st day onwards from the date of administrative action
Shortfall over 10% and up to 20%	25%	50% + No new clients	No new clients + Disablement of trading terminals	Disablement of trading terminals
Shortfall over 20% and up to 50%	50% + No new clients	No new clients + Disablement of trading terminals		
Shortfall over 50%	No new clients + Disablement of trading terminals			

("%" mentioned in 1st level, 2nd level, 3rd level and 4th level indicates percentage of the average proprietary deposits / collaterals of the Trading Member in the previous calendar month to be blocked subject to the minimum of shortfall amount from proprietary deposits / collaterals)

During network verification process by the Exchange, Trading Members are advised to submit the response to the Exchange communications promptly. Failure to submit response within the prescribed timelines along with documentary evidence as per list enclosed as Annexure – 1 would be construed as "No additional information is available", and the Exchange shall proceed with the action based on the available documents. It is, therefore, emphasized that the Trading Members must submit complete, accurate and correct information in response to Exchange communications during the network verification process.

The administrative actions taken/to be taken by the Exchange, as stated above, will be ceased/withheld only once the Trading Member submits documentary evidence (including list enclosed as Annexure - 1) establishing recoupment of network to the satisfaction of the Exchange.

The above action shall be independent of any other disciplinary action / monetary penalty that may be levied by the Relevant Authority as may deem fit for incorrect / short reporting of network to the Exchange, in accordance with Rules, Regulations, Byelaws and circulars by the Exchange from time to time.

The provisions of this circular shall be applicable for the shortfall in the network observed during network verification for the half year ended March 2024 and onwards.

Trading Members are advised to take note of the above.

**For and on behalf of
National Stock Exchange of India Limited**

**Kapil Marwah
Associate Vice President**

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In case of any clarifications, Members may contact our below offices:

Regional Office	CONTACT NO.	E MAIL ID
Ahmedabad (ARO)	079-49008632	inspectionahm@nse.co.in
Chennai (CRO)	044- 66309915/17	inspection_cro@nse.co.in
Delhi (DRO)	011-23459127 / 38 / 46	delhi_inspection@nse.co.in
Kolkata (KRO)	033-40400412 / 59	inspection_kolkata@nse.co.in
Mumbai (WRO)	022-26598200 / 022-61928200	compliance_wro@nse.co.in
Central Help Desk	compliance_assistance@nse.co.in	

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Annexure - 1

List of documents to be submitted to the Exchange as applicable:

- 1) Chartered Accountant certificate certifying networth in prescribed format.
- 2) General and party trial balance (with groupings).
- 3) Balance sheet/Provisional balance sheet along with schedules.
- 4) Ageing for the receivables with bifurcation between 0-90 days and more than 90 days
 - a. Debtors
 - b. account wise details for loan/deposit/advances given/any other receivables
 - c. the amount receivable from related parties for all the above-mentioned categories
 - d. client ledger of top 10 debtors for last six months
- 5) List of MTF clients including outstanding balances.
- 6) Account wise grouping of trade payables, unsecured borrowings, deposits payable, advances received from customers and any other payables.
- 7) Details of Pledged securities (if any)
 - a. ISIN, book value for each instance
 - b. Name of entities with whom securities have been pledged (CC/Bank/NBFC etc.)
 - c. Pledged stock statement from Pledgee.
- 8) Details of stock/stock in trade available - Bifurcation of stock-in pledged securities and non-pledged securities (ISIN wise).
- 9) Investment details (nature of business in case of unquoted investment in associate/related entities), along with bifurcation of quoted and unquoted securities.
- 10) Loan and related party ledgers.
- 11) Any other document/supporting as sought by the Exchange.