

Circular No.: NSDL/POLICY/2023/0122

September 11, 2023

Subject: Guidance note on submission of Net worth Certificate and Audited Financial Statements

Attention of Participants is invited to Circular No. NSDL/POLICY/2023/0069 dated June 16, 2023 regarding submission of networth certificate and/or audited financial statements by DPs registered in all Categories

In the aforesaid circular, it was informed that Participant registered under the category of Financial Services Company, Clearing Corporation/ Clearing House, Custodian, Registrar and Transfer Agent, Stock Brokers, NBFC etc. shall submit net worth computed in the manner specified in NSDL Business Rules. Further, Participants registered under category of Bank and Foreign Bank may submit the net worth certificate in the same format in which they submit to their respective Regulatory Authority.

In this regard, for Participants, who are submitting net worth certificate in the NSDL specified format, a guidance note with respect to heads to be considered from Balance sheet/Profit & Loss/Schedule while preparing the networth certificate basis audited financial statements is enclosed as **Annexure A**.

Further, Participants are also requested to ensure that submissions mentioned above shall be made through **e-Pass system only**.

For further information / assistance, Participants are requested to contact Ms. Nimita Shah (022) 24994227; Ms. Mansi Chheda Tel: (022) 24994560 and/or Mr. Devesh Daga (Deveshd@nsdl.com) Tel: (033) 35448949 or send an email on NSDL-BP-INSPECTION@nsdl.com.

Participants are requested to take note of the above and ensure compliance.

**For and on behalf of
National Securities Depository Limited**

**Arockiaraj
Manager**

Enclosed: One



FORTHCOMING COMPLIANCE

Particulars	Deadline	Manner of sending	Reference
Investor Grievance Report (Monthly)	By 10 th of the following month	Through e-PASS	Para 20 of NSDL Master Circular for Participants on Grievance Redressal chapter
Networth Certificate and Audited Financial Statements (yearly)	September 30 th	Through e-PASS	Para 27 of NSDL Master Circular for Participants on Internal Controls/Reporting to NSDL / SEBI chapter and Circular No. NSDL/POLICY/2023/0069 dated June 16, 2023

Annexure A

Sr. No.	Particulars	Heads to consider from Balance sheet/Profit & Loss/Schedule
1	Paid-up Capital + Free Reserves – Share Application Money (total reserves less Revaluation Reserves and Specified Reserves)	Paid-up Capital: <ul style="list-style-type: none"> • Paid-up equity share capital • Paid-up preference share capital • Application money (pending allotment), if allotment is completed subsequently and a letter from CA & Form 2 duly filed with ROC are provided. • Fully, compulsorily & mandatorily convertible debentures/bonds/warrants which are convertible within a period of 10 years from the date of issue. Free Reserves: <ul style="list-style-type: none"> • Share Premium • Reserves to be treated as Free (Annexure 1) • Reserves to be treated as Specified Reserve (Annexure 2)
2	Accumulated Losses	• Accumulated Losses
3	Receivables (more than 6 months old)	<ul style="list-style-type: none"> • Receivables (more than 6 months old) as per schedule in Balance sheet. • Receivables shall be deducted net of accumulated provision for doubtful debts made on such receivables. • In the case of Bank DPs who have provided an NPA certificate, there is no need to deduct the said receivables.
4	Receivables from Group Companies	<ul style="list-style-type: none"> • Group Companies Receivables under the head current asset and non current assets both to be considered for deduction. • Long term and short term receivables needs to be deducted. • Group Company shall include all the related parties as disclosed as related parties as per relevant accounting standard.
5	Intangible Assets	<ul style="list-style-type: none"> • Deferred tax asset. • Goodwill. • Intangibles under development e.g., software or e-platforms under development.

6	Preliminary and preoperative expenses not written off	•Preliminary and preoperative expenses not written off
7	Value of Stock Exchange Card	•Value of any Stock Exchange card should be deducted from Paid up capital & Reserves. In case of NSE membership, the broker pays a membership fee to NSE, which is refundable. Hence, there is no deduction whatsoever for NSE membership.
8	Excess of Loan over value of Pledged Securities/Assets	•Amount of Pledged/ Hypothecated securities/assets to be deducted only if the credit facility availed is more than the value of Pledged/ Hypothecated securities /assets and not the entire amount of Pledged /Hypothecated securities/assets.
9	Investment in Group Companies	<ul style="list-style-type: none"> •Investment in equity shares or preference shares of the group company should be deducted from Paid up capital & Reserves. However, investment in units of mutual fund of group companies should not be deducted. Both short-term and long-term investment in group companies needs to be deducted. •Group company shall include all the related parties that have been disclosed as such in accordance with the relevant accounting standard. •Share application/allotment money which pertains to the group companies is to be deducted.
10	Loans and advances to Group Companies	•Other than trade receivables including loans, advances, deposits, receivables against asset etc.
11	Statutory Contingent liability	•50% of Liability pertaining to GST, income tax, other statutory dues etc. that is under dispute.

Annexure 1- Reserves to be treated as Free

Types of Reserves	Remarks
General Reserve	Not earmarked for specific purpose, dividend can be distributed out of General Reserve
Capital Redemption Reserve	Bonus can be distributed out of CRR

Statutory Reserve	Not earmarked for specific purpose, Banks, FIs or NBFCs required to create because of statutory requirements.
Dividend Equalisation Reserve	It can be utilised to distribute the dividend if particular year's profit is inadequate to maintain the required rate of dividend.
Share Premium	Bonus can be distributed after converting share premium into CRR.
Surplus in profit and loss account	Considered as Free reserve

Annexure 2- Reserves to be treated as Specified Reserve

Type of Reserves	Remarks
Capital Reserve	The treatment for the same should be done on case to case basis.
Revaluation Reserve	Created out of revaluation of fixed assets.
Building Fund	Earmarked for specific purpose.
Contingency Reserve	The treatment for the same should be done on case to case basis.
Depreciation Reserve	Earmarked for specific purpose
Development Fund	Earmarked for specific purpose
Bad Debts Reserve	Earmarked for specific purpose
Charity Fund	Earmarked for specific purpose
Staff Welfare Fund	Earmarked for specific purpose
Social Welfare Fund	Earmarked for specific purpose
Silver Jubilee Fund	Earmarked for specific purpose
Foreign Currency Position Reserve	Earmarked for specific purpose
Investment Fluctuation Reserve	Earmarked for specific purpose
Debenture redemption Reserve	Earmarked for specific purpose
Foreign Currency translation reserve	Not a free reserve