



भारतीय प्रतिभूती और विनिमय बोर्ड  
Securities and Exchange Board of India

**CIRCULAR**

SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92

September 23, 2016

To,  
The Managing Directors / Chief Executive Officers  
All Commodity Derivatives Exchanges

Dear Sir / Madam,

**Sub: Regulatory Framework for Commodity Derivatives Brokers**

1. As per Section 131(B) of Finance Act, 2015 all rules, directions, guidelines, instructions, circulars, or any like instruments, made by the erstwhile Forward Markets Commission (FMC) or the Central Government applicable to recognized associations under the Forward Contracts (Regulation) Act, 1952 shall continue to remain in force for a period of one year from the date on which the FCRA is repealed (September 29, 2015), or till such time as notified by SEBI, whichever is earlier, as if the FCRA had not been repealed.
2. Erstwhile FMC issued various circulars/letters/ directions to exchanges dealing in commodity derivatives for compliance by their members from time to time. Consequent to merger of FMC with SEBI, it is important that regulatory provisions for brokers across equity and commodity derivatives markets be harmonized. Accordingly, regulatory provisions have been divided into three parts as described below.
  - i. Part A contains details of FMC circulars which shall stand repealed and relevant SEBI circulars which shall be applicable.
  - ii. Part B contains details of FMC circulars contents/norms of which shall continue as they are specific to commodity derivative markets.
  - iii. Part C contains details of FMC circulars which shall stand repealed.
3. **Part A:** Following FMC circulars shall stand repealed and relevant SEBI circulars shall be applicable to all commodity derivatives exchanges including regional commodity derivative exchanges for compliance by their members.

SrNo	Subject	FMC Circular being repealed	SEBI circulars being made applicable
i.	Segregation of Client and Own Funds and Securities	No circular issued by FMC	a) SMD/SED/CIR/93/23321 dated Nov 18, 1993 b) MRD/DoP/SE/Cir- 11/2008 dated Apr 17, 2008
ii.	Running Account Settlement	a) FMC/4/2012/C/14 No. 1/2/2012/IR-I/Client-Protect/ dated Feb 02, 2012 b) FMC/4/2013/C/59 No.	a) Clause 12 of Annexure A to MIRSD/ SE /Cir-19/2009 dated Dec 3, 2009 b) MIRSD /Cir/ 01/ 2011 dated

SrNo	Subject	FMC Circular being repealed	SEBI circulars being made applicable
		1/2/2012/IR-I/Client-Protect dated May 20, 2013 c) No. 1/2/2012/IR-I/Client-Protect dated Jun 25, 2013 d) FMC/4/2014/C/121 FMC/2014/04/23-Quarterly Settlement dated Oct 17, 2014	May 13, 2011
iii.	Requirements with respect to Financial Documents, PAN, Inactive Clients etc.	a) No.IRD/Div/(1)FMCR/1/2005 dated Feb 14, 2006 b) Div. III/I/(53)/06/PAN No. dated Nov 28, 2006 c) 9/3/2008-MKT-II dated Jan 12, 2009 d) No. 18/1/2007/MKT-III dated Feb 11, 2008 e) No. 9/1/2009-MKT-I dated Dec 07, 2009 f) No. 9/12009-MKT-I dated Aug 10, 2010	a) Clauses 1 to 11 and Clauses 14 to 19 of Annexure A to MIRSD/ SE /Cir-19/2009 dated Dec 03, 2009 b) CIR/MIRSD/01 /2013 dated Jan 04, 2013 c) CIR/MIRSD/64/2016 dated Jul 12, 2016 For new client accounts.
iv.	In-Person Verification	Part C of FMC/4/2015/C/0015No. FMC/COMPL/IV/KRA-05/11/14 dated Mar 13, 2015	a) Para 3 of MIRSD/Cir- 26 /2011 Dec 23, 2011 b) Point 4 of Part 'Instructions/Check List' of Annexure 3 of Circular CIR/MIRSD/16/2011 dated Aug 22, 2011
v.	KRA	FMC/4/2015/C/0015 No. FMC/COMPL/IV/KRA-05/11/14 dated Mar 13, 2015	a) MIRSD/Cir-23/2011 dated Dec 2, 2011 b) Para 1 of MIRSD/Cir- 26 /2011 dated Dec 23, 2011
vi.	Anti-Money Laundering and Maintenance of Records	a) No.7/1/2008- MKT-II dated Oct 30, 2009 b) No.7/1/2008-MKT-II dated Jan 25, 2010 c) No. 7/1/2008-MKT-II dated Aug 25, 2010 d) FMC/4/2013/C/163 ; Div. III / I/ 89 / 07 dated Dec 18, 2013 e) No. 7/1/2013-MKT-1(A) dated Feb 04, 2015	a) CIR/ISD/AML/3/2010 dated Dec 31, 2010 b) CIR/MIRSD/2/2013 dated Jan 24, 2013 c) CIR/MIRSD/1/2014 dated Mar 12, 2014
vii.	Dealing in Cash	FMC/2/2014/C/23 No. 9/1/2014 -MKT-I dated Mar 12, 2014	MRD/SE/Cir- 33/2003/27/08 dated Aug 27, 2003
viii.	Guidelines on Pre-funded	FMC/4/2011/G/0010FMC/Co mplt/Circular	CIR/MIRSD/03/2011 dated Jun 9, 2011

SrNo	Subject	FMC Circular being repealed	SEBI circulars being made applicable
	Instruments	dated Sep 27, 2011	
ix.	SMS and Email alerts facility to clients	a) FMC/4/2012/C/13 No. FMC/IR-I/Client protection/2012 dated Feb 02, 2012 b) FMC/Complt/Circular dated Jun 04, 2012 c) No:IR (2)/5/2012/SMS-Email dated Dec 07,2012 d) No.IR(2)/5/2012/SMS-Email dated Jan 21, 2013 e) No.IR(2)/5/2012/SMS/Email dated Mar 01, 2013 f) No.IR(2)/5/2012/SMS/Email dated Mar 06, 2013 g) No.IR(2)/5/2012/SMS/Email dated May 15, 2013 h) No.IR(2)/5/2012/SMS/E-mail dated Jun 21, 2013	CIR/MIRSD/15/2011 dated Aug 02, 2011
x.	Contract Note	a) No. 07/2008/COMP/LAD-ENF/AD(SN)/6609 dated Oct 27, 2009 b) FMC/COMPL/IV/2010/03/05/00011 dated Apr 19, 2011 c) Div.III/I/89/07 dated Mar 13, 2014 d) Div.III/I/89/07 dated Dec 24, 2014	a) SMDRP/Policy/Cir-56/2000 dated Dec 15, 2000 b) SMD/SE/15/2003/29/04 dated Apr 29, 2003 c) MRD/DoP/SE/Cir-20/2005 dated Sep 8, 2005 d) Clause 13 of Annexure A to MIRSD/ SE /Cir-19/2009 dated Dec 3, 2009
xi.	Exclusive e-mail ID for redressal of Investor Complaints	No circular issued by FMC	MRD/DoP/Dep/SE/Cir-22/06 dated Dec 18, 2006
xii.	Display of information such as logo, registration number on notice board and contract note and investor grievance redressal mechanism on notice board	No circular issued by FMC	a) Cir/MIRSD/ 9 /2010 dated Nov 4, 2010 b) CIR/MIRSD/3/2014 dated Aug 28, 2014

SrNo	Subject	FMC Circular being repealed	SEBI circulars being made applicable
xiii.	Internal Audit	No circular issued by FMC	Para 7 to 11 of circular MIRSD/Master Cir-04/2010 dated Mar 17, 2010
xiv.	Inspection of brokers	a) No. Div./III/I/301/2011-12/Audit dated Dec 23, 2011 b) No. Div./III/I/104/2008-09/Audit dated Feb 02, 2012 c) FMC/1/2014/C/50 No. Div. I II/I/300/2011-12/Audit dated Apr 23, 2014 d) FMC/1/2014/C/47 No. FMC/1/2014/Audit/C Dated Apr 23, 2014	a) Para 2 to 6 of circular MIRSD/Master Cir-04/2010 dated Mar 17, 2010 b) CIR/MIRSD/13/2012 dated Dec 07, 2012
xv.	Change in control/constitution	a) No. IRD-Div-III/1/143/10-MR dated Aug 14, 2010 b) Div:III/I/120/MR-2011/2 dated Apr 07, 2011 c) FMC/6/2011/C/0018 No. Div. III/I/68/MR/General dated Sep 22, 2011 d) FMC/6/2011/C/0019 No. Div. III/I/157/10-MR Dated Sep 27, 2011 e) FMC/4/2012/C/41 No. Div. III/I/157/10-MR dated Apr 04, 2012 f) Div. III/I/10/MR dated Apr 30, 2015	a) MIRSD/MSS/Cir- 30/13289/03 dated Jul 09, 2003 b) CIR/MIRSD/2/2011 dated Jun 3, 2011 c) CIR/MIRSD/14/2011 dated Aug 02, 2011
xvi.	Procedure for surrender of membership	a) FMC/6/2011/C/0018 No. Div. III/I/68/MR/General dated Sep 22, 2011 b) FMC/1/2014/C/146 dated Dec 31, 2014 c) No. Div. II/I/112/2015/Ref und of Deposit dated Jan 19, 2015 d) No. III/I/10/MR dated Jul 08, 2015	MIRSD/MSS/Cir- 30/13289/03 dated Jul 09, 2003
xvii.	Guidelines on Outsourcing of Activities by Intermediaries	No circular issued by FMC	CIR/MIRSD/24/2011 dated Dec 15, 2011
xviii.	BPO/KPO services -	No. S/1/2009/MD-I dated Mar 28, 2011	a) Rule 8(1)(f) and 8(3)(f) of SCRR, 1957

SrNo	Subject	FMC Circular being repealed	SEBI circulars being made applicable
	Segregation thereof from Commodity Derivatives Market		b) SMD/POLICY/CIR-6//97 dated May 07, 1997
xix.	Authorized Persons	No.6/3/2008-MKT – II ; FMC/2/2012/G/3 dated Jan 11, 2012	a) MIRSD/ DR-1/ Cir- 16 /09 dated Nov 06, 2009 b) Cir/MIRSD/AP/8/2010 dated Jul 23, 2010

4. **Part B:** Following FMC circulars are specific to commodity derivatives market. It has been decided that contents/norms specified in following circulars shall continue to be in force beyond September 28, 2016. Provisions of these circulars shall be applicable to all commodity derivatives exchanges including regional commodity derivatives exchanges for compliance by their members.

SrNo	Subject	FMC Circular No. and Date
i.	Account Opening Process	a) No.-FMC/4/2011/G/30 Ref. No.: Div. III/I/89/07 dated Dec 16, 2011* b) Div.III/I/89/07 dated Aug 23, 2013 c) F.No.FMC/COMPL/2013/10/30-FSLRC/FSDC dated Mar 28, 2014 d) Div.III/2/89/VOL IV dated Apr 23, 2014 e) No. FMC/COMPL/IV/KRA-05/11/14 dated Feb 26, 2015
ii.	Customer Protection such as keeping evidence of client placing order	No.FMC/Comp/VI/2009/04/06/114/5787 dated Sep 16, 2009
iii.	Nomenclature of Stock brokers	a) 4/5/2005- M&S/MCX/Unit-II dated Apr 25, 2006 b) No.IRD-DIV-III/I/FCR-I/2009 dated Dec 21, 2009 c) No. DIV-III/I/122/10/MR dated Jun 25, 2010 d) 6/3/2008-MKT – II dated Feb 18, 2011
iv.	Surrender of membership	F.No.1/4/2009/MD-I dated Jul 20, 2009

\*All clauses to remain except to the extent as modified as described below. Annexure - 3 (Rights And Obligations Of Members, Authorized Persons And Clients) of Circular No.-FMC/4/2011/G/30 Ref. No.: Div. III/I/89/07 dated Dec 16, 2011 is hereby modified as follows:

- i. in Clause 30, for the words "in the Statement immediately but not later than 30 calendar days of receipt thereof, to the Member. A detailed statement of accounts must be sent every month to all the clients in physical form. The proof of delivery of the same should be preserved by the Member" the words "in the Statement within such time as may be prescribed by the relevant Exchange from time to time where the trade was executed, from the receipt thereof to the Stock broker" shall be substituted.

- ii. in Clause 31, for the words "monthly" the words "daily" shall be substituted.

5. **Part C:** Following FMC circulars shall stand repealed.

<b>SrNo</b>	<b>Subject</b>	<b>FMC Circular No. and Date</b>
i.	Segregation of Client Accounts in Commodity Futures Exchange and Spot Exchanges	FMC/2/2011/C/0008; No.9/1/2011-MKT/I dated Sep 26, 2011
ii.	Member to obtain FMC Unique Code	No. IRD/Div./III/(1)/FMCR/1/2005 dated Oct 28, 2005
iii.	Submission of networth certificate from the members	No. Div-III/I/122/10/MR dated Nov 22, 2010

6. All commodity derivatives exchanges shall continue to levy penalties they are currently levying and any revision thereof shall be decided in consultation with SEBI. Accordingly, FMC circulars dealing with penalties including Uniform Penalty Circular dated Mar 05, 2010 shall stand repealed.
7. The Stock Exchanges, who regulate and control buying, selling and dealing in commodity derivatives are directed to:
- Bring the provisions of this circular to the notice of the said stock brokers and also disseminate the same on their websites;
  - Make amendments to the relevant bye-laws, rules and regulations for the implementation of the above as considered necessary;
  - Monitor the compliance of this circular through half-yearly internal audit and inspections of stock brokers;
  - Communicate the implementation thereof to SEBI by Oct 15, 2016.
8. This circular is being 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.

Yours faithfully,

**Debashis Bandyopadhyay**  
**General Manager**  
**Market Intermediaries Regulation and Supervision Department**