CIRCULAR

SEBI/HO/CDMRD/DRMP/CIR/P/2016/79 September 07, 2016

To,

The Managing Directors/Chief Executve Officers,
Regional Commodity Derivatives Exchanges

Sir/Madam,

Sub: Guidelines for Due Date Rate (DDR) fixation for Regional Commodity Derivatives Exchanges

1. As per Section 131 (4) of the 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 recognised associations under the Forward Contracts Regulation Act, 1952 (FCRA) would continue to remain in force for a period of one year from the date on which FCRA was repealed (September 29, 2015), or till such time as notified by SEBI, whichever is earlier.

2. Erstwhile FMC, had prescribed guidelines for fixation of Due Date Rate (DDR) for Commodity Specific (Regional) Exchanges. Vide this circular the said guidelines are being re-issued for Regional Commodity Derivatives Exchanges. The guidelines are placed as Annexure.

3. The provisions of this circular shall come into effect immediately.

4. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interest f investors in securities and to promote the development of, and regulate the securities market.

5. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

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Commodity Derivatives Market Regulation Department
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Annexure

Guidelines for Due Date Rate (DDR) fixation for Regional Commodity Derivatives Exchanges

1. Exchange shall have a DDR Committee which will be a committee of the Board and would comprise of at least 50% members who are other than the trading members. Secretary/Executive Director of the Exchange would be Member Secretary of the DDR Committee. Besides, top two members holding highest long and highest short position, respectively, shall be invited as observers at the time of fixing of DDR by the Committee. If top two members holding highest long and highest short position are not available / are not willing to come, then authorized representatives of the highest long/short position holder may be called as observers in the Committee meeting. All the prescribed processes relating to DDR fixation must be followed by the DDR Committee.

2. DDR Committee would decide the names of at least 15 entities / persons of various trade interests from upcountry markets for forming Spot Price Polling Panel. "Upcountry" means the centers that have been indicated in the bye-laws of the Exchange. At least 20% of the panelists will be changed every year. The committee will ensure that the entities/persons forming polling panel should not be related/connected to each other or to the DDR Committee members or to Directors of the Exchange. It means that the entities should not have any cross shareholding, family relationship and commercial relationship among themselves, and with the DDR committee members or with the Directors of the Exchange.

3. The spot price rates would be collected from panelists on the polling panel on daily basis, starting with three days prior to the due date of the contract, so that the trade would be aware of likely price trend beforehand. This information must be disseminated to trade and be placed on the notice board of the exchange on daily basis.

4. The spot price should be polled over phones (with speaker on) in front of all the DDR Committee members present, including top two members holding the highest long and highest short position. While making telephonic calls, voice recording in electronic form shall be maintained for a period of six months (in other words, audio recording of making calls has to be done and records maintained for minimum six months).

5. Average of the spot prices of last three days, on which spot prices are available, prior to the due date but not earlier than seven days would be considered for fixing DDR. The rates would be polled once a day during 1:00 p.m. to 4.00 p.m. in order to capture this most active trade time.

6. DDR has to be arrived by the DDR Committee in terms of the procedure prescribed therefor in the relevant bye-laws and these guidelines, and then recommended to the Board of the Exchange for its final approval. On the recommendations of DDR committee, the Board may, in their discretion, as

deemed fit; provide its approval to DDR recommended by the DDR Committee. If the Board wishes to modify DDR proposed by the DDR Committee for cogent and sufficient reason(s), the same shall be duly recorded in the minutes of the Board along with full justification. Once DDR is fixed, it shall be announced immediately in the trading ring and displayed on the notice board and website of the Exchange. All the responsibilities relating to fixation of DDR shall be that of the Board.

7. All the records of DDR fixation of each contract would be maintained for 6 months. The proceedings of DDR fixation of each contract shall be sent to SEBI.