



CIRCULAR

SEBI/HO/CDMRD/DMP/P/CIR/2021/551

April 16, 2021

**The Managing Directors / Chief Executive Officers,  
All Recognized Stock Exchanges and Clearing Corporations having  
commodity derivatives segment**

Dear Sir / Madam,

**Sub: Guidelines for warehousing norms for agricultural/agri-processed goods and non-agricultural goods (only base/industrial metals) underlying a commodity derivatives contract having the feature of physical delivery**

1. Warehousing or Storage infrastructure and its ancillary services play a critical role in the delivery mechanism of the Commodity Derivatives Market. A robust and credible warehousing infrastructure is sine qua non for an effective Commodity Derivatives Market that can inspire confidence amongst the market participants and other stakeholders. With this objective, Regulation 43A of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 ("SECC Regulations") provides, inter-alia, that every recognized Clearing Corporation (*hereinafter referred to as "CCs"*) providing clearing and settlement services for commodity derivatives shall ensure guarantee for settlement of trades including good delivery. To fulfil this obligation, it is imperative on the part of the Clearing Corporations to ensure that their accredited storage facilities exercise due diligence for safety and quality of the goods deposited with them for the purpose of delivery on exchange platform.
2. It is, therefore, incumbent upon the Clearing Corporations to put in place a comprehensive framework of norms for adherence by the Warehouse Service Providers (*hereinafter referred to as "WSP/s"*), assayers and other allied service providers engaged by them for ensuring good delivery as mandated under the SECC Regulations.
3. At the outset, it is clarified that the norms prescribed in this Circular are the minimum requirements/standards which the Clearing Corporation will set out for compliance by its accredited WSPs and assayers and are to be complied with in conjunction with the applicable norms laid down by Warehousing



Development and Regulatory Authority (WDRA) or any other government authority overseeing the warehousing or storage infrastructure and its ancillary services for the respective goods.

4. The Clearing Corporations are at liberty to prescribe additional norms/guidelines for compliance by their accredited WSPs, warehouses and assayers, if they deem so fit, for ensuring good delivery of commodities by them. However, it must be ensured by the Clearing Corporations that such additional norms specified are not in contravention with the provisions of this Circular.
5. The Clearing Corporations shall put in place necessary arrangements for ensuring compliance with the provisions of Regulation 43A of SECC Regulations. Further, the Clearing Corporations shall have necessary arrangements to ensure that in the event of bankruptcy or insolvency of the WSP or other such contingency, there must be no restrictions placed upon owners/depositors of the commodity desiring to take possession of their individually identified commodity and remove it from the accredited Warehouse(s).
6. On the basis of various observations, inputs/feedback received during visits to different warehouses, meetings held with the WSPs, stock exchanges, Clearing Corporations and other stakeholders, it has been decided that in supersession of the earlier norms issued vide SEBI Circular no. [SEBI/HO/CDMRD/DMP/CIR/P/2016/103](#) dated September 27, 2016, SEBI Circular no. [SEBI/HO/CDMRD/DMP/CIR/P/2018/136](#) dated October 16, 2018 and SEBI Circular no. [SEBI/HO/CDMRD/DNPMP/CIR/P/2019/29](#) dated February 11, 2019 the Clearing Corporations shall frame guidelines in accordance with the revised norms as specified in the **Annexure**.
7. With this Circular, there will be uniformity in requirements for agricultural and agri-processed commodities and base/industrial metals, ease of doing business, rationalised regulatory compliance costs etc.
8. The norms laid down in this Circular shall come into effect from **June 01, 2021**.
9. The stock exchanges and Clearing Corporations are advised to:
  - 9.1. bring the provisions of this Circular to the notice of the members of the Exchange/Clearing Corporations and also to disseminate the same on their website.
  - 9.2. communicate the status of the implementation of the provisions of this Circular in the Monthly Development Reports to SEBI.



**भारतीय प्रतिभूति और विनियम बोर्ड**  
**Securities and Exchange Board of India**

- 9.3. to make necessary amendments to the relevant bye-laws, rules and regulations.
10. 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.
11. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the category “Circulars” and “Info for Commodity Derivatives”.

Yours faithfully,

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## Annexure

### 1. Accreditation of Warehouse Service Provider (WSP)

1.1. For accreditation of WSPs, the Clearing Corporation shall publish open advertisements in leading newspapers and/or put up the same on their website and follow transparent selection process thereafter. The selection process to be followed for such accreditation shall be displayed on the website of the Clearing Corporation before the process begins. The Clearing Corporation shall ensure that the applications of the WSPs are processed within a stipulated time frame.

*Note: For the purpose of this Circular, a WSP is an entity which provides a storage facility for storing underlying goods related to a commodity derivatives contract.*

1.2. The Clearing Corporation shall ensure that the WSP had obtained the required registrations of the proposed storage facility from WDRA for commodities notified by WDRA and for other commodities under applicable law/s and the same shall be intimated by it to the Clearing Corporation prior to providing the storage services to the Clearing Corporation.

*For the purpose of this Circular, Storage Facility, depending on the nature of the commodity, may include warehouses, silos, cold storages, sheds, tanks, pipelines, marine vessels, open storage areas, or other forms of storage as appropriate to a physically deliverable good for settlement of commodity derivatives contracts traded on recognised stock exchanges.*

1.3. The accreditation of the WSPs shall be done with the approval of the relevant Committee of the Board of the Clearing Corporation in terms of the SECC Regulations, 2018.

1.4. A WSP can be accredited with more than one Clearing Corporation. In such case, the Clearing Corporation shall not mandate that its WSP cannot provide services to other Clearing Corporations.

1.5. A storage facility of a WSP may be utilized by more than one Clearing Corporation with proper segregation, demarcation and putting in place appropriate risk management procedures. However, the same storage facility shall not be utilized by more than one Clearing Corporation for the same commodity



1.6. The accreditation of a WSP shall remain valid until:

- 1.6.1. it is surrendered by the WSP and accepted by the Clearing Corporation; or
- 1.6.2. cancelled by the Clearing Corporation.

## **2. Eligibility and Experience of WSP / Promoters / Promoter Group of WSP**

- 2.1. A WSP shall be a body corporate which is in warehousing business.
- 2.2. The Promoters / Promoter Groups of the WSP should be responsible persons / entities of repute with a good business reputation and credibility.
- 2.3. The Promoters / Promoter Groups of the WSP should be in the business of public warehousing for at least 3 years as on the date of their application and have knowledge of, and experience in, generally accepted warehousing and handling practices for commodities for which they propose to provide their services.
- 2.4. However, the Clearing Corporation in its discretion, may relax the norm of 3 years stated in Para 2.3 above, provided that the WSP or its promoter/promoter group:
  - 2.4.1. Meets all other criteria
  - 2.4.2. Submit an undertaking that they shall comply with any additional norm that may be specified by the Clearing Corporations within the time frame as may be specified by the Clearing Corporations or meet 3 years' criterion whichever is earlier.
- 2.5. WSP / Promoters / Promoter Group of WSP shall have no record of serious violation of law of land including that of laws governing warehousing / securities markets; or being expelled by any Clearing Corporation/stock exchange in last three years. The Clearing Corporation can take an appropriate undertaking from the WSP in this regard.

## **3. Financial Soundness of the WSP**

### **3.1. Share Capital**

- 3.1.1. The Clearing Corporation shall ensure that an accredited WSP shall have subscribed and paid-up share capital of at least ₹ 10 crores.



### 3.2. Net-worth

3.2.1. An accredited WSP shall meet the following net-worth criteria: -

**Table 1: Net worth Requirement**

	Type of Goods	Number of Goods	Minimum net worth
A	Agricultural / Agri-processed	1	₹ 10 crores
		More than 1	₹ 25 crores
B	Base / Industrial Metals	1	₹ 10 crores
		More than 1	₹ 25 crores
C	Composite*	NA	₹ 50 crores
	*Composite means combination of A and B		

3.2.2. In case of reduction in net worth of WSPs below the stipulated requirement, a time period of six months may be allowed to the WSPs to augment the net worth. In the event the WSP is unable to augment the net worth to the requisite level within the allowed time frame, the Clearing Corporations shall ensure that WSP does not carry out any new business related to commodity derivatives market. The Clearing Corporation shall take suitable measures, which are disclosed on its website for public information, with respect to the existing goods handled by such WSP.

3.2.3. The value of the goods stored in the accredited storage facilities of WSP shall not, at any point of time, exceed 33 times the net worth of the WSP, irrespective of the number of Clearing Corporations being served by the WSP. The Clearing Corporations shall obtain suitable information from the WSPs in this regard.

3.2.4. The net worth of the WSP shall be calculated in the following manner.

*"the aggregate value of paid up equity share capital plus free reserves (excluding statutory funds, benefit funds and reserves created out of revaluation) reduced by the investments in businesses, whether related or unrelated, aggregate value of accumulated losses and deferred expenditure not written off, including miscellaneous expenses not written off."*



3.2.5. The Clearing Corporation shall ensure that the WSPs submit the following documents to them:

- 3.2.5.1. the unaudited quarterly financial statements for all the quarters of a financial year, within 45 calendar days.
- 3.2.5.2. unaudited net worth certificate duly certified by the statutory auditor of the WSP, on half yearly basis i.e. at the end of every March and September, within 45 calendar days.
- 3.2.5.3. the audited Annual Financial Statements along with audited net worth certificate to the Clearing Corporation within six months of the end of Financial Year.

### 3.3. Security Deposit (SD)

3.3.1. The Clearing Corporation shall ensure that the accredited WSP has furnished a refundable security deposit wherein:

- 3.3.1.1. Such security deposit shall be a minimum amount of ₹50 lakhs.
- 3.3.1.2. Such security deposit shall be in the form of Cash / Bank Fixed Deposits / Bank Guarantee.

3.3.2. Security deposit shall not be released until six months after cancellation or surrender of the accreditation of the WSP or until after satisfaction of every claim against the deposit, whichever is later.

### 3.4. Financial Security Deposits (FSD)

3.4.1. The WSP shall furnish refundable FSD for all goods on incremental basis in addition to the security deposit as under: -

**Table 2: FSD Requirement**

Type of Goods	Value of Goods stored	Minimum FSD
Agricultural/Agri-processed	Up to ₹ 250 crores	2% of the aggregate value of stored commodities
	Between ₹ 250 crores and ₹ 500 crores	₹5 crores + 3% of aggregate value of stored commodities exceeding ₹250 crores
	Above ₹ 500 crores	₹12.5 crores + 4% of the aggregate value of stored commodities exceeding ₹500 crores
Base / Industrial Metals	NA	0.5% of the aggregate value of stored commodities

3.4.2. The Clearing Corporation, based on its risk assessment, can decide on restricting the amount of FSD to ₹ 100 Crores from each WSP.

3.4.3. The FSD shall be in the form of liquid assets with applicable haircuts and concentration limits as listed below: -

**Table 3: Composition of FSD**

Type	Minimum haircut	Limits
Cash	0	No limit but minimum 10%
Bank Fixed Deposit	0	
Bank Guarantees	0	
Securities of the Central Government	10%	Remaining 90% FSD can be in any combination of the four types of options provided for furnishing the FSD

3.4.4. A daily monitoring of the FSD vis-à-vis the value of the goods stored shall be done marked to market on replacement value on ongoing basis to ensure that the minimum stipulated FSD are always maintained with the Clearing Corporation. Based on the risk assessment, the Clearing Corporation may seek additional FSD over and above the requirement stipulated in Para 3.4.1, if necessary.

3.4.5. In circumstances where there is shortfall in the minimum required FSD due to sudden deposit of commodities in large quantity towards the end of the day, the Clearing Corporations can allow the WSPs to replenish the FSD within three trading days.

### 3.5. Exposure norms for SD/FSD

3.5.1. The Clearing Corporations shall lay down exposure limits (for Bank Fixed Deposit and Bank Guarantees) either in rupee terms or as percentage of the total assets to be received (with respect to SD/FSD) that can be exposed to a single bank directly or indirectly.

3.5.2. Further, CCs shall ensure that no SD/FSD shall be accepted from a Bank which has a net worth of less than INR 1000 crores and/or is not rated P1 (or P1+) or equivalent, by a recognized credit rating agency or by a reputed foreign credit rating agency.

### 3.6. Coordination between Clearing Corporation and WDRA in respect of SD / FSD maintained by the WSPs

3.6.1. The Clearing Corporations shall immediately after accreditation of WSP/s, provide the details of WDRA registered warehouses with full details of warehouseman registration, warehouse registration, WSP, address, etc. to WDRA. WDRA will in turn, share the details of security deposit received from these accredited warehouses / WSPs to the respective Clearing Corporations as per the following formats. Clearing Corporations shall inform the changes, if any, with respect to accreditation status of these warehouses, to enable WDRA to provide the required information as above. WDRA shall also inform Clearing Corporations of any changes, if any, in the security deposit placed by such warehouses/WSPs with WDRA.

**Table 5: Details of Bank Guarantee**

<i>Sr. No.</i>	<i>Name of WSP</i>	<i>BG Number</i>	<i>Bank Name</i>	<i>Branch Name</i>	<i>Date of Issuance (DD/MM/Y YYY)</i>	<i>Maturity Date (DD/MM/Y YYY)</i>	<i>Claim Date (DD/MM /YYYY)</i>	<i>Amount</i>

**Table 6: Details of Fixed Deposit Receipt**

<i>Sr. No.</i>	<i>Name of WSP</i>	<i>FDR Number</i>	<i>Bank Name</i>	<i>Branch Name</i>	<i>Date of Issuance (DD/MM/Y YYY)</i>	<i>Maturity Date (DD/MM/Y YYY)</i>	<i>Amount</i>

3.6.2. Clearing Corporations shall continue to compute FSD requirement as stipulated in Para 3.4 above. The deposits placed by WSPs with WDRA for Exchange/Clearing Corporation specific outstanding eNWRs shall be considered by the Clearing Corporation in the calculation of available FSD for the WSP.

3.6.3. The Clearing Corporation shall compensate the aggrieved client, in accordance with its rules, regulations etc., by debiting the FSD of WSP held with it, in the following situations:

3.6.3.1. for any such losses that have been appropriately established against the WSP



- 3.6.3.2. in case of loss arising from any action or inaction of its WSP or on the part of its warehouses that prevents the buyer or seller from exercising, in whole or in part, their rights.
- 3.6.4. In case the FSD available with Clearing Corporation is not sufficient to compensate for the loss the FSD and the SD maintained by such WSP with WDRA shall be made available to Clearing Corporation within 7 days of the release request from Clearing Corporation to WDRA, for settlement of the remaining claims.
- 3.6.5. The settlement of security deposit by WDRA originates only after the goods stored, if any, are disposed of / withdrawn by the holder.
- 3.6.6. The discrepancy noted / claim received by any agency (Clearing Corporation or WDRA) shall be brought to the notice of other agency irrespective of invoking the security deposit.

#### **4. Fit and Proper Criteria**

4.1. The Clearing Corporations shall ensure that:

- 4.1.1. the WSP, assayers, Promoters of WSP / assayers, Key Management Personnel (KMPs) of WSPs / assayers responsible for business operation relating to the exchanges / Clearing Corporations shall always be 'fit and proper' to carry out business of warehousing.
- 4.1.2. such persons have adequate knowledge of, and experience in generally accepted warehousing and handling practices for the goods concerned, and are competent and willing to operate such a warehouse for which the WSP has a valid license/expertise under the appropriate state warehousing laws in respect of the warehouses concerned.

#### **5. Corporate Governance norms for WSP**

##### **5.1. Management and Employees**

- 5.1.1. The Clearing Corporations shall ensure that the accredited WSP has a professional management team to oversee its functioning and operations.
- 5.1.2. The Clearing Corporation shall ensure that the Key Management Personnel (KMPs) of WSP taking care of business operations and warehousing in general have adequate knowledge of, and



experience in generally accepted warehousing and handling practices for goods for which they are accredited. The Clearing Corporation shall also ensure that the KMP of WSP are competent and willing to operate such a storage facility and do not have any conflict of interest in discharge of their functions.

5.1.3. The stock exchanges shall ensure that the following entities, are not allowed, either directly or indirectly, to trade in the commodity derivatives segment of the concerned stock exchange in the commodity for which it is accredited by the Clearing Corporation:

5.1.3.1. WSP

5.1.3.2. Management of WSP (defined as 'key managerial personnel' including whole time directors of WSP and their 'relatives' as per Companies Act, 2013)

5.1.3.3. entities owned or controlled by promoters/management of WSP/Group concerns/associates directly or indirectly or persons 'acting in concert'

5.1.4. However, based on risk assessment, the stock exchanges may provide exemptions to requirement stated in Para 5.1.3 above in the following manner:

5.1.4.1. entities stated in Para 5.1.3 above shall not trade in that specific commodity/commodities at that particular stock exchange where concerned WSP is accredited, in their proprietary account.

5.1.4.2. entities which are associated with an accredited WSP, either directly or indirectly, and are providing broking services will be permitted to trade in that commodity on that stock exchange only for their clients (i.e. non-proprietary) subject to stock exchange ensuring that the particular entity does not extend direct/indirect funding to its clients for trading in those commodities.

5.1.5. If the stock exchange is providing exemptions as mentioned in Para 5.1.4 above, then it should put in place appropriate controls so that the WSPs do not exercise preferential treatment to such entities which may act as disadvantage to other market participants.

5.1.6. The Clearing Corporation may obtain, and share with Stock Exchanges, an annual declaration from the compliance officer of WSP to the effect that the WSP/Management of WSP or entities owned or controlled by management of WSP/Group concerns directly



or indirectly or persons 'acting in concert' have not traded on exchange. Such declaration may be obtained within a month of end of the financial year.

5.1.7. The Clearing Corporation shall ensure that the WSP always has adequate number of competent employees who have the experience, capacity and ability of operating the business without any conflict of interest.

5.1.8. The Clearing Corporation shall ensure that the WSP and its KMPs, shall not disseminate any information that is false or misleading or disclose any confidential information obtained during the course of their dealings with the Clearing Corporation or their positions on the market or any information received during the course of performance of their duties.

5.1.9. The Clearing Corporation shall ensure that the staff / employees of the WSP who are managing the day-to-day affairs of the warehouses, deployed both in the office of the WSP and in its warehouses, are duly trained on their expected tasks through relevant training programmes or are deputed to attend the certification programme conducted by National Institute of Securities market (NISM).

## 5.2. Compliance officer

5.2.1. The Clearing Corporation shall ensure that its WSP appoints a compliance officer who would be responsible for monitoring the compliance with relevant Act, byelaws, rules and regulations, notifications, guidelines and instructions issued by relevant authorities from time to time.

5.2.2. The compliance officer would be responsible for ensuring that all applicable norms are followed by the WSP and should issue a declaration to that effect to the Clearing Corporations, at regular intervals as directed by the Clearing Corporation.

## 6. Know Your Depositor

6.1. The Clearing Corporation shall ensure that the WSP complies with Know Your Depositor (KYD) Policy as prescribed by the Clearing Corporation from time to time.



6.2. The Clearing Corporation shall ensure that they and the WSP shall, at any point of time, be able to identify the depositor of the goods deposited in registered warehouses, and the actual beneficiary (in case the depositor and the beneficiary are different) of the deposited/stored commodities.

## 7. PAN requirement

7.1. The Clearing Corporation shall ensure that the WSPs are under obligation to provide to it the details including PAN numbers of its Promoters, Promoter group entities, its holding/subsidiaries/associates and other related entities, persons 'acting in concert', Key Management Personnel, at the time of accreditation and update the same on periodical basis as mandated by the Clearing Corporations and whenever any change is noted by WSP, in this regard.

## 8. Facilities & Infrastructure Requirement for WSP

### 8.1. General requirements applicable to all goods

8.1.1. The Clearing Corporation shall ensure that the storage facilities provided by the WSP are under absolute control of the WSP. In case a storage facility is a leased property it should be ensured by Clearing Corporation that no third party including the owner / lessor of the storage facility, has any role to play in the operations and managing the concerned storage facilities operated by the WSP.

8.1.2. The Clearing Corporation shall ensure that the accredited WSPs have reasonable facility and infrastructure for proper handling and storage of commodity as specified under:

8.1.2.1. All its storage facilities are well connected with rail and/or road networks and have sufficient space for parking and movement of loading/unloading vehicles.

8.1.2.2. All its storage facilities have adequate equipment, installed and maintained in good working order, as may be prescribed by the Clearing Corporation, for the movement of commodities into, out of and within the storage facility.

8.1.2.3. All its storage facilities are physically and operationally suitable for the proper storage of commodities and are of sound construction and in a state of good repair.

8.1.2.4. All its storage facilities provide for a safe work environment;

8.1.2.5. All storage facilities shall have adequate security personnel with required facilities to immediately communicate to Clearing Corporation regarding any unlawful entry, burglary, theft or damage or potential loss to the goods deposited with it.



- 8.1.2.6. All its storage facilities have adequate lighting arrangement as may be prescribed by the Clearing Corporation.
  - 8.1.2.7. All its storage facilities have adequate firefighting equipment installed within its premises, have fire escapes and fire hydrant points (in case of goods which are inflammable) clearly marked. Further, the employees of the WSP shall undergo training in fire safety and use of firefighting equipment.
  - 8.1.2.8. All its storage facilities have required ventilation, installed and maintained in good working order, as may be prescribed by the Clearing Corporation, for the proper storage and preservation of quality of goods;
  - 8.1.2.9. Each storage facility has adequate infrastructure for storing the deliverable commodities of commodity derivative contracts which needs to be piled properly in a separate storage area as specified by the Clearing Corporation thereby providing clear-cut demarcation between Exchange / non- Exchange commodities;
  - 8.1.2.10. All its storage facilities are free from materials and substances that may adversely affect the quality of stored commodities;
  - 8.1.2.11. All its storage facilities to have adequate security as prescribed by the Clearing Corporation for protection of stored or handled commodities to prevent from tampering or adulteration;
  - 8.1.2.12. All its storage facilities to assign a separate place to store the samples used for inspection / testing for further examination / testing.
  - 8.1.2.13. Shall uniformly follow the SOP developed by the Clearing Corporations with respect to the maintenance, preservation and retrieval of data/records/books of accounts.
- 8.1.3. Clearing Corporations shall ensure that the WSP have adequate infrastructure and shall take utmost care in storing commodities in accordance with the climatic conditions and the nature of commodity stored.
- 8.1.4. Clearing Corporations shall ensure that the WSP has put in place necessary infrastructure for accurate and efficient weighing, sampling, inspection and grading of the commodities deposited in its storage facility and WSP has deployed personnel who have knowledge and experience in sampling, weighing, inspecting and/or grading of commodities.



- 8.1.5. Clearing Corporations shall ensure that the WSPs always gives priority to commodities meant for derivatives contracts delivery while receiving, storing and dispatching goods, in case its warehouse is also permitted to store goods not meant for delivery on exchange platform. The Clearing Corporation shall ensure that WSP should have internal process that enables it to physically verify, by deputing its officials or through any agencies / experts engaged by it, the goods deposited, the facilities available in such warehouse, or to inspect the level of compliance of the warehousing norms stipulated by the Clearing Corporation/regulator from time to time.
- 8.1.6. The Clearing Corporation to ensure that WSP shall be responsible to accept the goods/commodities in warehouses which meets the quantity and quality parameters as per the exchange contract specifications. The WSP shall take necessary steps to maintain the quality and quantity of goods stored in the warehouse, in accordance with the conditions/parameters (for maintaining the quality) as laid down by the exchanges for each of such commodity.
- 8.1.7. Further, the Clearing Corporation shall ensure that it has put in place appropriate procedure and controls in place so that there is minimal queuing of deposits/withdrawal at a storage facility.
- 8.1.8. Clearing Corporations shall ensure that its WSPs have in place, necessary policies, control and system in place for dealing with the risk that may be arising due to the warehouses being used for purposes other than commodity derivatives market.

## 8.2. Requirements applicable for Agricultural & agri-processed commodities

- 8.2.1. The Clearing Corporation shall ensure that each storage facility of accredited WSP meant for storing the Agricultural and agri-processed commodities shall meet the following conditions in addition to requirements stated in Para 8.1 above:
- 8.2.1.1. The walls, the floor and the roof do not permit water seepage and there is no source of any insect infestation.
- 8.2.1.2. has a fully fenced perimeter/boundary.
- 8.2.1.3. are free from materials and substances that may adversely affect the quality of stored commodities;
- 8.2.1.4. has its own or has access to fumigation facilities/agencies for pest control activities.



8.2.1.5. has assaying/testing facilities for the commodities it intends to render warehousing facility for, or shall undertake to be associated with an assaying/testing agency which may preferably be certified by one or more national/international agencies like NABL (National Accreditation Board for Calibration and Testing Laboratories), BIS etc., as specified by the Clearing Corporation.

8.2.2. WSPs shall take utmost care on daily basis for keeping surroundings for their respective warehouses under vegetation control and for disposal of waste which can otherwise create a favorable habitat for rodents and other pests. WSP should regularly inspect and verify whether rodent control structures in the warehouse are sound and whether there are any pools of water around the facility, which can increase the danger of water seepage into it, and take appropriate remedial steps.

### 8.3. Requirements applicable for Base Metals/Industrial Metals

8.3.1. The Clearing Corporation shall ensure that each storage facility of accredited WSP meant for storing Base Metals/Industrial Metals shall meet the following conditions in addition to requirements stated in Para 8.1 above:

8.3.1.1. The storage facilities must have a fully fenced perimeter/boundary. Loading and unloading shall always take place within the perimeter/boundary of the warehouse and not in a public area.

8.3.1.2. All its storage facilities are of sound construction and in a state of good repair and floor properly levelled and can bear the load of the weight of the stored metals. The walls, the floor and the roof do not permit water seepage.

8.3.2. The Clearing Corporation shall ensure that the ferrous metals are stored by WSP in a manner so as to prevent distortion, corrosion, scaling and rusting. They shall be stacked/piled adequately above the ground level.

8.3.3. The Clearing Corporation shall ensure that the WSP undertakes to have assaying/testing facilities for the commodities it intends to offer warehousing facility, or shall undertake to be associated with an assaying/testing agency which may preferably be certified by one or



more national/ international agencies as specified by the Clearing Corporation.

## 9. Standard Operating Procedure (SOP) and Standards

### 9.1. ISO or other Relevant Standards

9.1.1. In case the Clearing Corporation prescribes relevant ISO standards and/or its equivalent, then the Clearing Corporation shall ensure that the WSPs comply with relevant ISO standards and/or its equivalent within the timelines prescribed by it.

### 9.2. SOPs

9.2.1. The Clearing Corporation shall ensure that the WSP has a Standard Operating Procedure (SOP) which is process-dependent and not person-dependent. The Clearing Corporation shall examine the SOPs in respect of all the concerned storage facilities before granting accreditation to such storage facilities.

9.2.2. The SOP of a storage facility may cover the following but not restricted to:

- 9.2.2.1. Procedures for acceptance of goods to be deposited
- 9.2.2.2. Weigh bridge empanelment
- 9.2.2.3. Procedures for weighing, sampling of goods to be deposited as per industry standards, Procedure for verification of commodity and communication to depositors,
- 9.2.2.4. Procedure for depositing and identifying the Exchange related goods,
- 9.2.2.5. Procedure for maintaining the quality of the goods stored as per the exchange contract specification,
- 9.2.2.6. Procedure for Know your depositor requirements,
- 9.2.2.7. Security policy for ensuring the safety of the goods from theft, burglary etc.,
- 9.2.2.8. Procedure and guidelines for scientific storage of goods, including stacking etc.,
- 9.2.2.9. Procedure for losses caused due to theft, fire, burglary, fraud, negligence and force majeure events,
- 9.2.2.10. Procedure for internal verification of stock,
- 9.2.2.11. Preservations of Stock – maintenance of godown hygiene, maintenance of warehouse structure, aeration, periodical examination of goods, classification of presence of insects, pre-monsoon precautions etc.
- 9.2.2.12. Selection of Location for offering warehousing services
- 9.2.2.13. Grievance redressal procedures



9.2.2.14. Role and responsibilities of employees (including outsourced employees)

9.2.2.15. Model warehouse agreement format

9.2.2.16. Maintenance of surroundings, infrastructure etc.

9.2.3. The Clearing Corporation shall ensure that the WSP has good internal systems and controls which should meet the operating guidelines, if any, issued by the Clearing Corporation from time to time. The WSP shall have clear delegation of powers to meet operational requirement.

9.2.4. The Clearing Corporation shall ensure that WSP intimates / notifies in writing to the Clearing Corporation, if there is any material change in it SOP, prior to making such change.

9.2.5. The Clearing Corporation shall ensure that WSP reports to the Clearing Corporation within three days of initiation of any civil and criminal proceedings by or against it and shall also intimate the Clearing Corporation if there is probability of any such legal proceedings being initiated involving it, as soon as the same comes to the knowledge of the WSP.

## 10. Sampling Procedure

10.1. The Clearing Corporations shall ensure that, wherever assaying is carried out by WSPs, adequate samples of goods are collected/retained from the goods deposited and are sealed in the presence of the depositor or his authorized representative.

10.2. In order to resolve potential disputes arising with respect to the quality of goods, if any, it is advised that at least four samples are taken of which one sample is used for analysis, one is kept with the WSP for comparison purpose, one is given to the depositors while one is kept for record/lab reference purpose.

## 11. Accreditation of assayers

11.1. The Clearing Corporations shall follow a transparent process for accreditation of assayers by issue of open advertisement in leading newspapers and/or by putting up the same on the website of the Clearing Corporation. The process to be followed for such accreditation shall be displayed on the website of the Clearing Corporation before the beginning



of the selection process. The accreditation shall be done with the approval of the relevant Committee of the Board of Directors of the Clearing Corporation in terms of the SECC Regulations, 2018.

11.2. The Clearing Corporation shall conduct independent pre-empanelment due diligence of Assayers by visiting the laboratories and assessing the testing and certification facilities. The Clearing Corporation shall give preference to the government assayers or to those Assayers who are having testing and certification facilities at various locations across India. In addition to the empanelment of assayers for deployment by the WSPs at their warehouses, the Clearing Corporation shall also identify and empanel separate independent assayer(s) where the market participants can get their goods/commodities assayed independently, at the time of depositing into or withdrawing such commodities/goods from a warehouse. However, if the original empanelled assayers engaged by WSP at a delivery centre happen to be Government assayer, then the need for empaneling an additional independent assayer may be dispensed with.

11.3. The Clearing Corporation shall ensure that the empaneled assayers work independently, and their operations are governed by Standard Operating Procedures (SOPs) prescribed by the Clearing Corporation. The assayers shall be preferably certified by one or more national/international agencies like NABL (National Accreditation Board for calibration and testing Laboratories), BIS etc., and shall have the facilities as laid down by the Clearing Corporation from time to time.

## **12. Warehouses at delivery centres**

12.1. The Clearing Corporation shall have at least one storage facility at each of the delivery centers (as specified in the contract specification) at the time of launch of contract itself and address of such storage facility shall be disclosed along with the contract specifications by the Clearing Corporation on their website / by issuance of relevant Circular to market participants.

12.2. The Clearing Corporation may accredit warehouses of a WSP within 100 kms radius of the delivery centers depending on the feasibility and market requirements in respect of all commodities.



### 13. Insurance

13.1. The Clearing Corporation shall ensure that its WSPs, whether presently registered with the WDRA or not, comply with the insurance guidelines/norms issued by the WDRA.

### 14. Embracing new technology

14.1. The Clearing Corporations shall strive to adopt the latest technology for routine and surprise inspections/audits, monitoring and surveillance of the warehouses etc.

14.2. The Clearing Corporation shall ensure that to the extent possible the WSP to be accredited by them has adopted or shall adopt the latest technology with respect to the operations of the warehousing business. The Clearing Corporation may identify the areas where use of latest technology can be mandated by it and provide a timeframe to its WSPs for adoption of the same.

### 15. Monitoring / Inspection / Audit

#### 15.1. Periodic inspection/audit by WSPs

15.1.1. The Clearing Corporation shall ensure that there is periodic inspection/audit by the WSP of the storage facilities and the goods stored therein.

15.1.2. The Clearing Corporation shall ensure that the staff of the WSP conducting inspection is independent of the employees / staff deputed at the registered storage facility.

15.1.3. The Clearing Corporation shall ensure that the inspection/audit report is submitted to the Clearing Corporation within 15 days of the completion of such inspection/audit.

#### 15.2. Periodic inspection / audit of warehouses by the Clearing Corporations

15.2.1. The Clearing Corporation shall ensure that independent audit of the goods and other facilities in the storage facilities is carried out by engaging expert agencies, at regular intervals.



- 15.2.2. Such inspections shall be carried out in each accredited storage facility, at least twice in a calendar year, with a gap of not more than six months between two inspections/audits of same storage facility. However, in case there are NIL stocks in an accredited storage facility during preceding six months, the Clearing Corporations would be exempted from requirement of inspection by independent agency.
- 15.2.3. Additionally, the audit may also be conducted on risk profiling, as identified by the Clearing Corporations. For this purpose, the Clearing Corporation shall form a panel of independent expert agencies and the cost of such audit shall be borne by the respective Clearing Corporations.
- 15.2.4. The panel of such independent expert agencies for carrying out inspection of warehouses, shall also be reviewed by the Clearing Corporations from time to time.
- 15.2.5. The Clearing Corporation shall have a policy of rotation of such independent expert agencies for carrying out inspection after every 3 years with a provision for 'cooling off' period of 1 year.
- 15.2.6. In addition, the Clearing Corporations shall also conduct in-house physical audit of accredited storage facilities at regular intervals.
- 15.2.7. The audit report conducted by independent expert agencies shall be displayed on the website of the Clearing Corporation within 15 days after the submission of report by the auditor.
- 15.2.8. The Clearing Corporations shall carry out surprise inspections of storage facilities as and when such exigencies arise.
- 15.2.9. The Clearing Corporations shall have a detailed manual for carrying out the audits and inspections of the WSP/ storage facilities concerned.
- 15.3. **Monitoring of goods stored at accredited storage facilities by the Clearing Corporations**
- 15.3.1. The Clearing Corporation shall be responsible for monitoring the storage facilities of their accredited WSPs.



15.3.2. Norms relating to the monitoring of storage facilities shall be placed in public domain by the Clearing Corporation.

15.3.3. A deliberation on the continuous functioning, monitoring and compliance of norms by WSPs, storage facilities and assayers may be one of the agenda items in all Board meetings as well as other relevant committee of Board of the Clearing Corporation in terms of the SECC Regulations, 2018.

15.3.4. The Clearing Corporations and WSPs shall ensure that the goods whose final expiry date (FED) is over, are removed from the concerned warehouse immediately, but not later than 3 months from the date of the final expiry date. However, it is clarified that WSP shall ensure proper demarcation of goods which have crossed FED and where follow ups have been done may be considered compliance of guidelines by WSPs. If there is space constraint, the Clearing Corporations shall identify new warehouse nearby for deposit of goods.

*Note: For the purpose of this Circular, FED is the date after which the goods cannot be delivered for settlement of derivatives contracts on the exchange platform.*

15.3.5. To further strengthen the process of monitoring, the Clearing Corporations shall mandate their WSPs to submit the report of the inspections carried out by the statutory authorities like WDRA to the Clearing Corporations within 2 weeks from the receipt of report by WSPs of such inspection along with their comments.

#### 15.4. **Physical inspections of goods by beneficiary owner of goods**

15.4.1. The Clearing Corporations shall ensure that the beneficiary owner of the goods is allowed by the concerned WSPs to physically inspect their goods as and when requested by the holders.

15.4.2. The request for such physical inspection shall be submitted to the Clearing Corporations and the Clearing Corporations after verification and satisfaction of need for such request, shall forward the same to the concerned WSP for allowing such inspection to be completed within a stipulated timeframe.



15.4.3. Upon receipt of such advice from the Clearing Corporations, the WSP shall allow the holder/its authorized representatives holding eNWRs or any other electronic receipts/credit balances to do physical inspection of their goods.

#### 15.5. Physical reconciliation of goods

15.5.1. The Clearing Corporation shall put in place adequate procedures to ensure that the physical counting of goods and their reconciliation with the corresponding electronic records is done on fortnightly basis by its WSPs.

15.5.2. The Clearing Corporation shall submit report to SEBI of details of discrepancy observed during the physical reconciliation of goods along with reasons and action taken thereof, on a quarterly basis. Only in extreme cases, in the judgement of the Clearing Corporation, SEBI may be informed of the discrepancy observed on immediate basis.

#### 15.6. Review of WSPs / warehouses

15.6.1. The Clearing Corporation shall review and appraise operational performance of each WSP every year. Based on the operational review the Clearing Corporation may adjust the allocation of commodities and the limit of deliveries at various storage facilities of the concerned WSP in accordance with the results of such performance evaluation and appraisal.

15.6.2. Additionally, the Clearing Corporation may carry out quarterly performance review of all warehouses accredited by it, taking into account various performance parameters such as storage facilities, the capacity and appearance of the warehouse, business capabilities, business performance, accounting, the satisfaction level of members/clients, redressal of client grievances, and other factors as the Clearing Corporation may deem necessary for its review.

15.6.3. The Clearing Corporation may take necessary action against WSPs as mentioned in Para 21 of the Circular, if the storage facility is unable to meet the requirements of an accredited storage facility and fails to improve the standard within the stipulated timeframe.



## 16. Code of conduct

16.1. The Clearing Corporation shall frame code of conduct for the WSPs, storage facilities and assayers which shall be disclosed on the website of the Clearing Corporation.

## 17. Grievance Cell

17.1. The Clearing Corporation shall ensure that it has a Grievance Cell to handle the investor complaints.

17.2. The Clearing Corporation shall take proactive steps to resolve client/customer related issues and maintain a record of complaints received and resolved.

17.3. The Clearing Corporation shall require the WSP to report the details of complaints received, resolved by it, pending and action taken on the complaints, once in very fortnight.

## 18. Monthly Information System (MIS)

18.1. It is desirable that there should be electronic record of information at the WSP and a MIS system with an arrangement for flow of real time information from the storage facility location to the central MIS and onwards to the Clearing Corporations electronically. The MIS should have the capability to capture and disseminate information regarding goods being held either storage facility -wise or location-wise, and the availability of space in the storage facilities.

18.2. The Clearing Corporation shall display on its website, the list of accredited warehouses for the deposit of goods for delivery on the exchange platform along with the policy for deposit of such goods. The market participants willing to deposit goods in accredited warehouses shall submit a request to the WSP in accordance with the policy put in place by the Clearing Corporation for deposit of goods. The WSP shall intimate the depositing participant about the logistic details such as the time, place and storage facility where the goods can be deposited by them. The WSP shall accept the goods for deposits for all such confirmed deposit requests in accordance with the policy put in place by the Clearing Corporation for deposit of goods.



#### 19. Surrender/Cancellation of accreditation

- 19.1. The WSP may apply for surrender of its accreditation by submitting the Application for Surrender to the concerned Clearing Corporation for evaluation and approval.
- 19.2. The Clearing Corporation may cancel the accreditation of a WSP if it fails to comply with the provisions of the rules/regulations specified by it and intimate the same to the market participants through Circular. Further, the Clearing Corporations shall put in place a cancellation policy for WSP in public domain. However, the Clearing Corporation shall offer the WSP concerned an opportunity of being heard and take a decision on cancellation after considering the explanation of the WSP.
- 19.3. A WSP that surrenders its accreditation, or its accreditation is cancelled, shall attend to the following matters urgently:
- 19.3.1. All commodities for delivery towards settlement of derivatives contract shall be dispatched out of the warehouse;
- 19.3.2. All liabilities and debts vis-a-vis the Exchange/Clearing Corporation, Member and Clients shall be settled;
- 19.3.3. There is no obligation on its part to deliver goods to the clients pertaining to their trades on the exchange platform, and
- 19.3.4. No client/customer complaints pertaining to any of its registered warehouses are pending for redressal.
- 19.4. FSD shall be returned in accordance with the rules framed by the Clearing Corporations, keeping aside 10% of such deposits with the Clearing Corporations, which shall not be released until six months after cancellation or surrender of accreditation of the WSP or until satisfaction of all claims against the deposits made in its warehouses, whichever is later.
- 19.5. A WSP which surrenders its accreditation with the Clearing Corporations shall not be eligible to provide its services to the same Clearing Corporations for a period of 3 years.
- 19.6. Once the accreditation of a WSP is cancelled by a Clearing Corporation then it shall not be eligible to provide its services to any other Clearing Corporation for 3 years.
- 19.7. Adequate notice intimation to general public / clients should be given by the Clearing Corporation through widely published newspapers and website etc. before accepting the surrender of WSP or cancellation of the WSP.



## 20. Business Continuity Plan

20.1. The Clearing Corporations shall ensure that the WSP shall put in place, a business continuity plan and submits such plan to the Clearing Corporation.

## 21. Actions against WSPs

21.1. The Clearing Corporation may frame norms for its accredited WSPs to rectify or correct their misconduct or misconduct on the part of any of its approved warehouses used for storing goods for delivery on exchange platform. The Clearing Corporation may also direct the WSPs to indemnify an entity aggrieved by the delivery process of its warehouse or, in serious cases of misconduct/malfeasance, revoke the accreditation of the concerned warehouse or/and hold the WSP accountable for any legal liabilities, if the concerned erring WSP/ warehouse engages in any of the following offences:

- 21.1.1. refuses to accept delivery without any bonafide reasons or, issues a falsified certificate of delivery;
- 21.1.2. violates any of the Clearing Corporation's rules or limits the movement of a deliverable commodity into or out of the warehouse;
- 21.1.3. discloses any confidential business information relating to a buyer or seller of a commodity derivative contract;
- 21.1.4. provide inaccurate or incomplete information to Clearing Corporation, conceal the truth of the facts;
- 21.1.5. engages in the commodity derivatives trading activities; or
- 21.1.6. any other offence not listed above.

However, the above actions may be initiated only after taking due approval from the relevant committee of Board of the Clearing Corporation in terms of the SECC Regulations, 2018.

21.2. The accredited WSP shall be liable for any losses resulting from any action or inaction on its part or on the part of its warehouses that prevents the buyer or seller from exercising, in whole or in part, their rights. The Clearing Corporation shall compensate the aggrieved client for any such losses that have been appropriately established by debiting the FSD of WSP held with the CC, in accordance with its applicable rules, and WSP shall within 7 days replenish the FSD as required.



## 22. Policy for depositors for rejection of goods

22.1. The Clearing Corporations shall frame a policy for rejection of goods deposited by the depositors.

## 23. Disclosures by Clearing Corporations

### 23.1. Daily disclosure on the following:

23.1.1. Details about the storage facility including available and utilized capacity, type of commodity allowed to be stored, location of storage facility etc.

23.1.2. Details about storage facility-wise and / or commodity wise details of opening stock, goods deposited and held in transit (inbound and outbound), rejected stock, closing stock, encumbered/pledged stock and stock eligible for delivery on Clearing Corporation, name of the warehouse service provider, particulars of acceptance/rejection of goods by the storage facility concerned, details of empaneled assayers and independent assayers, if any, attached to the storage facility etc., on their websites.

23.1.3. FED wise stock position in approved warehouses.

23.1.4. Quantum of goods physically withdrawn by the holders.

23.1.5. Commodity wise %age of deposits held by top 3, 5 & 10 beneficiary owners for commodity as under:

**Table 7: Commodity wise percentage of overall deposits held in various warehouses**

	<b>Commodity A</b>	<b>Commodity B</b>	<b>Commodity C</b>	<b>Commodity D and so on</b>
Top 3				
Top 5				
Top 10				
Others				



23.2. **Monthly disclosures on the following:**

23.2.1. A summary of number of complaints with status as per the following format:

**Table 8: Summary of WSP wise status of complaints**

<i>WSP wise status of complaints for Month ended</i>			
<i>WSP Name</i>	<i>No. of complaints received during month</i>	<i>No. of complaints resolved during month</i>	<i>No. of complaints pending for month with reasons for pendency</i>

23.2.2. A summary of nature of complaints received as per the following format:

**Table 9: Summary on nature of complaints**

<i>Month ending</i>					
<i>Nature of Complaint</i>	<i>Name of WSP 1</i>	<i>Name of WSP 2</i>	<i>.....</i>	<i>Name of WSP n</i>	<i>Total</i>
<b>Total</b>					

23.2.3. Details of the number of applications received for accreditation of warehouses, Warehouses registered with WDRA during the month, registration pending with WDRA, warehouses pending with Inspecting Agencies, accreditation/registration of warehouses rejected by CC/WDRA with reason for the same, etc.

23.2.4. Details of storage fee and assaying charges.

23.2.5. Details of commodity wise goods deposited in WSP's Clearing Corporation accredited warehouse - by WSP, Management of WSP (defined as 'key managerial personnel' including whole time directors of WSP and their 'relatives' as per Companies Act, 2013), entities owned or controlled by promoters/management of WSP/Group concerns/associates directly or indirectly or persons 'acting in concert'.

The above discourse should be made available on the website of the Clearing Corporation latest by 7<sup>th</sup> of the Month.



**23.3. Other Periodical disclosures:**

- 23.3.1. Disclosure of the audit report of the WSP within 15 days after the submission of report by the auditor.
  - 23.3.2. Quarterly Disclosure on average value of various quality parameters of commodities stored
  - 23.3.3. Commodity wise and WSP wise quarterly disclosure on request of resampling and its results
  - 23.3.4. Warehouse wise Half yearly disclosure on indicative Load-in and Load-out Rate (Quantity in Metric Ton- MT)
- 23.4. The archives of above reports shall be available on the website of Clearing Corporation/stock exchange.