



**CIRCULAR**

SEBI/HO/CDMRD/DRMP/CIR/P/2018/52

21 March, 2018

To,

The Managing Directors / Chief Executive Officers  
National Commodity Derivatives Exchanges

Sir / Madam,

**Sub: Risk Management norms for commodity derivatives**

**Minimum Liquid Net-worth and Base Minimum Capital**

1. SEBI has issued various circulars from time to time prescribing risk management norms for commodity derivatives exchanges. Post the transfer of clearing and settlement functions from commodity derivatives exchanges to Clearing Corporations, Clearing Corporations shall be required to comply with all such norms. However, norms related to minimum Liquid Net-worth and Base Minimum Capital requirements applicable for clearing members in commodity derivatives are different from that applicable for clearing members in equity derivatives and currency derivatives.
2. It has been decided to align norms related to BMC and liquid net-worth for members of clearing corporations in commodity derivatives with those applicable for clearing members in equity and currency derivatives. Thus, members of Clearing Corporations in commodity derivatives segment shall maintain a minimum Liquid Net-worth of at least INR 50 Lakhs at all points of time and shall not have any Base Minimum Capital requirement.

(Clearing member's liquid assets after adjusting for applicable margins shall be referred to as 'Liquid Net-worth' of the clearing member. Initial margins, ELM, additional margins or any other margins as may be specified by SEBI from time to time shall be deducted from the liquid assets of a clearing member to arrive at 'Liquid Net-worth' of member).

**Acceptance of Fixed Deposit Receipts (FDRs) as collateral**

3. SEBI has issued circular CIR/MRD/DRMNP/65/2016 dated July 15, 2016 on "Acceptance of Fixed Deposit Receipts (FDRs) by Clearing Corporations" to Recognised Clearing Corporations. Commodity Derivatives Exchanges shall



also comply with the provisions of that circular within three months from the date of this circular. Thus, Trading/Clearing members of commodity derivatives exchanges, who have deposited their own FDRs or FDRs of associate banks, shall replace such collateral with other eligible collateral as per extant norms, within a period of three months from the date of issuance of this circular.

**Margin provisions for intra-day crystallised losses**

4. SEBI has issued circular CIR/MRD/DRMNP/008/2018 dated January 08, 2018 on “Margin provisions for intra-day crystallised losses” to Recognised Clearing Corporations. Commodity Derivatives Exchanges shall also comply with the provisions of that circular within three months from the date of this circular.
5. The exchanges are advised to bring the provisions of this circular to the notice of their members and also to disseminate the same on their website.
6. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
7. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in).

Yours faithfully,

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