

Circular No.: NSDL/POLICY/2022/158

November 14, 2022

Subject: Amendments to Bye Laws and Business Rules of NSDL in respect of networth requirement of Participants.

Attention of Participants are invited to SEBI notification no. SEBI/LAD-NRO/GN/2022/74 dated February 23, 2022 on amendment in the regulation 35 of Securities and Exchange Board of India (Depositories and Participations) Regulations, 2018 regarding networth requirement of Participants.

SEBI has amended the first, second and third provisos to Regulation 35 (a)(viii) of the SEBI (Depositories and Participants) Regulation 2018 by substituting with the following:

“Provided that the stock broker shall have a networth of rupees three crores {within one year of the date of notification of the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2022}, which shall be increased to rupees five crores {within two years of the date of notification of the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2022}:

Provided further that a self-clearing member fulfilling the networth requirements as provided under the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 shall also be eligible to register as a depository participant.”

In this regard, Participants are hereby informed that the amendments have been made in the Bye Laws and Business Rules of NSDL pertaining to revised Net Worth requirements as mentioned below:

1. Amendment to Bye Laws 6.2.1 and 6.7; and
2. Annexure L of NSDL Business Rules.

The amended NSDL Bye Laws and Business Rules are enclosed as **Annexure A** and **Annexure B** in track change mode respectively.

Participants are requested to take note of the above.

For and on behalf of

National Securities Depository Limited

Arockiaraj

Manager

Enclosed: Two



FORTHCOMING COMPLIANCE			
Particulars	Deadline	Manner of sending	Reference
Investor Grievance Report (Monthly)	By 10th of the following month.	Through e-PASS	Circular No. NSDL/POLICY/2015/0096 dated October 29, 2015
Internal/ Concurrent Audit Report (April - September)	November 15th every year	Through e-PASS	Circular No.: NSDL/POLICY/2022/136 dated October 03, 2022



Annexure A

ADMISSION CRITERIA

6.2.1. The applicant(s) shall be eligible to become Participant(s) in the Depository, provided they meet the minimum criteria laid down under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, and the eligibility criteria specified below :-

- i. ⁸ the applicant shall be required to furnish information and details of its business history including the background and experience of directors and promoters of the applicant.
- ii. the applicant should not have been convicted in any of the five years immediately preceding the filing of the application in any matter involving misappropriation of funds and securities, theft, embezzlement of funds, fraudulent conversion or forgery;
- iii. the applicant should not have been expelled, barred or suspended by the Securities and Exchange Board of India, self regulatory organisation, or any recognised stock exchange; provided however that, if a period of three years or more has elapsed since such punishment was imposed, the Depository may, in its discretion consider such application;
- iv. The Participant (both prospective and existing) in the category of stock broker has a minimum networth of rupees ~~Five three~~ crores.

Provided that a Participant in the category of stock broker (both prospective and existing) having a networth of atleast rupees Three crores but lower than rupees Five crores may be admitted/continued as a Participant subject to the condition that such Participant shall increase its networth to rupees Five crores by February 22, 2024 (i.e. within two years of the date of notification of the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2022) or any other date as prescribed by the Securities and Exchange Board of India.

The Stock Broker with networth lower than Rupees Three crores but higher than Rupees One crore can become a Limited Participant of the Depository with the restrictions on business and/or for limited period as decided by Depository.

Provided that a Stock Broker Limited Participant (both prospective and existing) having networth lower than rupees Three crores but higher than rupees One crore may be admitted/continued as a Limited Participant of the Depository subject to the condition that such Limited Participant shall increase its networth to rupees Three crores by February 22, 2023 (i.e within one year of the date of notification of the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2022) or any other date as prescribed by the Securities and Exchange Board of India. Once the Limited Participant complies with networth requirement of rupees Three crores by February 22, 2023 or any other date as prescribed by the Securities and Exchange Board of India, the first proviso under paragraph (iv) of Bye Law 6.2.1 shall apply

Provided further that in case of non- banking finance company (NBFC), ~~and~~ a registrar to an issue or share transfer agent, and self-clearing member, minimum networth as specified in the SEBI Regulations will apply.

~~Provided, however, that if the Participant is already acting as a Participant on March 14, 2008, it will be required to fulfill this requirement by March 31, 2010.~~

Explanation: for the purpose of determining whether the applicant has adequate networth, the applicant shall submit a networth certificate (including the computation thereof) based on the audited books of account (in the format which may be specified by the Depository in the Business Rules) duly certified by a chartered accountant and submitted to the Depository

- v. the applicant shall be required to furnish details of its Board of Directors/ authorised officials, who shall be responsible for acting on behalf of the Participant;

- vi. the Depository may conduct entrance examinations and / or interviews, to examine the knowledge of the Participant (and its staff) related to the operational, functional and technical aspects of the Depository. The Depository may also make it mandatory for the Participant to appoint a compliance officer, who shall interact with the Depository on behalf of the Participant for compliance with the Bye Laws and Business Rules, resolving, redressal of investors' / clients' grievances;
- vii. the applicant should have adequate office space exclusively for Depository operations. The applicant should also furnish details of his main office, address, fax, and phone number(s). The Depository shall have the sole discretion to decide whether in its opinion, the applicant has adequate infrastructure facilities at the time of granting admission;
- viii. the applicant has made adequate arrangements for conducting effective and safe Depository operations including security measures, software and hardware requirements, risk containment and insurance requirements, as specified by the Depository;
- ix. for the purpose of satisfying itself regarding the eligibility of the applicant to become a Participant, the Depository may carry out an inspection of the office and facilities of the applicants;
- x. the applicant shall be eligible to become a Participant with effect from the date on which it is registered with the Securities and Exchange Board of India under The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.

6.7. 19ADMISSION OF CLEARING CORPORATION/CLEARING HOUSE OF A STOCK EXCHANGE OR A STOCK EXCHANGE AS A FULL-FLEDGED PARTICIPANT (CC/CH-PARTICIPANT).

The applicant under this category shall be admitted as a full fledged Participant including opening beneficiary accounts, provided the following conditions are satisfied in addition to complying with the Bye Laws 6.1 to 6.5.

6.7.1. The applicant has a minimum net worth of Rs.5 crore. In case the applicant does not have Rs.5 crore net worth, it must undertake to enhance its net worth to Rs.5 crore within a period of two years, in a manner satisfactory to NSDL.

Explanation : for the purpose of determining whether the applicant has adequate net worth, the applicant shall submit a net worth certificate (including the computation thereof) based on the audited books of account (in the format which may be specified by the Depository in the Business Rules) duly certified by a chartered accountant and submitted to the Depository.

~~6.7.2. The aggregate value of client assets held by a CC/CH Participant shall not exceed 20 times its net worth.~~

Annexure B

Annexure L

FORM 1

COMPUTATION OF NETWORTH

Sr. No.	Particulars	Current Year (₹)	Previous Year (₹)
	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	Networth required for other depositories		
JK	Loans and advances to group Companies		
KL	Statutory Contingent Liabilities		

Notes:

1. Details of item mentioned under Sr. no. C, F, G, H, I, **JK** and **KL** shall be provided as annexure to the certificate.
2. In case of statutory contingent liabilities, only 50% of the liabilities shall be deducted.
3. In case of Bank DPs, if provisions for NPAs have been made as per RBI guidelines and Auditor's certificate to this effect has been provided, no deduction to be made for receivables more than six months old.
4. Security-wise details of all investments (quoted as well as unquoted securities) shall be provided as annexure to the certificate.