

National Stock Exchange Of India Limited

Department : COMPLIANCE

Download Ref No: NSE/COMP/49226

Date : August 09, 2021

Circular Ref. No: 72/2021

To All Members,

Sub: - Uniformity in submission of Annual Returns.

This has reference to Exchange circular NSE/MEM/2971 dated November 05, 2001, regarding the submission of Annual Returns by all the Trading Members of the Exchange. Members' attention is also drawn to para 5 of the Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, on the subject "Enhanced Supervision of Stock-Brokers/ Depository Participants".

In order to ensure uniformity across all Exchanges, uniform formats for submission of Annual returns, have been introduced, under the guidance of SEBI and in consultation with other Exchanges:—

S.No.	Documents / Details	Annexures
A.	Annual Returns	
(i)	Format of Audited Net-worth Certificate as per Dr. L.C Gupta method	Annexure 1
(ii)	Clarification for Computation of Audited Net-worth	Annexure 1a
(iii)	Audited Balance Sheet along with the schedules	-
(iv)	Audited Profit & loss account along with schedules	
(v)	Auditors and Directors report	
B.	Financial Strength Details	Annexure 2

The formats, as given above, are attached as **Annexure-A**, for your reference.

Members will be notified separately with regards to the mode and procedure for submission of Annual Returns for the financial year ended March 31, 2021.

All Members are advised to take note of the same.

For and on behalf of

National Stock Exchange of India Limited

Srijith Menon

Associate Vice President

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

ANNUAL RETURNS:

Sr.	Documents / Details	Annexures
A.	Annual Returns	
(i)	Format of Audited Net-worth Certificate as per Dr. L.C Gupta method	Annexure 1
(ii)	Clarification for Computation of Audited Net-worth	Annexure 1a
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Annexure 1

(To be provided on the Letterhead of the certifying Chartered Accountant/ Company Secretary in Practice)

NETWORTH CERTIFICATE AS ON _____

This is to certify that the Net worth of M/s. _____ (Name of the Entity) as on _____ is Rs. _____ /- (Rupees _____ only) and the same is as per the statement of computation.

The computation of Networth is in accordance with the method of computation prescribed by SEBI as per Schedule VI of Securities and Exchange Board of India (Stock Brokers) Regulations 1992 or as amended from time to time. We further certify that we are not the related party to the aforesaid entity.

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.

Computation of Networth of M/s _____ (name of the entity).

Sr. No.	Particulars	Amount (in Rs.)
A.	Capital	
B.	Free Reserves	
C.	Less: Non-allowable assets viz.	
	(a) Fixed Assets	
	(b) Pledged Securities	
	(c) Value of Member's card	
	(d) Non-allowable securities (unlisted securities)	
	(e) Bad deliveries	
	(f) Doubtful Debts and Advances (debts or advances overdue for more than three months or debts or advances given to the associate persons)	
	(g) Prepaid expenses, losses	
	(h) Intangible Assets	
	(i) 30% Value of Marketable securities	
D.	Total Amount (A + B - C)	

Date:

Place:

For (Name of Certifying Firm)

Name of Partner / Proprietor

**Chartered Accountant / Company Secretary
(In Practice)**

Membership No.: _____

UDIN: _____

Signature under Rubber stamp of Firm

CLARIFICATION - METHOD OF COMPUTATION OF NETWORTH AS PER DR. LC GUPTA FORMULA**A) Share Capital + Free Reserves**

S.No.	Components of Net worth	Remarks
1	Share Capital	<p>This element shall include:-</p> <ul style="list-style-type: none"> • Paid-up equity share capital of the member. • Paid-up Preference share capital of the member. • Fully, compulsorily & mandatorily convertible debentures /Bonds/warrants which are convertible within a period of 10 years from the date of issue <p>Share application money / Loans from partners / directors / promoters will not be considered as share capital.</p>
2	Free Reserves	<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:</p> <p>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 & 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>

B) Non-Allowable Assets

S. No.	Components of Net worth	Remarks						
3	Fixed Assets	<p>This shall include: -</p> <ul style="list-style-type: none">• Net book value of all the Tangible Assets as per Balance Sheet / Trial Balance.• Advances given for acquisition of fixed assets• Capital work in progress. <p>Assets under lease or taken on rent need not be deducted from the Net worth</p>						
4	Pledged Securities	<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 Net-worth.</p> <p>Illustration:</p> <table><tr><th>Particulars</th><th>Amount</th></tr><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></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/-
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/-							

		Amount to be deducted from Networth	
		Value of pledged securities (100% of Rs. 700/-)	Rs. 700/-
		30 % of the balance marketable shares (30% of (Rs. 1000-Rs. 700))	Rs. 90/-
		TOTAL AMOUNT TO BE DEDUCTED	Rs. 790/-
5	Non-allowable securities	<p>This shall include: -</p> <ul style="list-style-type: none"> • Value of all unlisted securities as recorded in the balance sheet including available under 'non-current investments'. • Investments done in unlisted securities of associate / subsidiary / group companies. <p>Liquid & 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.</p>	
6	Doubtful Debts and advances	<p>This shall include: -</p> <ul style="list-style-type: none"> • Debts or advances overdue for more than three months. <p><i>For instance: Debit Balance in the trading account of client 'A' as on Dec 01, 2020 – Rs. 1000. If the amount is not received till March 31, 2021, then the outstanding amount as on March 31, 2021 is to be reduced from the Networth (since the amount is outstanding for more than three months)</i></p> <ul style="list-style-type: none"> • Wherever, a provision is created for Doubtful / Bad Debts, net amount i.e. after reducing provision made for Doubtful / Bad Debts shall be considered. • Any amount given in the nature of Loans, advances, Inter corporate deposits given to associates including subsidiaries / group companies of the member. • 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. • 'Associate' shall have the meaning as per the SEBI (Intermediaries) Regulations, 2008 <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 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> <p><i>The term related party shall have the same meaning as given in clause 76 & 77 of Section 2 of Companies Act 2013 to be read with Rule 4 of the Companies (Specification and definition details) Rules, 2014.</i></p>	
7	Prepaid Expenses, losses	<p>This shall include:</p> <ul style="list-style-type: none"> • Prepaid expenses and losses as per Balance Sheet / Trial Balance. • Preliminary / Deferred revenue / Pre-operative expenses / Deferred Tax Asset/ MAT credit not written-off as per Balance Sheet 	

		<ul style="list-style-type: none"> • GST credit not required to be deducted 																					
8	Intangible Assets	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.																					
9	30% of Marketable Securities	<p>This shall include:</p> <ul style="list-style-type: none"> • Listed securities held either as investment or Stock-in-Trade / Inventories shall be referred as marketable securities. • 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. <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 & 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 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 & 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>Illustration:</p> <table border="1"> <thead> <tr> <th>Particulars</th><th></th><th>Amount (Rs.)</th></tr> </thead> <tbody> <tr> <td>Listed Shares</td><td>A</td><td>Rs. 200</td></tr> <tr> <td>G-Sec (having 10% haircut)</td><td>B</td><td>Rs. 100</td></tr> <tr> <td>TOTAL MARKETABLE SECURITIES</td><td>A+B</td><td>Rs. 300</td></tr> <tr> <td>Deduction from Networth</td><td></td><td>Rs. 70</td></tr> <tr> <td>30% of Listed Shares – (30% of Rs. 200) - Rs. 60/-</td><td></td><td></td></tr> <tr> <td>10% of G Sec – 10% of Rs. 100 - Rs. 10</td><td></td><td></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% given as per Dr L C Gupta formula 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 & Sovereign Gold bonds).</p>	Particulars		Amount (Rs.)	Listed Shares	A	Rs. 200	G-Sec (having 10% haircut)	B	Rs. 100	TOTAL MARKETABLE SECURITIES	A+B	Rs. 300	Deduction from Networth		Rs. 70	30% of Listed Shares – (30% of Rs. 200) - Rs. 60/-			10% of G Sec – 10% of Rs. 100 - Rs. 10		
Particulars		Amount (Rs.)																					
Listed Shares	A	Rs. 200																					
G-Sec (having 10% haircut)	B	Rs. 100																					
TOTAL MARKETABLE SECURITIES	A+B	Rs. 300																					
Deduction from Networth		Rs. 70																					
30% of Listed Shares – (30% of Rs. 200) - Rs. 60/-																							
10% of G Sec – 10% of Rs. 100 - Rs. 10																							

Annexure 2

Financial Strength details:

Particulars	Current Financial year (Amount in Rs.)
Share Capital	
Reserves & Surplus	
Accumulated Losses	
Advance from Customers	
Margins from customers	
Collaterals from customers	
Inter corporate deposits	
Total outside liabilities other than owed to shareholders	
Value of investments in group companies and/or associates	
Value of advances given to group companies and/or associates	
Value of loans given to group companies and/or associates	
Value of maximum outstanding inter corporate debt during the year	
Net worth	