
NATIONAL COMMODITY CLEARING LIMITED

Circular to all Clearing Member of the Clearing Corporation
Circular No. : NCCL/MEMBERSHIP-001/2018
Date : September 26, 2018
Subject : Membership

In terms of the provisions of the Rules, Bye Laws and Regulations of the National Commodity Clearing Limited (NCCL), NCCL/CLEARING-001/2018 dated September 24, 2018 and circular no. NCDEX/COMPLIANCE-015/2018 dated September 24, 2018 of National Commodity & Derivatives Exchange Ltd. (NCDEX), the membership process, on-going and periodical compliances and corresponding documentation with respect to NCCL membership are detailed in Annexure hereto.

Members and applicants are requested to take note of the same and ensure compliance.

For and on behalf of
National Commodity Clearing Limited

Hemalatha S
Chief Compliance Officer

For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 266 6007
2. Membership Department by e-mail to : membership@nccl.co.in

ANNEXURE

Membership

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1. Types of Membership

As per the Rules, Bye – Laws and Regulations of NCCL, any entity desirous of becoming a Member of NCCL may apply for any of the following types of membership:

1.1. Trading Cum Clearing Members (TCM)

TCM shall be the Members admitted as such by the Concerned Exchange and NCCL who shall be entitled to trade on Concerned Exchange on behalf of their constituents/clients and/or on their own account and shall also be entitled to clear and settle all such trade done by them.

TCM members may get itself affiliated with either STCM or PCM member of NCCL for clearing and settlement of its and clients trades.

1.2. Strategic Trading Cum Clearing Members (STCM)

STCM registered with the Concerned Exchange may, in addition to existing rights and responsibilities as a trading cum clearing member for its constituents, shall be entitled to and liable to settle and clear the trades/transactions done by the Members affiliated with it viz. TCMs or TMs.

1.3. Professional Clearing Members (PCM)

PCM Members shall be admitted by NCCL who shall be entitled to clear and settle trades/transactions done by the other members of the Concerned Exchange viz. TCMs or TMs affiliated with them. PCMs are not allowed to trade on the Concerned Exchange platform.

All existing members (TCMs, STCMs and PCMs) of Concerned Exchange are required to submit an undertaking to NCCL Membership Department as per prescribed format within 30 days from the date of commencement of operations at NCCL. In the event of non – submission of the said undertaking, the Concerned Exchange / NCCL shall take appropriate action including disablement of trading / clearing rights.

In terms of SEBI circular SEBI/HO/CDMRD/DRMP/CIR/P/2018/52 dated March 21, 2018, Clearing Members viz. TCM, STCM and PCM shall maintain a minimum Liquid Net-worth of at least INR 50 Lakhs at all points of time.

Further, STCMs and PCMs are required to execute fresh agreement with Trading Members affiliated with them within 30 days from the date of commencement of operations at NCCL. The format of fresh TM – CM Agreement is available on NCCL website under Membership Tab.

2. Procedure for Admission of Membership

In accordance with Rules, Bye-Laws, and Regulations of the Concerned Exchange/NCCL, Securities Contracts (Regulations) (Stock Exchanges and Clearing Corporations) Regulations 2012 and SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, applicant desirous to

obtain Membership of NCCL are required to comply with the norms, procedures, terms and conditions as determined from time to time.

The applicants are required to submit Membership application forms, supporting documents and undertaking in the prescribed format within the timelines as specified by Concerned Exchange /NCCL. The applicants are also required to pay the Admission Fees, Annual Subscription Charges and other Deposits, and meet the educational qualification, networth criteria, infrastructure requirement as prescribed by SEBI/ Concerned Exchange /NCCL from time to time.

The applicants shall undergo admission/ selection process of the Concerned Exchange / NCCL for obtaining Membership.

NCCL may, at its absolute discretion, refuse permission to any applicant to be admitted as Member to all or any of the Clearing Segments. In case the application is rejected for any reason whatsoever, the fee/deposit paid, if any, shall be refunded (without any interest amount) by the NCCL to the applicant except the processing fee, if applicable.

Further, applicants may also note that, pursuant to SEBI Circular SEBI/HO/MIRSD/MIRSD1/CIR/P/2017/104 September 21, 2017, Integration of broking activities under single entity is allowed.

Accordingly, an applicant who is already a member of any Stock/ Commodity Exchange and duly registered with SEBI is not required to obtain separate registration with SEBI. However, applicants who are not registered with SEBI are required to provide documents / information as per SEBI guidelines for single registration at the time of admission of membership.

3. Eligibility criteria to become Clearing Members

The following persons are eligible to become members:

- (a) Individuals
- (b) Sole proprietorships
- (c) Partnership Firms Registered under Indian Partnership Act, 1932
- (d) *Limited Liability Partnership* firm(LLP)registered under Limited Liability Partnership Act,2008
- (e) Companies, Corporations or institutions incorporated under Companies Act, 1956 and 2013 or under any central or state legislation and are permitted under their Memorandum of association or applicable constitution document for engaging in production / trading / consumption / broking in commodities / derivatives. The Applicants who are in the process of being incorporated under Companies Act, 1956 or enactment as mentioned above or in the process of amending their Memorandum of Association or their constitution document to include the activities mentioned above as permitted activities, may also apply. However, their membership will be effective only upon completion of the aforesaid process to the satisfaction of Concerned Exchange/ NCCL.
- (f) Such other persons / entities as may be permitted by the Relevant Authority of Concerned Exchange/ NCCL.

Provided however that, with respect to

- a) STCM Category of Members, only Body Corporates shall be eligible to apply for membership.
- b) PCM Category of Members, Body Corporates and Scheduled Commercial Banks shall be eligible to apply for membership.

The applicant shall comply with the following requirements:

- a) Minimum Age of Individual/proprietor/partner/directors should be 21 years
- b) Minimum education qualification of Individual/proprietor/one of the partner/one of the director should be at least a graduate or having an equivalent qualification or adequate experience in commodities/financial markets
- c) The applicant shall have minimum 2 (two) Designated Directors {in case of corporate} or 2 (two) Managing Partners {in case of partnership firm} or 2 (two) Designated Partners {in case of LLP}, as the case may be, at all points of time meeting the eligibility criteria as specified by the Concerned Exchange/ NCCL / SEBI/ from time to time and the same are to be maintained at all points of time.
- d) Two designated directors/partners should be at least HSC or equivalent qualification and should have minimum 2 years' experience dealing in securities/ portfolio manager, and investment consultant.
- e) All corporate members should have minimum paid up capital of Rs. 30 Lakhs.
- f) The Applicant, its Directors, Promoters, Partners, Principal Officer and Key Management Persons, at all points of time, shall be Fit and Proper Persons as per the criteria specified under SEBI (Intermediaries) Regulations, 2008.
- g) The Applicant, at all points of time, is required to have necessary infrastructure like adequate office space, equipment and manpower to effectively discharge their activities.

Members are required to abide on continuous basis by the circulars and notifications issued by the Relevant Authority / Concerned Exchange/ NCCL from time to time.

4. Person not eligible to become Member

No person shall be admitted as a Member of the NCCL if such proposed member:

- a) is an individual who is not a citizen of India:
- b) Is a body corporate who has committed any act which renders the entity liable to be wound up under the provisions of the law;
- c) Is a body corporate who has had a provisional liquidator or receiver or official liquidator appointed to the person;
- d) Has been adjudged bankrupt or a receiving order in bankruptcy has been made against the person or insolvency resolution professional has been appointed or the person has been proved to be insolvent even though he has obtained his final discharge;

- e) Has been convicted of an offence involving a fraud or dishonesty;
- f) Has compounded with his creditors for less than full discharge of debts;
- g) Has been at any time expelled or declared a defaulter by any other Commodity / Stock Exchange / Clearing Corporation;
- h) Has been previously refused admission to Concerned Exchange / NCCL membership unless the period of one year has elapsed since the date of rejection;
- i) Incurs such disqualification under the provisions of the Securities Contracts (Regulations) (Stock Exchanges and Clearing Corporations) Regulations, 2012 or Rules made thereunder as disentitles such person from seeking membership of a Clearing Corporation.
- j) Concerned Exchange / NCCL may determine that it is not in public interest to admit such person / them as Member.

5. Fees and Deposit Structure:

Fees, Deposit and Net worth requirement	Particulars	Professional Clearing Member (PCM) (In Rs.)	Strategic Trading cum Clearing Member (STCM) (In Rs)	Trading cum Clearing Member (TCM) (In Rs)
Minimum Net Worth*	As per L.C.Gupta Method	1000.00 Lakh	300.00 Lakh	100.00 Lakh
Base Capital (NCCL)	i) Interest Free Cash Security Deposit	25.00 Lakh	20.00 Lakh	25.00 Lakh
	ii) Collateral Security Deposit	25.00 Lakh	50.00 Lakh	25.00 Lakh
Base Minimum Capital (NCDEX)	i) Interest Free Cash Deposit	NA	6.25 Lakh	2.50 Lakh
	ii) Collateral Deposit	NA	18.75 Lakh	7.50 Lakh
Interest Free Security Deposit (IFSD) (NCDEX)	In the form of cash only	NA	10.00 Lakh	10.00 Lakh
NCCL**	Admission Fee (one time, non-refundable) (With applicable Tax)	5.00 Lakh	5.00 Lakh	5.00 Lakh
NCCL**	Annual Membership Fees (With applicable Tax)	1.00 Lakh	0.25 Lakh	0.25 Lakh
SEBI	Registration Fees	0.50 Lakh	0.50 Lakh	0.50 Lakh
SEBI	Annual Regulatory Fees	0.50 Lakh	0.50 Lakh	0.50 Lakh

*The net worth is required to be maintained during the entire period of membership of Concerned Exchange / NCCL.

**In addition to the fees to be paid to NCDEX by STCM and TCM.

Notes:

1. Application Processing Fees: Rs. 2,000/- plus applicable Tax.
2. If TCM is clearing through STCM/PCM, the member will have to maintain a base capital of Rs. 50 Lakh with the Clearing Corporation in the form of cash only.
3. NCCL shall block an amount of Rs.50 Lakhs towards Minimum Liquid Net-worth from the existing deposits of the Clearing Members

6. Annual Subscription Charges

Members are required to pay Annual Subscription Charges every financial year as per Concerned Exchange / NCCL guidelines.

7. Periodic Compliances:

i) Submission of Annual Returns

It is mandatory to submit annual returns along with specified documents at the end of every financial year or within the timelines as may be notified by Concerned Exchange/ NCCL.

Members are required to submit annual returns through online / NCFE portal as per the guidelines given by Concerned Exchange/NCCL from time to time. No physical copies should be submitted to Concerned Exchange / NCCL.

Concerned Exchange / NCCL shall levy non – submission / late submission charges in case of non-submission and / or delay in submission of annual returns.

Incorrect / Incomplete submission of Annual return, if any, observed during the scrutiny would be construed as non-submission and will attract non- submission /late submission charges/ any other action that the Exchange may deem fit.

ii) Submission of Half Yearly Net worth Certificate

As per SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, Members are requested to upload half yearly net worth certificate duly certified by Chartered Accountant.

Accordingly, it is mandatory to submit half yearly net worth certificate along with Statement of Computation of Net worth as per method prescribed by LC Gupta through online / NCFE Portal within the prescribed timelines. No physical copies should be submitted to Concerned Exchange / NCCL.

Concerned Exchange / NCCL shall levy non – submission charges and may take disciplinary action including disablement of trading / clearing facility in case of non-submission, delay in submission or similar such violations.

iii) Member's Fidelity Insurance

Members are required to obtain Fidelity Insurance to cover the operational risks associated with their business, as prescribed and / or notify and intimate the Concerned Exchange / NCCL.

iv) Change in Share Holding Pattern and Dominant Promoter Group (DPG)

Every member (Body Corporate, LLP and Partnership Firm) is required to identify the Dominant Promoter Group (DPG) from among its shareholders/partners, initially at the time of admission as a Member.

Members are required to note DPG identification norms are given below:

a) Unlisted Corporate Trading Member/Partnership Firm/LLP:

i) Any person or persons holding 51% on his/ their own or together with the entities as specified below will be identified as Dominant Promoter Group

- a) their “relatives” as defined under Companies Act and/or
- b) the indirect support of corporate investors

The persons who are extending support to the dominant promoter as stated above shall execute an unqualified and irrevocable support in writing to the concerned individual DPG in respect of such holding.

ii) Identification of DPG in case of Corporate Shareholders

In case of applicant /member entity who is a subsidiary of another entity, or if the shareholder of the member / applicant is a corporate entity, then it is required to identify the DPG from such holding/ corporate entity. The guidelines for such identification will remain same as mentioned in point no (i) above. This process of identification of DPG will be extended up to second layer of wholly owned entities in terms of Companies (Restriction on number of Layers) Rules, 2017.

b) Listed Corporate Trading Member or listed holding company of member entity :

Any person or persons in control identified as promoters in the shareholding pattern disclosed by the corporate trading member under the provisions of the Listing Agreement, will constitute the DPG.

1. Banks, central or state government owned Finance and/or Development Institutions

The following entities are allowed to be identified as dominant shareholder(s) provided they have a net worth of at least Rs.50 Crores:

- (i) Scheduled Banks;
- (ii) Central or State Government owned Finance and/or Development Institutions;
- (iii) Any financial institution registered and regulated by any regulatory authority such as RBI, SEBI, IRDA; etc.
- (iv) Any other entity that is fit to be identified as dominant shareholder in the opinion of relevant authority

2. Foreign Entities: Entities taking membership of the Concerned Exchange/ NCCL through their Indian subsidiary under the automatic approval route permitted by the Government, subject to compliance with the guidelines of the RBI.

- (i) The promoting foreign entity or its subsidiary should be either a bank or insurance organization regulated by the Central Bank or such other appropriate regulatory authority of that country

Or

(ii) The promoting foreign entity or its subsidiary should be broking house/ participant in the securities market that is registered or regulated by the relevant regulatory authority of that country and that the relevant authority should be a member of International Organization of Securities Commission (IOSCO). The entity should have a sound track record.

Or

The promoting foreign entity is one whose domestic arm or subsidiary is registered with SEBI for participation in any domestic venture for custodial or Asset Management services

(iii) The promoting foreign entity shall hold, directly or indirectly not less than 51 % of the controlling stake in the applicant company proposing to take the trading membership of the concerned exchange/ NCCL.

(iv) The net worth of the entity having controlling stake in the applicant company or the promoting foreign entity should be at least Rs.50 Crores

A foreign entity may be allowed to become part of the dominant promoter group of an existing member corporate provided it meets the dominant promoter group norms as applicable to Indian entities/ RBI norms and any other requirements of the concerned exchange / NCCL/SEBI as may be applicable from time to time.

Any change in shareholding/profit sharing ratio / Dominant Promoter Group (DPG) by the member can be carried out only with a prior written permission of Relevant Authority / Concerned Exchange /NCCL. If a change is done in the sharing/shareholding pattern without the prior approval, it will attract penal action as detailed below:

- a) In case of a change that results in the dilution of the shareholding / profit sharing ratio of the DPG below 51%, the Concerned Exchange / NCCL may initiate penal action comprising of levying of applicable penalty as prescribed by the Concerned Exchange / NCCL including withdrawal of the trading/clearing rights after 30 days from the date of the Concerned Exchange/ NCCL letter.
- b) In case of a change that results in the dilution of the shareholding / profit sharing ratio of the DPG not below 51%, the Concerned Exchange / NCCL may levy applicable penalty as prescribed by the Concerned Exchange / NCCL.

v) Conversion of Membership/ Change in Status / Change in Constitution of Member

The Concerned Exchange / NCCL may prescribe from time to time such terms and conditions for conversion of membership. Members are required to obtain prior approval from Concerned Exchange / NCCL for effecting any conversion of Membership status.

The following will be considered as Conversion of Membership/ Change in Status / Change in Constitution of Member:

- Change in membership category from TCM to STCM
- Change in membership category from TM to TCM
- Change in membership category from STCM to TCM
- Change in membership category from TM to STCM
- Conversion of an individual member into a partnership firm / company / LLP;
- Conversion of a member firm into a company / LLP.

The processing of any change in membership category of the members will be undertaken by the Concerned Exchange / NCCL as per the procedure laid down from time to time.

- Submit necessary document/agreements/undertakings as required by the Concerned Exchange/ NCCL from time to time for change in membership category
- Payment of the differential amount of Annual Membership Fees on pro rata basis.

vi) Change in affiliation with Clearing Member

The TMs and TCMs can avail the services of STCMs/PCMs for clearing of their trades. Change in clearing member may be effected at the request of the TM and TCM in the following manner:

If any TM and TCM wishes to change its clearing member i.e. STCM/PCM, it should ensure following:

- Seek prior approval of the Concerned Exchange /NCCL.
- Submit NOC and no dues undertaking from the existing STCM/PCM as per prescribed format.
- Submit necessary agreements and letters from new STCM/PCM to Concerned Exchange /NCCL in the prescribed format.

vii) Change in Name

Members are required to obtain prior approval for change in name and submit required documents in the prescribed format as specified by Concerned Exchange / NCCL from time to time. In case prior approval is not obtained, appropriate action / penalty may be levied.

Members are required to ensure the new name should not have words if any, which are not permitted by Concerned Exchange/ NCCL / SEBI.

viii) Change in Designated Directors/Partners

Members are required to take a prior written approval from the Concerned Exchange/ NCCL for any change in designated directors/partners and furnish the necessary documents for the same.

The new nominated designated director/partner shall have to meet the eligibility criteria as specified in Rule 8 of Securities Contract (Regulation) Rules, 1957 (SCRR).

In case members do not complete the proposed changes within the time limit, they shall be required to obtain fresh approval from Concerned Exchange / NCCL. Failure to comply with the requirement of seeking prior written approval for any change in designated directors/partners by the members will attract penalty as may be levied by concerned Exchange/ NCCL.

For all other changes in non-designated directors/partners, where prior approval from Concerned Exchange/ NCCL is not required, the member shall continue to promptly notify the Concerned Exchange/ NCCL in writing about such changes within 15 days from the date of change.

Concerned Exchange / NCCL as the case may be shall levy penalty in case of failure to comply with the requirement of seeking prior written approval of the Concerned Exchange / NCCL for any change in designated directors/partners of the members.

ix) Change in Member Details

Members of the Concerned Exchange / NCCL are required to note that in case of change in member details intimation is required to be sent to Concerned Exchange / NCCL in the prescribed manner.

- Change of Correspondence Address
- Change of Registered Office Address
- Change in Contact Details
- Change in Key Managerial Personals on Web NCFE Portal
- Change in Authorised Signatory appointment for various / specific purpose as informed to Concerned Exchange / NCCL.
- Any other details as may be required by Concerned Exchange / NCCL.

8. Schemes/Leagues/Competitions launched by registered Members and Code of Advertisement

In terms of Rules, Bye-Laws and Regulations, Members of Concerned Exchange / NCCL are required to take prior written approval from Concerned Exchange / NCCL for issuance of Advertisement.

Members should ensure Code of Advertisement as issued by Concerned Exchange / NCCL from time to time.

Members are advised to submit an Undertaking as per prescribed format at the time of seeking approval from Concerned Exchange / NCCL. Members are requested to note that, submission of Undertaking does not tantamount to advertisement approval. Members may publish their advertisement only after receipt of specific approval by Concerned Exchange/ NCCL as the case may be. Violation of this directive in any manner will lead to suitable action as deemed fit by the Concerned Exchange / NCCL.

Members may please note that, if their advertisement is contrary to guidelines, issued by the Concerned Exchange/NCCL it will be deemed to be unprofessional conduct by the member.

8.1) Code of Advertisement: The Members are advised to be guided by the following guidelines:

a) Advertisement shall include all forms of communications issued by or on behalf of the Member in publicly available media that may influence investment/sale decisions of any investor/prospective investors.

b) Forms of communications shall include, form of document, pamphlets, circulars, brochures, notice or any research reports or any other literature or information, material published, or designed for use in a newspaper, magazine, SMS or other periodical, radio, television, telephone or tape recording, video tape display, signs or bill boards, motion pictures, telephone directories (other than routine listings) or other public media including websites or emails, whether in print or audio visual form or used in workshop/seminar or public speaking or in any other manner.

c) Advertisement/Material shall contain:

i) Name of the Member, Registered Office Address of the Member, SEBI Registration No. (all registration numbers and names of the Exchanges/Clearing corporations in case of multiple memberships) / Member ID allotted by Concerned Exchange / Clearing Corporation and logo of the Member, if any.

ii) Information which is accurate, true, fair, clear, complete, unambiguous and concise.

iii) Standard warning in legible fonts (minimum 10 font size) which states “*investment in securities market are subject to market risks, read all the related documents carefully before investing.*” No addition or deletion of words shall be made to the standard warning. In audio-visual media based advertisements, the standard warning in visual and accompanying voice over reiteration shall be audible in a clear and understandable manner. For example, in standard warning both the visual and the voice over reiteration containing 14 words running for at least 5 seconds may be considered as clear and understandable.

iv) In case the mode of advertisement is SMS/Message/Pop-up, etc. and the details such as full name, logo, full registered office address, SEBI registration numbers and standard disclaimer are not mentioned, then official website hyperlink has to be provided in such SMS/Message/Pop-up, etc. and the website must contain all such details.

8.2) The advertisement/material shall not contain:

a) Anything which is otherwise prohibited for publication under the relevant Act, unwarranted, or make any promises.

b) Statements which are false, misleading, biased or deceptive, based on assumptions/projections.

c) Shall not contain any misleading or deceptive testimonials.

d) Statements which directly or by implication or by omission may mislead the investor.

e) Any statement designed as likely to be misunderstood or likely to disguise the significance of the statement.

f) Any statement designed to exploit the lack of experience or knowledge of the investors.

g) Any slogan that is exaggerated or unwarranted or slogan that is inconsistent with or unrelated to the nature and risk and return profile of the product.

h) Any promise or guarantee of assured return to the general investors.

i) Any statement which directly or indirectly discredits other advertisements or Member or make unfair comparisons.

j) Representations made about the performance or activities of the broker unless accompanied by data regarding performance, disclosures of all the risk factors, etc. and a disclaimer that ‘such representations are not indicative of future results’. Such disclaimer shall be in the same font as the rest of the advertisement.

k) Superlative terms, such as best, no. 1. One of the Best, among market leaders, etc. unless such terms is provided by an entity independent of the Stock Broker and its affiliates, and whose services are not procured by the Member or any of its affiliates to assign the Stock Broker such term.

8.3) Compliance and Other Requirements:

a) Prior approval for the advertisement/material to be obtained from the Concerned Exchange /NCCL before issue.

b) No celebrities shall form part of the advertisement/material. (The expression “celebrity” means and includes any person mentioned hereunder :)

- who has played lead role or one of the lead roles in any movies/TV serials/ TV shows which includes but not limited to main actor, actress, child artist, villain, comedian, prominent support character.
- who has been host or one of the hosts or anchor or one of the anchors for any TV programs such as quiz, cooking shows, news channels, comedy show, dance shows, song show, award functions and such other entertainment programs.
- who has been winner or runner in a competitive program that has gone through a series of qualifying rounds (for elimination of competitors) which may be known as qualifying round, quarter finals, semifinals and finals or by any other names.
- Sports person who has been part of National team of the country to which he belongs or represented his country in international tournaments / events such as Olympic Games, Asian Games and competitive games at international level for that given sport, etc
- Other well-known personalities like Doctors, Authors, Activists, Educationists, Politicians, Preachers, Singers, Musicians, Radio Jockeys, Businessmen, Business Managers/ leaders of repute, recipients of awards such as Padma awards, recipients of awards from international bodies, Government of India or any state government set up for recognition of special contribution to the field of expertise of such person.
- Any other person who in the view of Exchange is capable of influencing the opinion of viewers of the advertisement.
- Notwithstanding anything contained in these guidelines, decision of Exchange shall be final in determining if the person made a part of the advertisement/material is a celebrity or not and such decision shall be final.

c) Statistical information, charts, graphs, etc. when used should be supported by their source.

d) Where advertising claims are expressly stated to be based on or supported by independent research or assessment, the source and date of this should be indicated in the advertisement.

e) In the event of suspension of any Member by the Concerned Exchange/NCCL, the Member so suspended shall not issue any advertisement either singly or jointly with any other Member, during the period of suspension.

f) In the event of any proceeding/action initiated against a Member by a regulatory body other than the Concerned Exchange/NCCL, the Concerned Exchange/NCCL reserves the right to direct the Member to refrain from issuing any advertisement for such a period as it may deem fit.

g) The Member shall not involve/engage in games/leagues/schemes/competitions etc. which may involve distribution of prize monies/medals/gifts, etc.

h) These norms shall be applicable to any other investment/consultancy agencies associated with the Member concerned and issuing advertisement wherein the Concerned Exchange/NCCL has been named in the advertisement.

Schemes/Leagues/Competitions launched by registered Members: Members shall ensure strict compliance with the following requirements:

- i. Members shall not have any financial liability towards any third party / associates/ group company of the member in respect of any schemes/leagues/competition, etc. launched by a third party. In other words, the member shall not become the sponsor of such scheme / league/ competition.
- ii. In respect of advertisement, if any, the member shall comply with the provisions contained in SEBI Circular MIRSD/ 9/2010 dated November 4, 2010 and the clauses A(5), C(4) & (5) of Code of Conduct Specified in Schedule II under Regulation 9 of SEBI (Stock Brokers and Sub – brokers) Regulations, 1992.
- iii. Member shall not enter into any tripartite agreement with clients/participants and the third party/ associate/ group company of Concerned Exchange / NCCL.
- iv. The following practice, given as part of ‘Client information’ under the heading ‘Rights and obligations of Stock Brokers, Sub-brokers and Clients’, as specified by SEBI vide circular CIR/MIRSD/16/2011 dated August 22, 2011 shall continue to apply as given below:-

“The stock broker and sub-broker shall maintain all the details of the clients as mentioned in the account opening form or any other information pertaining to the client, confidentially and that they shall not disclose the same to any person/authority except as required under any law/regulatory requirements. Provided however that the stock broker may so disclose information about his client to any person or authority with express permission of the client.”

- v. Member shall obtain written confirmation from the client that the client shall not have recourse to dispute redressal mechanism/arbitration mechanism/investor protection schemes of the Concerned Exchange/ NCCL/SEBI in case the client avails the services under any Schemes/leagues/competitions, etc. offered by any third party/ group company/ associate of member.

9. Surrender of Membership

Any Member desirous of surrendering its Membership shall make an application for surrender in the prescribed manner as notified by Concerned Exchange/ NCCL.

1. Conditions for Surrender of membership

The Concerned Exchange / NCCL will intimate the member desirous of surrendering membership to comply with the following before making an application for surrender of membership:

- To ensure that all open positions as on the date of the application are squared off.
- To intimate all his clients/ constituents/Authorized Person regarding surrender of membership at least 30 days prior to date of application of surrender of membership to the Concerned Exchange/ NCCL.

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- To ensure that there are no pending dues to the Concerned Exchange/ NCCL, clients, other members, Authorized Person(s) and SEBI.
 - To ensure that all the NEXTRA ids from NEXTRA application are deleted before applying for surrender of membership.
 - To surrender the connectivity infrastructure at all the offices/ branches prior to submission of the application for surrender of membership, else, the charges as applicable and penal charges for failure to do so, as may be determined by the Concerned Exchange/NCCL, will be levied till the time of surrender of such connectivity.
 - To settle any outstanding bills raised by the Concerned Exchange/ NCCL and / or any service provider for the services rendered during their membership with the NCCL or authorize the Concerned Exchange/ NCCL to debit the same from its deposits with the Concerned Exchange/ NCCL
 - To intimate the Concerned Exchange/ NCCL of any disciplinary proceedings against it initiated by any Exchange/ Clearing Corporation or by SEBI
 - To intimate the Concerned Exchange/ NCCL of any investor complaints/ arbitration pending against it.

2. Policy for levy of charges for members who have applied for surrender

- a) Any dues, penalties, fines, etc. to the NCCL and/ or Clearing corporation in respect of such member which will crystallized/ levied after the receipt of surrender application would be applicable and payable by the member. The interest on dues shall be levied up to and including the date on which such dues/ charges are paid remitted to or appropriated /adjusted by the NCCL / Clearing corporation
- b) The annual subscription fee payable to the Concerned Exchange/ NCCL shall be charged pro rata up to and including the date of receipt of complete surrender application by the Concerned Exchange/ NCCL.
- c) The recurring charges such as non- submission charges for Annual / half yearly submissions/ user certification etc. will not be made applicable post surrender application and consequent disablement
- d) The TCM, STCM and PCM members will required to pay SEBI Annual Membership fees as per the guidelines issued by SEBI from time to time. SEBI Annual Membership fees becomes payable for every financial year till the registration is in force as per the Schedule IV of Securities and NCCL Board of India (Stock Broker and Sub Broker Regulations 1992) [Regulation 16G (I)]. The said fees will become payable in respect of the members whose surrender application is not submitted to SEBI/uploaded SEBI portal in the immediate previous FY.

3. Processing of Surrender application

- a) The member will required to make an application for surrender of membership in the prescribed format of the Concerned Exchange/ NCCL along with all the necessary documents as prescribed by the Concerned Exchange/ NCCL.
- b) The Clearing interface of such members will be disabled on receipt of surrender application.

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- c) NCCL will obtain No Objection Certificate (NOC) from the Clearing Bank where the Settlement and Dues A/Cs are maintained by the member.
- d) The Concerned Exchange/ NCCL as the case may be will issue Public Notice by the way of an advertisement in two newspapers (one in a national daily & one in regional daily- where the Member's Registered Office, Head Office/Corporate Office is situated) inviting claims, if any from investors/ public within the claim period as specified by the Concerned Exchange/ NCCL.
- e) Upon acceptance/ approval of surrender of membership as aforesaid, the concerned Member shall not be entitled to any rights or privileges accorded under the Bye-Laws, Rules and Regulations of the Concerned Exchange /NCCL, but shall continue to be liable to meet their liabilities/obligations under the Bye-Laws, Rules and Regulations of the Concerned Exchange /NCCL.
- f) In respect of an application for surrender from a member
- who has been suspended/ disciplinary action taken by the NCCL /SEBI,
 - in respect of whom any investigation/ action consequent to a default has been initiated by the NCCL /SEBI,
 - who owes dues to the NCCL/ Clearing corporation
 - who is falling within the category of "associates" (of a defaulting entity) as defined by SEBI in its circular SEBI/HO/CDMRD/DMP/CIR/P/2016/102 dated September 27, 2016
 - against whom any other claim /complaint is pending which, in the opinion of the NCCL, needs to be resolved by the concerned member
 - whose turnover fees liability to SEBI is still outstanding

The Concerned Exchange /NCCL will have absolute discretion in dealing with such applications and if it decides to process/ accept the surrender application of such member, it may impose additional terms and conditions as it may deem fit.

In case of a Member, whose surrender application has been received / approved by the Concerned Exchange /NCCL, is subsequently declared a defaulter/ expelled by the Concerned Exchange /NCCL, all the process applicable to surrender of membership shall cease and the relevant process pertaining to declaration of defaulter/ expulsion will apply.

4. Refund of security deposits:

The lock in period for refund of security deposits shall be atleast and not earlier than 6 months from the date of last trade executed or lapse of the period for receipt of claims as per the public notice and upon the Concerned Exchange /NCCL being satisfied that there are no claims or redressal of any claims so received, whichever is later, subject to

- Clearance of all dues and compliances under Rules, Bye-Laws, and Regulations of the Concerned Exchange /NCCL and SEBI.
- Receipt of NOC from SEBI

Withdrawal of surrender request

In case, member desires to withdraw the application for surrender of membership Concerned Exchange / NCCL, in its sole discretion, may permit such withdrawal of application, subject to levy of annual membership fee, interest, penalties and all other charges, as may be applicable, as though the member had never applied for the surrender

of membership. All the costs related to the installation of new VSAT(s) / Lease line will also be borne by the concerned Member

Further, once the request for surrender of membership is approved by the Concerned Exchange /NCCL or Relevant Authority, whether communicated to the member or not, no withdrawal of surrender application is permitted.

10. Transfer of Membership

All types of Membership are transferable subject to prior approval from Relevant Authority / Concerned Exchange/ NCCL. Members are required to follow transfer procedure and submit documents as notified from time to time.

1. By making nomination
2. By an amalgamation or merger of a member company;
3. By takeover of a member company
4. By transfer of the membership of a member firm to a new firm, in which, all the existing partners are not partners
5. By two or more coming together to form a new partnership firm/company.
6. By death of a member
7. Upon sale of a broking business
8. Such other mode as may be permitted by the relevant authority

All types of memberships, once granted by the Concerned Exchange/ NCCL, are transferable inter class subject to payment of differential admission fees and deposits as specified from time to time. Membership of the Concerned Exchange / NCCL shall be transferable as per Rules of the NCCL

1) Pre-conditions for transfer of membership

The member desirous of transferring membership should comply with the following points before making an application for transfer of membership:

- To ensure that there are no pending dues to the Concerned Exchange / NCCL, other members, Authorized Person(s) and SEBI.
- To settle any outstanding bills raised by the Concerned Exchange / NCCL and / or any service provider for the services rendered during their membership with the Concerned Exchange / NCCL or authorize the Concerned Exchange / NCCL to debit the same from its available deposits with the Concerned Exchange / NCCL.
- To intimate the Concerned Exchange / NCCL of any disciplinary proceedings initiated by any exchange, clearing corporation or by SEBI.
- To intimate the Concerned Exchange / NCCL of any pending investor complaints/ arbitration.
- To ensure completion of all Concerned Exchange / NCCL related compliances.
- The transferee shall be a fit and proper person as per the criteria determined by SEBI in schedule II of Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

- Transfer of Membership shall be to the persons / entities who are eligible under Concerned Exchange / NCCL Bye laws, Rules and Regulation including Circulars issued by the Exchange / Clearing Corporations and SEBI from time to time.
- 2) Member intending to transfer their membership will have to submit the application form duly filled along with prescribed documents for obtaining prior approval of the Concerned Exchange/ NCCL.
- 3) On receipt of in principle Approval from the Concerned Exchange / NCCL, the transferor & transferee shall submit an application for transfer of membership which shall include all the documents as under within 3 months from the date of in-principle approval issued by the Concerned Exchange / NCCL.
- Agreement copy of sale of Business/High Court order copy w.r.t. Merger/Amalgamation/Takeover
 - Membership Application Form with prescribed annexures
 - Copy of New TM-CM Agreement (in case incoming Member Entity is TM)
 - Copy of New TM-CM Agreement / express consent from all the TMs (in case incoming Member Entity is STCM)
 - New Bank Account (Client and Settlement) details in the name of new Member Entity
 - Letter form Bank for confirming transfer of securities/collateral in new Member Entity
 - GST Number in the name of new Member entity
 - FIU details of new Member entity
 - Certificate of Indemnity Insurance in the name of new Member entity
- 4) Whenever, the transfer of membership will lead to the change in control of the member company,
- prior approval should be obtained from SEBI.
 - client account may be transferred from one stock broker to the other stock broker, by taking the express consent of the client through a verifiable mode of communication and thereby continuing with the existing set of documentation in respect of broker client relationship as specified in SEBI circular no. SEBI/HO/MIRSD/MIRSD1/CIR/P/2017/104 dated September 21, 2017.
 - the incoming Member Entity need to pay Concerned Exchange / NCCL Annual Fee as applicable for the particular financial year.
- 5) In case of fee (transfer of membership to a group/holding/subsidiary company or concern wherein existing DPG continues to hold more than 51% stake in the new entity),
- 6) the transferor member is also required to pay transfer fee as applicable, in the manner and the modes specified by the Concerned Exchange/NCCL.

It may be noted that the Concerned Exchange/ NCCL reserves the right to reject / decline the transfer of membership without assigning any reason(s) whatsoever to the Member.

11. Transmission of Membership / Nomination of Membership

Subject to Rules of NCCL, In the event of death of Individual / sole proprietor Member, the membership of NCCL shall be transmitted to eligible person as permitted by Relevant Authority / Concerned Exchange / NCCL subject to fulfillment of such terms and conditions as may be notified by Concerned Exchange / NCCL from time to time.

Membership of concerned Exchange / NCCL shall be transmitted in the name of legal heir / successor of the deceased member.

The legal heir, seeking transmission of membership is required to submit requisite documents in the prescribed format and within specified time lines as notified by Concerned Exchange / NCCL. The legal heir is required to meet the eligibility criteria for obtaining the membership of concerned Exchange / NCCL shall require to pay the fees and deposit as stipulated by concerned Exchange / NCCL.

The concerned Exchange / NCCL has right to reject the applications without assigning any reason (s) for rejection of application without assigning any reason thereof.

12. Expulsion of Membership

As per Rules of the NCCL any member of the clearing corporation may cease to be a member due to expulsion by the Clearing Corporation.

NCCL will expel the member in accordance with the Rules, Regulations & Bye-laws of the NCCL or in accordance with the directives of the Regulator.

13. Other Compliances:

1. Members are also required to update KMP details and their PAN details through Web Extranet.
2. Members are required to inform Concerned Exchange / NCCL in case of any change in contact details / Authorised Signatory/ KMP details along with supporting documents as specified from time to time.
3. The Members are required to comply with Rules, Rules, Bye-Laws, and Regulation of the Concerned Exchange/Clearing Corporation, Securities Contracts (Regulation) Rules, 1957 (SCRR) and SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 and circulars / notifications issued by concerned Exchange / Clearing Corporation from time to time.
4. Members are required to register on FINNET Gateway and submit details of Principal Officer and Designated Directors to FIU – IND. The same is also required to be intimated to Concerned Exchange / NCCL as per the prescribed format and within the time lines as may be specified. Any change in Principal Officer and Designated Director is to be duly updated at FIU, Concerned Exchange and NCCL.
5. Appointment of Compliance Officer: Members are required to appoint Compliance Officer to monitor compliance as specified by concerned exchange / NCCL. Change in Compliance Officer is to be informed to concerned Exchange / NCCL in prescribed manner.

14. List of Penalties and Charges pertaining to Membership:

a) List of Charges:

Sl. No.	Particulars	Charges in Rs.
1.	Non submission/delayed submission charges of annual return	Delay in Submission a) Charges of Rs. 200/- per day for 1st month after the due date b) Charges of Rs. 500/- per day for 2nd month after due date till date of submission or disablement 2 weeks' notice shall be given to the Member after the 2nd month from the due date, subsequent to which the Member shall be disabled in all segments by the Exchange. The disablement notice issued to the Member shall be shared with all the Exchanges for information.
2.	Failure to furnish correct Net worth certificate to Stock Exchange within 60 days for half year ending September 30th and half year ending March 31st (unaudited).	Delay in Submission a) Charges of Rs. 200/- per day for 1st month after the due date b) Charges of Rs. 500/- per day for 2nd month after due date till date of submission or disablement 2 weeks' notice shall be given to the Member after the 2 nd month from the due date, subsequent to which the Member shall be disabled in all segments by the Exchange. The disablement notice issued to the Member shall be shared with all the Exchanges for information.
3.	Change in shareholding pattern of member entity - Where shareholding of its existing DPG constituents goes below 51 %	Rs. 2,00,000 fixed fee per instance.
4.	Reconstitution of the member entity - Where the change results in reduction of the shareholding of existing DPG constituents below 51 %	Rs. 2,00,000 fixed fee per instance.
5.	Transfer of membership to subsidiary/holding/sister/associate company or concern belonging to the existing DPG Constituents - Where the transfer of membership will not in results in dilution of DPG holding below 51 %	Rs. 25000 fee per instance.
6.	Transfer of membership to a subsidiary/holding/sister/associate company or concern belonging to one or more of the existing DPG Constituents - Where the transfer of membership results in dilution of DPG holding below 51 %	Rs. 2,00,000 fixed fee per instance.
7.	Transfer of membership to another entity (other than a subsidiary /	Rs. 3,00,000 fixed fee per instance

	holding / sister / associate company or concern belonging to one or more of the existing DPG constituents)	
8.	Change in membership category (to TCM/ STCM)	Nil
9.	In case of non-submission of specified documents for change in shareholding and /or DPG with regard to changes carried out without prior approval, within 30 days from the date of Exchange letter.	Rs. 5,000

b) List of Penalties:

Sl. No.	Particulars	Penalty (In Rs.)
1.	Any change in the shareholding pattern / profit sharing ratio of the member without the approval of the NCDEX/NCCL (No Impact on existing DPG percentage)	5,000
2.	Any change in the shareholding pattern / profit sharing ratio without the prior approval of the NCDEX/NCCL involving dilution not below the minimum prescribed shareholding of the dominant promoter group (Increase in DPG%) or (Decrease in DPG % but not below 51%)	10,000
3.	Change in the shareholding pattern without the approval of the NCDEX/NCCL which has resulted in the dilution of the shareholding / profit sharing ratio of the dominant group below 51% (DPG goes below 51%)	100,000 And For multiple instances – Rs. 150000
4.	Change in shareholding/transmission of share due to death of shareholder	Nil
5.	Any change in designated directors/partners without seeking prior written approval of the NCDEX/NCCL	Rs. 5000/- per instance
6.	Change in name , without obtaining prior approval of NCDEX/NCCL	Rs. 5000/-