

VARIOUS NET WORTH FORMULAE :

BOMBAY STOCK EXCHANGE LIMITED :

FOR CAPITAL MARKET SEGMENT :

Computation of Networth :

Name of the Trading Member				
Clearing No.				
Statement of Networth as on _____				
Sr. No.	Particulars	Rs.	Rs.	RS.
1.	<i>Listed (Quoted) Investments</i>			
2.	Market value of listed (quoted) securities (other than Government) in the name of trading member (forming part of the Balance Sheet) x			
3.	Margin of 30% on Market value of listed (quoted) securities (other than Government) i.e. 30% of 2 x			
4.	Net value of listed (quoted) Investments (other than Government) i.e. 2-3		x	
5.	Market value of listed (quoted) securities (Government) in the name of trading member (forming part of the Balance Sheet) x			
6.	Margin of 10% on Market value of listed (quoted) securities (Government) i.e. 10% of 5 x			
7.	Net value of listed (quoted) Investments (Government) i.e. 5-6		x	
8.	<i>Unlisted (unquoted) Investments</i>			
9.	Book value of Unlisted (unquoted) Securities Cost price or fair value (Average of Earning value and Breakup Value) whichever is higher certified by CA. x			
10.	Margin of 50% on Book Value of Unlisted (unquoted) Securities i.e. 50% of 9 x			
11.	Net value of Unlisted (unquoted) Investments i.e. 9-10		x	
12.	<i>Other Investments at cost, if any</i>		x	
13.	<i>Total Net Investments (4+7+11+12)</i>		x	
14.	Fixed Assets (used for the purpose of business) including land & building (Market value or Cost price whichever is higher – Market price to be certified by a government approved valuer) x			
15.	Margin of 50% on Fixed Assets i.e. 50% of 14		x	
16.	Receivables which are less than 3 months old		x	
17.	<i>Loans, Advances and Deposits</i>			
18.	Loans and advances excluding loans and advances given to associates and related entities		x	

19.	Deposits excluding non-refundable deposits		X	
20.	Cash & Bank Balance		X	
21.	Other Assets, if any, (specify), which are used for the purpose of business		X	
22.	Total Assets (13+15+16+18+19+20+21)			
23.	Current Liabilities		X	
24.	Long Term Liabilities		X	
25.	Total Liabilities(23+24)			
26.	Net Worth (22-25)			

Notes: -

1. For computation of loans and advances and sundry debtors (arising from securities operations and others) as a component of current assets, all advances / loans and sundry debtors other than those arising out of securities dealing have to be excluded. **Only such loans, advances and sundry debtors arising due to the securities dealings are to be included as current assets** for the purpose of net worth computation.
2. Details of items comprising investments, current assets, current liabilities and long term liabilities should be given separately.
3. The **following non-allowable assets should not be included in any head**, while computing the networth:-
 - (a) Pre-paid Expenses
 - (b) Losses/ Accumulated losses
 - (c) Miscellaneous Expenditure
 - (d) Deferred Expenditure
 - (e) Bad deliveries
 - (f) **Intangible assets**
 - (g) Doubtful debts / advances not provided for
 - (h) Non-refundable deposit
 - (i) Loans and advances given to related entities.
 - (j) **Advances against capital expenditure.**

NSE –: FOR F&O SEGMENT:

Computation of Networth : L C GUPTA FORMAT

Capital + Free Reserves

Less :

- (-) Non-Allowable Assets**
 - (a) **Fixed assets**
 - (b) **Pledged Securities**
 - (c) Non-allowable securities (**unlisted securities**)
 - (d) Bad deliveries
 - (e) **Doubtful debts and advances***
 - (f) Prepaid expenses, losses
 - (g) Intangible assets
 - (h) **30% of marketable securities**

*** Explanation – Includes debts/advances overdue for more than three months or given to associates.**

Clarification :

I] Point no. (b) Pledged securities

Pledged securities are required **to be deducted at book value.**

II] Point No. (h) 30% of marketable securities

1. Marketable securities are to be valued at Book value or Market value, whichever is lower. The haircut of 30% shall be applicable on the Book value or the market value, whichever is lower.

Considering this, the point (h) is reproduced as below:

"30% (**of Book value or Market Value, whichever is lower**) of marketable securities".

- 1. Pledged securities are not to be considered at point no. (h)**
- 2. Securities held as stock-in-trade, are not to be considered at point no. (h)**
- 3. Investment in Mutual fund, though not listed on any Exchange, may be considered as marketable securities and must treated as per point no. (h)**

NSE- FOR CAPITAL MARKET SEG.

CIRCULAR 018 Ref. No. : NSE/MEMB/00026

dated March 19, 1996

Annexure : A For Individuals and Firms :**COMPUTATION OF NETWORTH as on March 31, 1996**

- A) Listed investments in the name of the applicant (at market value) as on March 31, 1996 (Detailed list to be enclosed)
- B) Margin of 30% on market value of listed investments
- C) Net listed investments (A) - (B)
- D) Investments in unlisted companies (at cost or book value whichever is lower)
- E) Margin of 50% on (D)
- F) Net unlisted investments (D) - (E)
- G) **Other investments (at cost or market value as on March 31, 1995 or later, whichever is lower)**
- H) Margin of 50% on (G)
- I) Net other Investments (G) - (H)
- J) Total Net Investments (C) + (F) + (I)
- K) Current Assets
- L) Current Liabilities
- M) **Long term liabilities (to the extent not secured against fixed assets)**
- N) Networth (J) + (K) - (L) - (M)

NOTES :

- a) For reckoning the value of assets, **value of land, immovable property, other fixed assets, jewellery and personal effects should not be taken into account.** For calculating the amount of liabilities, loans taken against such assets will not be taken into account.
- b) Details of items comprising investments, current assets, current liabilities and long term liabilities should be given separately.
- c) Current assets should exclude loans to related entities, bad and doubtful debts and debts outstanding for more than 3 months, advance against capital assets, pledged securities/assets, prepaid expenses, bad deliveries and also intangible assets.
- d) Debtors should be distinguished as debtors from share market and others.
- e) **Value of membership card with any other stock exchange is to be excluded for the purpose of computation of net worth.**
- f) Advance/Investment with or debts due from persons notified under Special Court (Trial of Offences Relating to Transactions in securities) Act, 1992 are to be excluded for the purpose of computation of networth.
- g) **Individual net worth certificates for all partners should also be submitted.**

Annexure : B : For corporates :
--

COMPUTATION OF NETWORTH as on March 31, 1996

: Networth shall be lower of (A) and (B) as follows:

(A) Paid up capital + Free Reserves (including share premium, but excluding revaluation reserves, if any) Less (Miscellaneous expenditure to the extent not written off + intangible assets + Value of Stock Exchange card)

(B) Total Assets i.e. (Fixed Assets + Investments, valued at cost or market price, whichever is lower + Net Current Assets)

Less: (Fixed Assets including Land and Building + Intangible assets + Debtors outstanding for more than three months + Value of Stock Exchange Card + Doubtful Debts and advances + Pledged securities/assets + Value of investment in a private company or a closely held company i.e. a deemed public company or an unlisted public company + value of investment in any other body corporate to the extent it exceeds 25% of the voting capital of the said body corporate + unsecured loans and borrowings)

NOTES :

a) For reckoning the value of assets, **Fixed Assets including land and other immovable property should not be taken into account.** For calculating the amount of liabilities, loans taken against such assets will not be taken into account.

b) Details of items comprising investments, current assets, current liabilities and long term liabilities should be given separately.

c) Current assets should exclude loans to related entities, bad and doubtful debts and debts outstanding for more than 3 months, advance against capital assets, pledged securities/assets, prepaid expenses, bad deliveries and also intangible assets.

d) Debtors should be distinguished as debtors from share market and others.

e) Value of membership card with any other stock exchange is to be excluded for the purpose of computation of net worth.

f) Advance/Investment with or debts due from persons notified under Special Court (Trial of Offences Relating to Transactions in securities) Act, 1992 are to be excluded for the purpose of computation of networth.

.....

<u>NSE- FOR CAPITAL MARKET SEG.</u>
--

Circular No. 93 : Ref No. NSE/MEM/47

March 4, 1998

Method 1:

As per circular No. 44 dated January 22, 1997 which prescribes the treatment of each and every component of the balance sheet as per the book value or the books of accounts of the trading member.

Or

Method 2:

By valuation of their assets on the following basis :

- A. Listed (Quoted) investments in the name of the applicant (at market value)
(Detailed list to be enclosed)
- B. Margin of 30% on market value of listed (quoted) Investments
- C. Net value of listed Investments (A) – (B)
- D. Investments in unlisted (unquoted) companies (as per Note No. 3)
- E. Margin of 50% on (D)
- F. Net value of unlisted Investments (D) – (E)
- G. **Other Investments (at cost) like PPF, NSC at current value, Statutory deposits with the Exchange, Deposits with registered NBFCs, Bank FDs**
- H. Total Net Investments (C) + (F) + (G)
- I. **Market Value of Land & Building component of the Fixed Assets (Full details of such assets like survey number, location, address, extent of land & building to be furnished)**
- J. **Margin on I at 50%**
- K. Net value of such fixed assets (I – J).
- L. Debtors not exceeding 3 months + Cash & Bank balance
- M. Current Liabilities
- N. Long term liabilities
- O. Networth (H + K + L) – (M + N)

Notes :-

1. **For computation of loans and advances as a component of current assets**, all advances / loans other than those arising out of securities dealing have to be excluded. Only such loans and advances arising due to the securities dealings are to be included as current assets for the purpose of networth computation.
2. **Valuation of fixed assets** for the consideration of networth would have to be **certified by government approved valuers and the value would hold good for 3 years** unless a fresh valuation is submitted. Only those items of land & building that are **in the name of the trading member as well as in the possession of the trading member shall be included under the head (I) - Land & Building component of the Fixed Assets.**

Those properties that are leased out by the trading member or taken on lease shall not be included for computation of networth. Fixed Assets other than Land & Building shall not be included for the purpose of computation of networth.

3. **Valuation of unlisted investments would be at “fair value” of the said investment, i.e.**

the average of the “earning value” and the “break up value”.

For this purpose : -

- a) **The “break up value” means** the equity capital and reserves as reduced by intangible assets and revaluation reserves, divided by the number of equity shares of the investee company.
- b) **The “earning value” means** the value of an equity share computed by taking the average of profits after tax as reduced by the preference dividend and adjusted for extra-ordinary and non-recurring items, for the immediately preceding three years and further divided by the number of equity shares of the investee company and **capitalised at the following rate :-**
 - In case of predominantly manufacturing company, eight percent;
 - In case of predominantly trading company, ten percent; and
 - In case of any other company, including an NBFC, twelve percent;
 - If, an investee company is a loss making company, the earning value will be taken at zero. (For e.g. EV for an NBFC with capitalisation rate of 12%, is earning per share multiplied by 100/12)
4. Details of items comprising investments, current assets, current liabilities and long term liabilities should be given separately.
5. **Current assets should exclude loans to related entities, bad and doubtful debts and debts outstanding for more than 3 months, advance against capital assets, pledged securities / assets, prepaid expenses, bad deliveries and also intangible assets.**
6. **Debtors should be distinguished as debtors arising from securities operations and others.**
7. **Value of membership card / Deposits with any other Stock Exchange is to be excluded for the purpose of computation of networth.**
8. Advance / Investment with or debts due from persons notified under Special Court (Trial of Offences Relating to Transactions in securities) Act, 1992 are to be excluded for the purpose of computation of networth.

.....

NSE- F&O SEGMENT : EQUITY AS WELL AS CURRENCY DERIVATIVE SEG.

Method of computation of Networth as per Dr. L.C. Gupta Committee Report :

The method of computation of Networth as prescribed by SEBI as per **Regulation 16C** of the SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992 / **Regulation 16L** of the SEBI (Stock Brokers & Sub-Brokers) (Amendment) Regulations, 2008 is as follows:

Capital + Free Reserves

Less: Non-allowable assets viz.,

- (a) Fixed Assets
- (b) Pledged Securities
- (c) **Member's Card (not shown separately under bse formula)**
- (d) Non-allowable securities (unlisted securities)
- (e) Bad deliveries
- (f) Doubtful Debts and Advances*
- (g) Prepaid expenses, losses
- (h) Intangible Assets
- (i) 30% of Marketable securities

*Explanation:

Includes debts/advances overdue for more than three months or given to associates.

NSE – MARGIN TRADING FACILITY :

Circular No.395 Ref: NSE/MEM/4972

April 7, 2004

Only corporate brokers with a “net worth” of at least Rs.3.00 crore would be eligible to offer margin trading facility to their clients.

The “net worth” for the purpose of margin trading facility would mean “Capital” (**excluding preference share capital**) plus free reserves less non allowable assets, i.e fixed assets, pledged securities, member’s card, non-allowable securities, bad deliveries, doubtful debts and advances (including debts and advances overdue for more than 3 months or given to associates), pre paid expenses, intangible assets and 30% of the marketable securities.”

(Same as per NSE-Dr. L.C.Gupta formula .

One exception – preference share Capital is excluded)

CDSL :

Circular : **CDSL/A,I&C/DP/POLCY/3801**

12th July 2013

COMPUTATION OF NET WORTH

Sr. No	<i>Particulars</i>	Current Year (Rs.)	Pr. Yr. (Rs.)
--------	--------------------	-----------------------	------------------

1.		Paid-up Capital + Free Reserves – Share Application Money (Total Reserves less Revaluation Reserves and Specified Reserves)		
		Less:		
	A	Accumulated Losses		
	B	Receivable (more than 6 months old)		
	C	Receivable from Group Companies		
	D	Intangible Assets		
	E	Preliminary and Preoperative expenses not written off		
	F	Value of Stock Exchange Card		
	G	Loan in excess of value of Pledged Securities		
	H	Loan in excess of value of Pledged Assets		
	I	Investment in Group Companies		
	J	Net worth required for other depositories		
	K	Loans and advances to group Companies		
	L	Statutory Contingent Liabilities		
2.		Sub-Total (A+B+C+D+E+F+G+H+I+J+K+L)		
		Available Net Worth (1-2)		

- Notes:*
1. Details of item mentioned under Sr.No. C, F, G, H, I, K and L shall be provided as annexure to the certificate.
 2. In case of statutory contingent liabilities, only 50% of the liabilities shall be deducted.
 3. Security-wise details of all investments (quoted as well as unquoted securities) shall be provided as annexure to the certificate.

CDSL/A,I&C/DP/2247 January 10, 2011

CLARIFICATIONS ON NET WORTH CERTIFICATE FORMAT

In terms of CDSL Bye-law no. 5.3.5.1, every depository participant is required to furnish a statement of net worth duly certified by the statutory auditors based on the annual audited accounts for the year ended 31st March, on or before 30th September every year.

2. In case of a DP being Stock Broker/NBFC/RTA, the net worth certificate computed in the manner as specified in annexure 17.1 of the DP operating instruction is to be submitted. In case the participant belongs to the category other than those mentioned above, the statement of net worth computed in the manner prescribed by the concerned regulatory authority of that entity should be submitted.

3. During submission of certificate of net worth as on 31st March 2010, common clarifications were sought by the DPs on the prescribed format of certificate of net worth. The same are listed in the following table. The DPs are requested to take note of the same while preparing certificate of net worth.

Particulars of net worth certificate	Clarifications
Paid-up Capital + Free Reserves – Share Application Money (Total Reserves less Revaluation Reserves & Specified Reserves)	a) If the preference share capital is redeemable by end of the next financial year, the same can be included in share capital only if Capital Redemption reserve provides for the total amount of redemption. If preference share capital is not redeemable by end of the next financial year and is included for calculation of net worth, the same should be specifically stated as a note to net worth certificate.
Receivable from / Investments in / Loans and advances to group Cos.	b) Capital reserve, revaluation reserve, statutory reserve or any other specific reserve should not be considered as free reserve. a) Group companies include partnership firm, affiliates, associates, related entities including directors and their relatives . b) Share application/allotment money which pertains to the group companies is to be deducted.
Intangible Assets	Intangible assets include but are not limited to Deferred tax assets and computer software .
Value of Stock Exchange Card	In case unlisted shares of a stock exchange issued in lieu of stock exchange card are valued at a price greater than the face value, an amount in excess of face value of shares of stock exchange is to be deducted .
Loan in excess of value of Pledged Securities/Assets Statutory Contingent Liabilities	The amount of secured loan taken in excess of value of pledged asset is to be deducted. 50% of statutory contingent liabilities are to be deducted from the net worth. The statutory contingent liability includes liability pertaining to sales tax, income tax, other statutory dues etc. which is under dispute .

CDSL : Some common deficiencies In some networth certificates / Audited Financial Statements:

In some networth certificates/Audited Financial Statements submitted by Stock Broker/ NBFC / RTA Depository participants. DPs are hereby advised to take precautions and ensure to avoid the following deficiencies while submitting the networth certificate and Audited Financial Statement.

- Net worth certificate is not as per the format prescribed under Operating Instruction 17.1.
- Net worth certificate is based on provisional financial statements instead of audited fin. statements.
- Net worth certificate is not submitted in original.
- Net worth certificate is signed by auditors other than statutory auditors of the DP
- Incomplete submission of AFS. The following documents should be part of AFS.
 1. Auditor's report
 2. CARO report (i.e. annexure to the auditors reports)
 3. Schedules to financial statement
 4. Notes to Accounts
- The details of deductions and security-wise details of all investments (quoted as well as unquoted securities) as prescribed in the networth format are not submitted along with networth certificate. (Please refer notes to 'Computation of Networth' under annexure 17.1)
- The copy of AFS is not attested by the director / statutory auditors.
- A deferred tax asset is not deducted as an intangible asset while calculating the net worth.
- Valuation of BSE shares is not as per the fair value after applying hair cut declared by BSE Ltd (Refer communiqué no. 3718 dated June 01, 2013)
- While arriving at valuation of BSE shares in AFS under investments, the number of shares is not specified.
- The Value of Stock Exchange card is not deducted from the net worth.
- In case of DPs registered with other depository, net worth required for other depository is not deducted / partially deducted.
- If preference shares form part of the 'Share Capital', type of preference shares and the date of redemption is not specified.
- Bifurcation of computer hardware and software is not provided under the schedule of fixed assets.
- Bifurcation of sundry debtors into more than and less than six months is not given under the schedule of current assets.
- Nature and value of security against which the loan is secured is not provided under the balance sheet/ schedules to the balance sheet.
- Related party disclosure is not given under notes to accounts.

NSDL Compliance Manual for Depository Participants : 20th Edition APRIL 2013

The Participant **in the category of stock broker has a minimum networth of rupees three crore.** Annexure A pertaining to computation of net worth has also been amended.

Annexure 'A' of the Business Rules of NSDL: (exactly same as per CDSL)

.....

**MCX Stock Exchange Limited : Equity (capital market & derivative segments)
& Currency Derivatives Segment**

Circular no: MCX-SX/MEM/1519 dated 15.10.13

Annexure – IV A

(Equity f & o segment : exactly same as per NSE)

(As per Dr. L.C. Gupta Committee Report)

Annexure – IV B :

for Members registered only in Equity Cash Segment :

PARTICULARS	AMT
(Market Value of Listed Securities other than GSEC)-(30% of (Market Value of Listed Securities other than GSEC)	XXX
(Market Value of Listed GSEC)-(10% of Market Value of Listed GSEC)	XXX
(Book Value of Unlisted Securities)-(50% of Book Value of Unlisted Securities)	XXX
(Cost Price or Fair Value (average of earning value & breakup value whichever is higher certified by CA)	
Other Investments at Cost (IF Any)	XXX
TOTAL INVESTMENT	XXX
50% of Fixed Asset (Market Value or Cost Price whichever is higher)	XXX
Debtor less than 3 months	XXX
Loan Advances and Deposits	XXX
Excluding Loan given to associates / related entity	
Deposit Excluding non-refundable Deposit	
Cash & Bank	
Other Assets If any which is used for purpose of Business	
TOTAL ASSETS (5+6+7+8)	XXX
(Current Liabilities + Long Term Liabilities)	XXX
NETWORTH (9-10)	

COMPLIANCE GUIDE (FOR MEMBERS OF MULTI COMMODITY EXCHANGE)
INSPECTION DEPARTMENT

10.2 : Net Worth Requirement :

Composition of Net worth of the Members:

The Members will have the option of computing their **net worth as per any of the two methods** given below. However, once a Member chooses one of the two given methods, he will have to **continue to compute his net worth using the same method unless a change of method is specifically approved by the Exchange.**

Method 1:

The Networth should be computed either as per the formats given below:

Paid up Capital *	
Net worth calculated as follows:	
Paid up Capital	
Add: Reserve & Surplus (excluding revaluation reserves)	
Less: Accumulated losses if any	
Less: Miscellaneous Expenditure	
Total Net worth	

Method 2: (as per method II of NSE 1998)

By valuation of assets on the following basis:

A.	Listed (Quoted) investments in the name of the applicant (at market value) (Detailed list to be enclosed)	
B	Margin of 30% on market value of listed (quoted) Investments	
C	Net value of listed Investments (A) – (B)	
D	Investments in unlisted (unquoted) companies (as per note no. 2)	
E	Margin of 50% on (D)	
F	Net value of unlisted Investments (D) – (E)	
G	Other Investments (at cost) with PPF and NSC at current value,	

	Statutory deposits with MCX, Deposits with registered NBFCs , Bank FDs	
H	Total Net Investments (C) + (F) + (G)	
I.	Market Value of Land & Building component of the Fixed Assets (Full details of such assets like survey number, location, address, extent of land & building to be furnished)	
J	Margin on (I) at 50%	
K	Net value of such fixed assets (I – J) .	
L	Debtors not exceeding 3 months + Cash & Bank balance	
M	Current Liabilities	
N	Long term liabilities	
O	Net worth (H + K + L) – (M + N)	

Notes:

1. Valuation of fixed assets for the consideration of net worth would have to be certified by government approved valuers which should not be more than 2 years old. Only those items of land & building that are in the name of the member as well as in the possession of the member shall be included under the head (I) - Land & Building component of the Fixed Assets. Those properties that are leased out by the member or taken on lease shall not be included for computation of net worth. Fixed Assets other than Land & Building shall not be included for the purpose of computation of net worth.
2. Valuation of unlisted investments would be at “fair value” of the said investment, i.e. the average of the “break up value” and the “earning value”. For this purpose: -
 - a) The “break up value” means the equity capital and reserves as reduced by intangible assets and revaluation reserves, divided by the number of equity shares of the investee company.
 - b) The “earning value” means the value of an equity share computed by taking the average of profits after tax as reduced by the preference dividend and adjusted for extraordinary and non-recurring items, for the immediately preceding three years and further divided by the number of equity shares of the investee company and capitalised at the following rate:
 - In case of predominantly manufacturing company, eight percent;
 - In case of predominantly trading company, ten percent; and
 - In case of any other company, including an NBFC, twelve percent;
 - If, an investee company is a loss making company, the earning value will be taken at zero. (For e.g. earning value for an NBFC with capitalization rate of 12%, is earning per share multiplied by 100/12)
3. Details of items comprising investments, current assets, current liabilities and long term liabilities should be given separately.
4. Current assets should exclude loans to related entities, bad and doubtful debts and debts outstanding for more than 3 months, advance against capital assets, pledged securities / assets, prepaid expenses and also intangible assets.

5. Debtors should be distinguished as debtors arising from commodity operations and others.
6. Value of membership card / Deposits with any other Stock / Commodity Exchange are to be excluded for the purpose of computation of net worth.
7. Advance / Investment with or debts due from persons / entities notified under Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992 are to be excluded for the purpose of computation of net worth.

.....

NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED
--

Compliance Guide – Net worth Requirements :
--

Method of calculation of networth :

The Exchange has prescribed **two methods** for computation of networth.:

(both methods are exactly similar to NSE- method II of 1998)

.....

**SECURITIES AND EXCHANGE BOARD OF INDIA
(PORTFOLIO MANAGERS) REGULATIONS, 1993**

[7. Capital Adequacy Requirement. –The capital adequacy requirement referred to in clause (g) of regulation 6 shall not be less than the **networth of two crore rupees :**
Provided further that the portfolio manager shall fulfill capital adequacy requirement under these regulations, separately and independently, of capital adequacy requirements, if any, for each activity undertaken by it under the relevant regulations.]

Explanation.– For the purposes of this regulation, "networth" means the aggregate value of paid up equity capital plus free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses and deferred expenditure not written off, including miscellaneous expenses not written off.]

Additional certification areas :

- i. The Portfolio Manager will get its **account audited on yearly basis by qualified auditor to ensure that** the portfolio manager has followed **proper accounting methods and procedures** that the portfolio manager has performed his duties in accordance with the law Within 6 months from the end of financial year.
- ii. **The Portfolio Account** of the Portfolio Manager shall be **audited annually** by an independent chartered and a copy of the certificate issued by the Chartered Accountant **shall be given to Client** Within 6 months from the end of financial year.

Penalty for non submission & late submission. :

Bse : Late / Non Submission of Networth Certificate & Computation of Networth	
As on : September 30, 2013 : Due Date : December 31, 2013 Date of Deactivation of Bolt w.e.f. July 1, 2014	
<u>Fine / Penalty Structure</u>	
❖	Fine of Rs.100/- per day for first month from the due date.
❖	Fine of Rs.200/- per day for the next one month.
❖	Thereafter Rs.300/- till the date of submission or date of deactivation whichever is earlier.

NSE- ACTIONS FOR NON-COMPLIANCE :

Non submission of Networth Certificate and Computation would attract the following:

- ` 100/- for every day of delay from January 1, 2014 to January 31, 2014.
- ` 200/- for every day of delay from February 1, 2014 to February 28, 2014.
- ` 300/- per day of delay till March 31, 2014 and thereafter the matter shall be placed before relevant authority for appropriate decision/actions.

CDSL/A,I&C/DP/2073

Non-Submission	Quantum of Penalty
Non-submission of Net worth Certificate	Rs. 2,500/-
Plus additional charges for any delay per fortnight	Rs. 1,000/-
Non-submission of Annual financial statement	Rs. 1,000/-
Plus additional charges for any delay per fortnight	Rs 500/-

NSDL :	
Nature of Non-Compliance	Penal Action
Non-submission of net worth certificate based on the audited annual accounts by the Participants (as specified in the Bye-Laws) in the prescribed format for 31st March within prescribed time limit	Rs.2500 per occasion plus additional Rs.1000 for any delay per fortnight
Non-submission of annual financial statement within the prescribed time limit.	Rs.1000 per occasion plus additional Rs.500 for any delay per fortnight.

MCX – CURRENCY SEGMENT :

I) Penalties on Delayed Submissions / Non-Submission: Period	Penalty
During 1 st month after due date till the date of submission	@`100 per day
During 2 nd month after due date till the date of submission	@`200 per day
During 3 rd month after due date till the date of submission	@`300 per day

In the case of non-submission for more than three months, the daily penalty shall stand enhanced to `500 and a warning letter will be issued to such members, instructing them to comply with the requirement within a further period of one month. If such member fails to submit the same within the stipulated further period of one month also the matter will be referred to the relevant authority for further action.

II) Enhanced Penalties on “Repeat Violators” for Delayed Submission / Non-Submission :

“Repeat Violators” are those Members who had either not submitted or delayed their submission to the Exchange in the preceding half year, as per Exchange circulars relating to submission of Annual returns or Half Yearly Networth Certificate. In other words, if a member does not submit or delays submission of Annual Returns & Half Yearly Networth Certificate for two consecutive half years, the member will be considered as Repeat Violator.

Where the non-submission/delay is done by a “Repeat Violator”, the daily penalties applicable shall be as per the following enhanced scale: Period

During 1st month after due date till the date of submission @ ` 200 per day

During 2nd month after due date till the date of submission @ ` 400 per day

During 3rd month after due date till the date of submission @ ` 600 per day

III) Action on Shortfall in Network :

All members of the Exchange are required to maintain minimum network at all points of time as prescribed by the Exchange which is as under:

	Membership Type	Network (` in Lacs)
Segment		
Capital Market	SCM	30
Futures & Options	TM/SCM/TCM/PCM	30/100/300/300
Currency Derivatives	TM/SCM/TCM/PCM	100/500/1000/1000

MCX Commodity – Rs. 200 per day
--

NCDEX – Rs. 200 per day
