



**Consultative Paper on Warehousing Norms for Agricultural & Agri-Processed Commodities Traded on National Commodity Derivatives Exchanges**

1. Warehousing infrastructure and its ancillary services play a critical role in the delivery mechanism of the Commodity Derivatives Market. A robust & credible warehousing infrastructure is sine qua non for an effective Commodity Derivatives Market that can inspire confidence amongst the market participants and other stake holders. At the time of the merger of FMC with SEBI, with a view to ensuring good delivery of commodities during settlement of futures contracts, SEBI decided to assign the responsibility of settlement of the futures contract, including good delivery of the commodities, to the commodity derivatives exchanges.
2. It is incumbent upon the commodity derivatives exchanges to frame norms for warehouse service providers (WSP), warehouse, assayers and other allied service providers engaged by them so as to put in place a robust mechanism, for ensuring good delivery as mandated under the SECC Regulations. The existing norms for exchange accredited WSPs, warehouses and assayers have been reviewed. On the basis of various observations made/inputs received during visits to different warehouses, meetings held with the WSPs and national commodity derivatives exchange, SEBI is considering to revise the norms for the WSPs, warehouses, assayers etc. while superseding the earlier norms.
3. In order to take into consideration views of various stakeholders, public comments are solicited on the proposed norms as placed in **Annexure- A**.
4. Comments may please be sent to SEBI on or before June 17, 2016 by emailing to [cdmrd\\_dmp@sebi.gov.in](mailto:cdmrd_dmp@sebi.gov.in) or may be sent by post, to following address:-

Division of Market Policy,  
Commodity Derivatives Market Regulation Department,  
SEBI Bhavan, Plot C4-A, G- Block,  
BKC, Bandra East, Mumbai-400051



## Annexure- A

### A. Accreditation of WSP

- a) The exchanges shall follow a transparent process for accreditation of WSP by issuing open advertisements in leading newspapers and putting up on the exchange website and through a transparent selection process thereto. The selection process being/to be followed for such accreditation shall be displayed on the website of the Exchange. The accreditation of the WSP shall be done with the approval of the Risk Management Committee of the Board of Directors of the Exchange. The exchange shall ensure that the application of the WSP/warehouses are processed within a stipulated time frame.
- b) A WSP can be accredited with more than one exchange. In such case, no exchange shall mandate that its WSP cannot provide services to another exchange.
- c) The accreditation of a WSP shall, unless any expulsion proceedings pending against it, be subject to renewal after a period of **3 years** considering WSP's performance during accreditation, quality of services and number of client complaints and effective resolutions thereof etc. . The renewal shall be approved by the Risk Management Committee of the Exchange. During the renewal process, the Exchange and the WSP shall continue to be responsible for the commodity stored till the Final Expiry date.

### B. Eligibility and Experience of WSP/Promoters/Promoter Group of WSP

- a) A WSP shall be a corporate body and in public warehousing business.
- b) The Promoters/ Promoter Groups of the WSP should be responsible persons/entities of repute with a good business reputation and credibility, and who are in the business of public warehousing for at least 3 years and have knowledge of, and experience in, generally accepted warehousing and handling practices for Commodities.

The exchange in its discretion, may relax the above norm of 3 years provided that the WSP or its promoter/promoter group:

- Meets all other criteria
  - Submit an undertaking that they shall meet any additional norm specified by exchanges within the time frame as specified by it or 3 years whichever is earlier.
- c) WSP and Promoters/ Promoter Group of WSP shall have no record of serious violation of laws or being expelled by any Exchange in last three years. The Exchange can take an appropriate undertaking from the WSP in this regard.



**C. Financial Norms for the WSP**

- a) **Capital and Net worth:** A WSP shall be a corporate body with the minimum net worth requirement as under:
- An accredited WSP shall have at least, subscribed share capital of ₹10 crore.
  - An accredited WSP providing warehousing services to a single exchange shall have :
    - Minimum net worth of ₹50 crores for multi-commodities or multi location
    - Minimum net worth of ₹25 crores for single commodity or single location.
  - Further, the above net worth may also be linked with the values of goods stored. Thus, the higher the value of goods stored, the higher the net worth shall be required to be achieved by the accredited WSP.
  - For a WSP servicing multiple exchanges, the above net-worth requirements shall be increased by the number of exchanges serviced.
  - The "net worth" shall be computed as under:

Particulars	In ₹ crore (as on -----)
Net worth calculation as follows:	
Paid up capital	
Add: Reserve and surplus (excluding revaluation reserves)	
Less: Accumulated losses, if any	
Less: Miscellaneous expenditure	
Total Net worth	

- In case of reduction in net worth below the stipulated amount, a time period of six month to one year may be allowed to the WSP to augment its net worth. However, in the event the WSP is unable to augment the net worth to the requisite level within the allowed time frame, the WSP shall not carry out any new business i.e. can not include any new warehouse for new contracts/commodity/location.
- The WSP shall submit an audited net worth certificate to the exchange every six months i.e. at the end of every June and December, within 30 calendar days.
- The Financial Statements of the WSPs should be audited and submitted to the Exchange within six months of the end of Financial



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Year. Further, each WSP shall also be required to file within 45 days of the statement date, unaudited quarterly financial statements for all quarters.

ix. It is prudent that the WSPs appoints its Auditors by rotation after every 3 years with a provision for 'cooling off' period of three years for the auditor who conducts audit of the WSP consecutively for a period of 3 years.

b) **Security Deposit:** The WSP seeking accreditation with an exchange is required to furnish a refundable security deposit along with the application form.

- i. Such security deposit shall be minimum of ₹50 lakhs.
- ii. Security deposit shall not be released until six months after cancellation or revocation of the accreditation of the WSP or until after satisfaction of any claim against the deposit, whichever is later.
- iii. Such security deposit shall be in form of cash or cash equivalent like Bank Fixed Deposits, Bank Guarantees etc.

c) **Financial Security Deposits (FSD):**

- i. The WSP shall furnish FSD in addition to the security deposit as under:-
  - 3% on the aggregate value of stored commodities, which is less than or equal to ₹250 crores
  - 4% on the aggregate value of stored commodities, which is above ₹250 crores and equal to ₹500 crores and
  - 5% on the aggregate value of stored commodities, which is above - ₹500 crores of the goods stored in the warehouses of a WSP.
- ii. The FSD shall be in form of liquid assets with applicable haircuts and concentration limits are listed below

Item	Minimum haircut	Limits
Cash	0	No Limit but minimum 25%
Bank Fixed Deposit	0	The exchanges shall lay down exposure limits either in rupee terms or as percentage of the total Assets that can be exposed to a single bank directly or indirectly. The total exposure towards any bank would include Bank Fixed Deposit and Bank Guarantees issued by the bank which have been deposited by WSPs.
Bank Guarantees	0	
		Not more than 1% of such assets



Item	Minimum haircut	Limits
		deposited with the exchange, shall be exposed to any single bank which has a net worth of less than INR 500 crores and is not rated P1 (or P1+) or equivalent, by a recognized credit rating agency or by a reputed foreign credit rating agency, and not more than 10% of such deposit deposited with the exchanges shall be exposed to all such banks put together
Securities of the Central Government	10%	No Limit

- iii. A daily monitoring of the FSD vis-à-vis the value of the commodities stored needs to be done so as to ensure that the minimum stipulated FSD are always maintained with the Exchange. The exchange may ask for additional FSD over that stipulated above, if considered necessary.
- iv. The FSD vis-a-vis the value of goods stored should be marked to market on replacement value on ongoing basis.
- v. The exchanges may specify the liquidity ratio (i.e. Liquidity Ratio= Current Assets/Current Liabilities) for WSPs, however it is desirable that such ratio is greater than 1. The Exchanges may, however, keep higher ratio.

#### **D. Fit and Proper**

- a) The exchange shall ensure that the WSP, Promoters of WSP, assayers, Key Management Personnel (KMPs) of WSPs, warehouses and Assayers shall always be 'fit and proper' to carry out business of warehousing, have adequate knowledge of, and experience in generally accepted warehousing and handling practices for Commodities, 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.
- b) As every commodity derivatives exchange is required to ensure guarantee for settlement of trades including good delivery, the 'fit and proper' criteria referred to above shall have similar meaning as defined under Regulation 20 of SECC Regulations.

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

- a) **Management and Employees:** The exchange shall ensure that the accredited WSP has a professional management team to oversee its functioning and operations.



- The exchange shall ensure that the Key Management Personnel (KMPs) of WSP have adequate knowledge of, and experience in generally accepted warehousing and handling practices for Commodities, and are competent and willing to operate such a warehouse, and do not have any conflict of interest in discharge of their functions.
  - WSP/Management of WSP (defined as 'key managerial personnel' including whole time directors of WSP and their 'relatives' as per Companies Act, 2013) or entities owned or controlled by promoters/management of WSP/Group concerns/associates or persons 'acting in concert' shall not be allowed, either directly or indirectly, to trade on the commodity derivatives exchange in the commodity for which it is accredited by Exchange.
  - The Exchange shall obtain 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 or persons 'acting in concert' have not traded on exchange.
  - The exchange shall ensure that the WSP has adequate and competent employees at all times who have the experience, capacity and ability of operating the business without any no conflict of interest.
  - The exchange shall ensure that the staff/employees of the WSP including the assayers, who are managing the day-today affairs of the warehouses, deployed both in the office of the WSP and in the warehouses concerned, are duly trained on their expected tasks through the Exchange's delivery business related training programmes or are deputed to attend the certification programme on commodity derivatives and warehousing conducted by National Institute of Securities market (NISM).
- b) **Compliance officer:** The WSP shall appoint a compliance officer who shall be responsible for monitoring the compliance of relevant Act, rules and regulations, notifications, guidelines and instructions issued by relevant authorities from time to time. The Compliance officer of the WSP shall ensure that all points mentioned in (a) above under corporate governance norms are followed by the WSP and should issue a declaration to that effect to the Exchange.
- c) **Standard Operating Procedure(SOP):**The WSP shall have a standard operating procedure (SOP) and the exchange shall obtain a standard operating procedure in respect of all the concerned warehouses from the WSP before accreditation of warehouse, which may cover the following but not restricted to:
- Procedures for acceptance of goods to be deposited
  - Weigh bridge empanelment
  - Procedures for weighing, sampling of goods to be deposited as per industry standards, Procedure for verification of commodity and communication to depositors,



- Procedure for depositing and identifying the Exchange related goods,
  - Procedure for maintaining the quality of the goods stored as per the exchange contract specification,
  - Procedure for Know your depositor requirements,
  - Security policy for ensuring the safety of the goods from theft, burglary etc.,
  - Procedure and guidelines for scientific storage of goods, including stacking etc.,
  - Procedure for losses caused due to theft, fire, burglary, fraud, negligence and force majeure events,
  - Procedure for internal verification of stock,
  - 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.
  - Selection of Location for offering warehousing services
  - Grievance-redress procedures
  - Role and responsibilities of employees (including outsourced employees)
  - Model warehouse agreement format
  - Maintenance of surroundings, infrastructure etc.
- d) The WSP shall have good internal systems and controls which should meet the operating guidelines, if any, issued by the Exchange from time to time. The WSP shall have clear delegation of powers to meet operational requirement.
- e) Any change in the organizational structure of a WSP requires that the WSP shall intimate / notify the Exchange prior to such change. Prior to any such change occurring, the WSP is also required to notify the Exchange in writing of any name change.
- f) WSP shall report to the Exchange within three business days of initiation of any civil and criminal proceedings by or against it and shall also intimate the exchange 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.

**F. Know Your Depositor**

- a) The WSP should comply with Know Your Depositor (KYD) Policy as prescribed by the Exchange from time to time.
- b) The Exchange and WSP shall at any point of time be able to identify the depositor/ owner of the goods deposited/to be deposited in registered warehouses, the owner of the commodity (in case the depositor is an



agent of the actual owner), and also the beneficiary (in case the depositor and the beneficiary are different) of the deposited/stored commodities.

#### **G. PAN requirement**

- a) WSPs shall be under obligation to provide to exchanges with 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 well as whenever any change is noted by WSP.

#### **H. Facilities & Infrastructure Requirement for WSP**

The Exchanges shall ensure that the WSPs to be eligible for accreditation have reasonable facility and infrastructure for proper handling and storage of commodity like:-

- a) All its warehouses are well connected with rail and/or road networks and have sufficient space for parking and movement of large vehicle;
- b) Warehouses are physically and operationally suitable for the proper storage of Commodities and :
- are of sound construction and in a state of good repair. The walls, the floor and the roof do not permit water seepage and are source of insect infestation.
  - have adequate equipment, installed and maintained in good working order, as may be prescribed by the Exchange, for the movement of commodities into, out of and within the warehouse. Further, the employees employed at the warehouses shall undergo training in fire safety and use of fire fighting equipments
  - have adequate fire fighting equipment installed at each warehouse, have fire escapes and fire hydrant points clearly marked
  - have adequate ventilation, installed and maintained in good working order, as may be prescribed by the Exchange, for the proper storage and preservation of grain quality;
  - have adequate lighting arrangement as may be prescribed by the Exchange;
  - are free from materials and substances that may adversely affect the quality of stored commodities;
  - have a safe work environment; and
  - have ensured adequate security as prescribed by the Exchange for protection of stored or handled commodities to prevent from tampering or adulteration.
  - Commodities of futures contracts shall be stored and piled properly in a separate storage area as specified by the Exchange thereby provide clear-cut demarcation between Exchange / non- Exchange commodities





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- WSP shall take utmost care in storing commodities for futures contract in accordance with the climatic conditions and the nature of commodity stored.
  - WSP shall have adequate security personnel for every registered warehouse with required facilities to immediately communicate any unlawful entry, burglary, theft or damage or potential loss to the deposited goods to the WSP.
  - Each warehouse of an accredited WSP shall assign a special place to store the samples used for inspection and testing for purpose of further examination and testing.
  - WSPs shall take utmost care on daily basis for keeping surroundings under control for vegetation control and disposal of waste which can create a favourable habitat for rodents and other pests; whether rodent control structures are sound; and for pools of water around the facility, which can increase the danger of water seepage into it.
- c) WSP shall give priority to commodities for futures contract delivery while receiving, storing and dispatching goods. It should have internal process that allow the Exchange to physically verify itself or through any agencies / experts, the goods deposited and / or warehouse facilities in general or for compliance of the warehousing norms stipulated by the exchange/regulator for the specific commodities.
- d) The WSP should undertake to have assaying/testing facilities for the commodities it intends to render warehousing facility, or should 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.
- e) The WSP shall provide for accurate and efficient weighing, sampling, inspection and grading of the Commodities in store, and the Exchange shall ensure that the WSP should have personnel who have knowledge and experience in sampling, weighing, inspecting and/or grading of Commodities ;
- f) The WSP shall have own or access to fumigation facilities/agencies for pest control activities.
- g) Exchanges shall ensure that the WSPs have in place, necessary policies, control and system in place for of risk that may be arising due to the warehouses being used for purpose other than commodity derivatives market.
- h) The exchange and 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 actions 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.

- i) The WSP shall display on a daily basis warehouse wise/commodity wise details of the space available, goods held and in transit, details of location of the warehouse, details of rejection of accepting the goods etc, on its website and the archives of such reports shall be available on its website.
- j) The WSP shall not disseminate any information that is false or misleading or disclose any confidential information obtained as a result of their position or the performance of their duties.

#### **I. Accreditation of assayers**

- a) The exchanges shall follow a transparent process for accreditation of assayers by issue of open advertisement in leading newspapers and putting up on the exchange website. The process being followed for such accreditation shall be displayed on the website of the Exchange. The accreditation shall be done with the approval of the Risk Management Committee of the Board of Directors of the Exchange.
- b) The Exchange shall conduct independent pre-empanelment due diligence of Assayers by visiting the laboratories and assessing the testing and certification facilities. The exchanges shall give preference to those Assayers who are having testing and certification facilities at various locations across India shall. In addition to the empanelment of assayers to be deployed by the WSPs at their warehouses, the exchange shall also identify and empanel separate independent assayer(s) at each delivery location where the market participants can independently get their goods/commodities assayed, at the time of depositing into or withdrawing such commodities/goods from a warehouse.
- c) The exchanges shall ensure that the empanelled assayers work independently and their operations are governed by Standard Operating Procedures (SOPs). 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 have
  - State-of-the-art infrastructure
  - Best-in-class modernized testing equipment
  - Quick turnaround time with highly reliable results

#### **J. Warehouses at delivery centres**



- a) The exchanges shall ensure that all the warehouses of a WSP accredited by them are registered with the statutory authority viz., Warehousing Development Regulatory Authority (WDRA). The exchanges shall take necessary steps to ensure that such warehouses which are not registered with the WDRA are registered by WDRA within 6 months from the date of such accreditation, failing which the accreditation given to the WSP in respect of such warehouses shall expire.
- b) The exchanges shall have at least one warehouse at each of the delivery centres (as specified in the contract specification) at the time of launch of contract itself and address of such warehouses shall be mentioned in the contract specifications.
- c) The exchanges may accredit warehouses of a WSP within 100 kms radius of the delivery centres depending on the feasibility and requirements, in respect of all commodities.

**K. Owned warehouses**

- a) Exchange shall ensure that the WSP accredited by it have its own warehouses.
- b) if the WSP is using third party warehouses, then number of such warehouses used by WSP may not exceed more than 50%.

**L. Insurance**

- a) The WSP shall at all times ensure to fully cover the value of goods stored at exchange approved warehouses under insurance for all perils relevant to the commodities for which insurance cover is available and necessary.
- b) The WSP shall undertake to take insurance cover for risks such as viz. Fire and allied perils including flood, cyclone, earthquake and spontaneous combustion, Burglary and Theft and special perils covering riots, strikes and terrorism.
- c) The WSP shall take Fidelity guarantee & crime insurance and Professional indemnity cover to cover all deliverable stocks on the exchange.
- d) The value of goods to be insured should be marked to market on replacement value on ongoing basis.

**M. Inspection/Audit of warehouses by WSPs and Exchanges**

- a) **Periodic inspection/audit by WSPs:** The WSP should ensure that there is periodic inspection/audit of the warehouse or the commodities stored in the warehouses.



- Inspection staff must be independent of the employees / staff deputed at the registered warehouse.
  - The inspection/audit report is submitted to the Exchange within a week of the completion of such inspection/audit.
  - The Exchange shall ensure that the physical counting of stocks and their reconciliation with the corresponding electronic records is done periodically.
- b) The WSP shall allow the members /clients holding electronic credit balances to do physical inspection of their goods. However, the request for such physical inspection would have to be submitted to the Exchange and the Exchange after verification of such request, shall forward the same to the concerned WSP for allowing such inspection.
- c) **Periodic inspection/audit of warehouses by the exchange:** The Exchange shall ensure independent audit of the stock in the warehouses by expert agencies at regular intervals.
- Such inspections shall be carried out at least twice in each accredited warehouse in a calendar year with a gap of not more than six months between two inspections/audits of same warehouse.
  - In addition to the above, the audit may also be conducted on risk profiling, as identified by the Exchange. For this purpose, the Exchange shall form a panel of independent expert agencies and the cost of such audit shall be borne by the respective Exchange.
  - The result of such audit/audit report shall be displayed by the Exchange on its website immediately after the completion of the audit and submission of report by the auditor.
  - The exchanges shall prepare a panel of such independent expert agencies for carrying out inspection of warehouses, which shall also be reviewed by the Exchange from time to time. In addition, the Exchanges shall also conduct in-house physical audit of accredited warehouses at regular intervals.
  - The exchange 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 three years.
  - The exchange shall have a detailed inspection manual for carrying out the audits and inspections of the WSP/warehouses concerned.
- d) **Monitoring of warehouses by exchange:** The exchanges shall be responsible for the monitoring the warehouses of their accredited WSPs. In this regard :
- Norms relating to the monitoring of warehouses shall be in public domain.
  - A detailed report on the functioning, monitoring and compliance of norms by WSPs, warehouse and assayers shall be a mandatory



agenda item in all Board meetings as well as the Risk management committee meeting.

- The Exchange and WSPs shall ensure that the goods whose final expiry date is over, are removed from the concerned warehouse immediately. The exchanges shall ensure that if such goods/commodities (whose final expiry is over) are not removed from the warehouses, then such holdings by the investor/participant may be treated as part of the position limits for the near months/spot months of that investor/participant.

#### **N. Review**

- a) The Exchange shall review and appraise operational performance of each WSP every year. Based on the operational review the Exchange may adjust the allocation of commodities and the limit of deliveries at various warehouses of the concerned WSP in accordance with the results of evaluation and appraisal.
- b) Additionally, the Exchange may carry out biennial and quarterly performance review of all warehouses accredited by it, taking into account various performance areas 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 Exchange may deem necessary for its review.
- c) The exchange may take necessary action against the WSP/warehouse mentioned in **para V** against the WSP/warehouse if the warehouse is unable to meet the requirements for a accredited Warehouse and fails to improve to the standard.
- d) The exchange shall submit a report on the functioning of its accredited WSPs, their warehouses and assayers on quarterly basis to SEBI.

#### **O. Code of conduct**

- a) The exchange shall frame necessary code of conduct for the WSPs, warehouses and assayers.
- b) The said code of conduct shall be displayed on the exchange website.

#### **P. Investor Grievance Cell**

- a) The exchange shall ensure that the WSP has a Investor Grievance Cell to handle consumer complaints.
- b) WSP shall take proactive steps to resolve customer related issues and maintain a record of complaints received / resolved.



- c) The exchange shall require the WSP to report the details of complaints received / resolved by it and pending, fortnightly.

**Q. Agreement between Exchange and WSP**

- a) There should be agreement between Exchange and WSP, specifying in detail, the responsibilities and duties of exchange and WSP.

**R. MIS System**

- a) WSP should have a Standard Operating Procedure (SOP) which is process-dependent and not person-dependent. 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 warehouse location to the central MIS and onwards to Exchange electronically. The MIS should have the capability to capture and disseminate information regarding stocks being held warehouse wise/location wise, and the availability of space in the warehouses.
- b) The exchange shall display on a daily basis warehouse wise details of the space available, stock of goods held, name of the warehouse service provider, details of location of the warehouse, details of acceptance/rejection of goods by the warehouse concerned, details of assayers attached to the warehouse etc, on its website and The archives of such reports shall be available on the exchange website.
- c) The participants willing to deposit goods in Exchange accredited Warehouses would submit a request to the Exchange. The Exchange shall use a transparent and time-bound process to identify the warehouse where the participants can deposit the goods. After such identification, the Exchange shall intimate the participants about the time, place and the warehouse where they can deposit the goods. The Exchange shall then issue directions to the concerned warehouse for accepting deposits from the concerned participants. The WSP shall accept the goods for deposits only at the instruction of Exchange concerned.

**S. Surrender/Cancellation of accreditation**

- a) Any WSP that applies for surrender of its accreditation shall submit the Application for Surrender to the Exchange for evaluation and approval.
- b) The exchange may cancel the accreditations 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 exchange shall put in place a cancellation policy for WSP in public domain. However, the exchange shall offer the WSP concerned an opportunity of being heard and take a decision on cancellation after considering the explanation of the WSP.



- c) A WSP that surrenders its accreditation or its accreditation is cancelled, shall attend to the following matters urgently:
- All commodities for futures contract delivery shall be dispatched out of the warehouse or converted to spot commodities;
  - All liabilities and debts with the Exchange, Member and Clients shall be settled;
  - No obligation to deliver goods to the clients pertaining to their trades on the exchange platform, and
  - No customer complaints are pending
- d) SD and FSD shall be returned in accordance with the Exchange's rules, keeping aside 10% of such deposits with the exchange, which shall not be released until six months after cancellation or surrender of accreditation of the WSP or until after satisfaction of any claim against the deposit, whichever is later.
- e) WSP which surrenders its accreditation with the exchange shall not be eligible to provide its services to the exchange for a period of 3 years.
- f) Once the accreditation of a WSP is cancelled by an exchange then it shall not be eligible to provide its services to any of the exchanges for 3 years.
- g) Adequate notice intimation to general public / clients should be given through widely published newspapers and website etc. before accepting the surrender of WSP or expulsion of the WSP.

#### **T. Insolvency or bankruptcy of WSP**

- a) 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 wishing to take possession of their individually identified commodity and remove it from the accredited Warehouse(s) (provided rent and handling charges are paid).

#### **U. Business Continuity Plan**

- a) A WSP shall put in place, a business continuity plan and submit such plan to the exchanges. Existing WSPs are required to submit such plans within 3 months.

#### **V. Actions that can be taken by exchanges**

- a) The Exchange may direct its accredited WSP to correct its misconducts or indemnify a party aggrieved by the delivery process, or, in serious cases of malfeasance, revoke the warehouse's accreditation of physical delivery or hold it accountable for any legal liabilities, if the warehouse engages in any of the following conduct:
- refuses to accept delivery, issues a falsified certificate/delivery;
  - violates any Exchange's rules or limits the movement of a deliverable commodity into or out of the warehouse;



- discloses any confidential business information relating to a buyer or seller or a futures contract;
- provide inaccurate or incomplete information, conceal the truth of the facts;
- engages in the futures trading activities; or
- engages in any other behaviour in breach of the Exchange's rules.

However the above actions may be initiated only after taking due approval from the Risk management Committee.

- b) The accredited warehouse shall be liable for any losses resulting from any action or inaction on its part that prevents the buyer or seller from exercising, in whole or in part, their rights. The Exchange shall first make up for any such losses that have been appropriately established, in accordance with its applicable rules, and subsequently recover from the WSP/accredited warehouse.

#### **W. Cold Storages**

- a) If any commodity which generally require storage in the cold storages then the exchanges shall ensure that such commodities are stored in cold storages only.

#### **X. Status report**

- a) The Exchanges shall upload a status report on their websites by 5<sup>th</sup> of every month giving the 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, warehouses rejected by Exchange/WDRA with reason for the same, etc.
- b) The archives of such reports shall be available on the exchange website.