

# National Stock Exchange of India Limited

## Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/63598	Date: August 27, 2024
Circular Ref. No: 55/2024	

To All Trading Members,

### **Sub: Administrative actions for shortfall in the Networth required for Trading Membership**

The Exchange has issued circular bearing reference no. NSE/INSP/62146 dated May 22, 2024, regarding Administrative actions for shortfall in the networth of Trading Members. As per the circular, on verification of the networth of Trading Member by inspecting their records by the Exchange, if it is observed that the member is not meeting the prescribed minimum Network requirement for Trading Membership, the Exchange initiates administrative action against the trading member. Such administrative actions are taken to ensure timely mitigation of residual risk arising from the shortfall in trading members' network.

The above circular stands modified as follows:

If the trading member is not meeting the minimum Network prescribed for Trading Membership, as per SEBI Gazette Notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022 and any amendment thereto and as per the continuing membership norms of the Exchange, wherein it is specified that all Trading Members are required to maintain minimum network at all times, the Exchange shall block the deposits / collaterals (Cash and Cash Equivalents) of the Trading Member as per below mentioned table. Upon initiating blocking of deposits/collaterals, no exposure shall be available to the Trading Member on such blocked deposits / collaterals (Cash and Cash Equivalents) until recoument of shortfall in network by the Trading Member to the satisfaction of the Exchange.

## National Stock Exchange of India Limited

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

<b>Shortfall as a % of the prescribed minimum Net Worth for Trading Membership</b>	<b>Blocking of deposits/Collaterals #</b>
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 clients' 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.

Trading 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 clients' deposits as reported to all Clearing Corporations.
- 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 Exchange shall block the deposits / collaterals after 2 trading days from the date of intimation to the Trading Member by the Exchange regarding the blocking of such deposits/collaterals.

As per the continuing membership norms of the Exchange, all Trading Members are required to maintain minimum networth as specified by SEBI and Exchange at all times. Accordingly, till the time the minimum networth requirement is not met to the satisfaction of Exchange, trading member shall not be allowed to onboard new clients.

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## National Stock Exchange of India Limited

During inspection of networth, Trading Members are advised to promptly submit their response to the Exchange. 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 with the Trading Member", and the Exchange shall proceed with the administrative action based on the available documents. It is, therefore, emphasized that the Trading Members shall submit complete, accurate and correct information in response to Exchange communications during the inspection of networth.

The administrative actions taken/to be taken by the Exchange, as stated above, will be ceased/withheld once the Trading Member submits documentary evidence (including list enclosed as Annexure - 1) establishing recoupment of networth to the satisfaction of the Exchange. The Exchange shall process and communicate within 3 trading days from the date of last submission by the Trading Member. Members may please note that shortfall in the networth shall deemed to persist till the same is recouped by Trading Member to the satisfaction of the Exchange.

The above administrative action shall be independent of 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 networth 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 with immediate effect.

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**

## National Stock Exchange of India Limited

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

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

### 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.