

National Stock Exchange Of India Limited

DEPARTMENT : COMPLIANCE	
Download Ref No : NSE/COMP/47735	Date : March 24, 2021
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To All Members,

Sub: Revised policy for Disciplinary action in case of Net worth shortfall and non-submission of Networth

As per the continuing membership norms of the Exchange, all members of the Exchange are required to maintain minimum Net-worth at all points of time and submit the Net-worth certificate on a half yearly basis to the Exchange. Further, Rule 33 of Chapter III of NSEIL Rules also provides for termination of Membership rights in case of failure to meet the said norms.

With a view to ensure enhanced compliance of the continuing membership norms including strict adherence to the requirements relating to Net-worth submission, Exchange has revised the provisions relating to the timelines for submission of the half yearly net worth certificate and the disciplinary actions in case of short reporting and late/non submission of Net-worth Certificate. The same is enclosed as **Annexure A**.

The revised provisions shall be applicable for all Net-worth submission from the half year ending March 31, 2021 onwards. However, for the submission of Net-worth Certificate along with the Annual Returns, the timelines and charges for delayed/non-submission as specified for the Annual returns shall continue. All members are required to take note of the same and ensure compliance.

For and on behalf of
National Stock Exchange of India Limited

Meghana Kulkarni
Chief Manager

Telephone No	Email id
1800 266 0050	compliance_mem@nse.co.in

Annexure –A
Policy for Disciplinary action in case of Net worth shortfall and non-submission of Networth
A. Revised timeline for submission of Networth

Member shall be required to submit the half yearly networth within 2 months from the end of the respective half year. No additional time shall be provided for submission of Networth certificate.

Further, for members providing Margin trading facility to their clients, they are required to submit the H.Y. networth within one month from the end of half year.

B. Action for Shortfall / non submission in Networth

All members of the Exchange are required to maintain minimum net worth at all points of time as specified by the Exchange. In case of any net worth shortfall in any half year, Members shall be required to mandatorily submit a revised certificate (as on a later date) along with the submission, meeting the minimum net worth requirement. Failing to do so will result in following actions:

ACTION FOR REPORTING SHORTFALL IN NETWORTH	
For Trading members and Trading cum Self-clearing members	<p><u>Requirement:</u> In case of a Net Worth shortfall as on 31st March / 30th September, Members shall be required to mandatorily submit on ENIT, a revised certificate (as on a later date) along with the submission, meeting the minimum net worth requirement.</p> <p><u>Action in case of shortfall and failure to submit revised certificate with adequate Net worth:</u> Member's trading rights shall be immediately disabled within 2 working days from the date of submission, in all segments of the Exchange.</p>
For Trading cum Clearing members	<p><u>Requirement:</u> In case of a Net Worth shortfall as on 31st March / 30th September, Members shall be required to mandatorily submit on ENIT, a revised certificate (as on a later date) along with the submission, meeting the minimum net worth requirement.</p> <p><u>Action in case of shortfall and failure to submit revised certificate with adequate Net worth:</u></p> <p>A. <u>In the capacity of Trading Member</u></p> <p>Member's trading rights shall be immediately disabled within 2 working days in all segments of the Exchange.</p> <p>B. <u>In the capacity of Clearing Member</u></p> <p>One-month notice to be given to recoup the Networth and submit the revised Networth, failing which the following action shall be initiated:</p>

	<ul style="list-style-type: none"> • Total deposits shall be blocked in accordance to % of shortfall as given in Section C below. No Exposure shall be permitted on such blocked deposit • Restriction on onboarding new Trading Members. • 2-months' notice to be given to the TMs affiliated with the Clearing member to associate with another Clearing member.
For PCM	<p><u>Requirement:</u> In case of a Net Worth shortfall as on 31st March / 30th September, Members shall be required to mandatorily submit on ENIT, a revised certificate (as on a later date) along with the submission, meeting the minimum net worth requirement.</p> <p><u>Action in case of shortfall and failure to submit revised certificate with adequate Net worth:</u></p> <p>One-month notice to be given to recoup the Networth and submit the revised Network. Upon failure:</p> <ul style="list-style-type: none"> • Total deposits shall be blocked in accordance to % of shortfall as given in Section C below. No Exposure shall be permitted on such blocked deposit • Restriction on onboarding new Trading Members. • 2-months' notice to be given to the TMs affiliated with the Clearing member to associate with another Clearing member.
Members providing Margin Trading Facility	<p><u>Requirement:</u> In case of a Net Worth shortfall as on 31st March / 30th September, Members shall be required to mandatorily submit on ENIT, a revised certificate (as on a later date) along with the submission, meeting the minimum net worth requirement.</p> <p><u>Action in case of shortfall and failure to submit revised certificate with adequate Net worth:</u> Immediate withdrawal of Margin Trading facility within 2 working days from the date of submission.</p>

ACTION FOR NON-SUBMISSION	
For Trading members and Trading cum Self-clearing members	Immediate disablement within two working days in case of non-submission of Networth within 2 months from the end of the half year
For Trading cum Clearing member	<p>The following actions shall be taken on immediate basis if the Networth is not submitted within 2 months from the end of the half year.</p> <p>A. <u>In the capacity of Trading Member</u></p>

	<p>Member's trading rights shall be immediately disabled in all segments of the Exchange.</p> <p>B. <u>In the capacity of Clearing Member</u></p> <ul style="list-style-type: none"> • 90% of Total deposits shall be blocked. No Exposure shall be permitted on such blocked deposit • Restriction on onboarding new Trading Members. • 2-months' notice to be given to the TMs affiliated with the Clearing member to associate with another Clearing member.
For PCM	<p>The following actions shall be taken on immediate basis w.e.f. the following working day post the due date.</p> <ul style="list-style-type: none"> • 90% Total deposits shall be blocked • Restriction on onboarding new Trading Members. • 2-months' notice to be given to the TMs affiliated with the Clearing member to associate with another Clearing member.
Members providing Margin Trading Facility	<p>Immediate withdrawal of Margin Trading facility within 2 working days post the due date.</p>

C. Blocking of Deposits

In case of clearing Members of Capital Market, F&O, Currency Derivatives, Commodity and Debt Segments

Category	Deposit to be blocked
Networth shortfall less than or equal to 10% of the prescribed minimum	10% of Total Deposits (cash and collateral)
Networth shortfall less than or equal to 20% of the prescribed minimum.	25% of Total Deposits (cash and collateral)
Networth shortfall less than or equal to 50% of the prescribed minimum.	50% of Total Deposits (cash and collateral)
Networth shortfall greater than 50%	90% of Total Deposits (cash and collateral)