



CIRCULAR

SEBI/HO/CDMRD/DMP/CIR/P/2016/96

September 27, 2016

To,

The Managing Directors / Chief Executive Officers  
All National Commodity Derivatives Exchanges

Sir / Madam,

**Sub.: Position Limits for Commodity Derivatives, clubbing of open positions, penalties for violation of position limits**

1. Erstwhile FMC had from time to time prescribed norms with regard to Position limits for all commodity derivatives, clubbing of open positions, penalties for violation of position limits apart from prescribing numerical limits for each commodity. After taking over regulations of commodity derivatives market, SEBI vide its circulars [CIR/CDMRD/DMP/2/2016](#) dated January 15, 2016 and [CDMRD/DMP/CIR/32/2016](#) dated January 29, 2016 has issued revised norms with regard to position limits of agricultural commodity derivatives.
2. This circular is hereby issued in continuation of the above said SEBI circulars with an objective of consolidating and updating norms with regard to position limits and also to prescribe numerical position limits for all commodities which are presently being traded on the Commodity Derivatives Exchanges.
3. **General Norms for Position Limits in Commodity Derivatives:** The following norms shall be applicable to the Agricultural as well as Non-Agricultural commodity derivatives at commodity level:
  - 3.1. Numerical value of overall client level open position limits, shall be applicable for each commodity as are provided in table given in **Annexure- A** to this circular.
  - 3.2. The Exchanges, however, in their own judgment, may prescribe limits lower than what is prescribed by SEBI by giving advance notice to the market under intimation to SEBI.
  - 3.3. For the purpose of position limits, norms applicable on client level positions shall also be applicable to the proprietary positions of trading members and while calculating member's open positions, his proprietary positions shall be treated and computed like a client's positions.
  - 3.4. For the purpose of calculating overall position of a member, the overall position of its all clients (as determined in Clause '3.1 or 4.1' below) shall be added without netting off among themselves as also against



proprietary positions of the member. Thus, all long clients and all short clients shall be added up separately and higher of the two shall be reckoned as Member's open position in a commodity derivative.

4. **Position Limits for Non Agricultural Commodity Derivatives:** The following norms shall continue to be applicable to Non- Agricultural commodity derivatives at commodity level:-

4.1. For the purpose of calculating overall position of a client, all long and short positions of the client across all contracts shall be netted out.

4.2. Client level position limits shall be equivalent to the numerical level limit as given in table in Annexure- A or 5% of market-wide open interest, whichever is higher.

4.3. Member level position limits shall be 10 times of the numerical value of client level position limits or 20% of the market-wide open interest, whichever is higher.

5. **Position Limits for Agricultural Commodity Derivatives:** As prescribed vide SEBI circulars dated January 15, 2016 and January 29, 2016, following norms shall be applicable on Agricultural commodity derivatives at commodity level:-

5.1. For the purpose of calculating positions of a client, all long and short positions of the client across all contracts shall be added up separately and higher of the two shall be considered as his overall open position.

5.2. The overall Client level position limits across all contracts shall be equivalent to the numerical level limit as given in table in **Annexure- A**.

5.3. The overall member level position limits across all contracts shall be 10 times the numerical value of client level position limit or 15% of the market-wide open interest, whichever is higher.

5.4. **Near Month Position Limits:** In case of near month contracts :

5.4.1. Client level position limits shall be equivalent to the one fourth of the overall Client level position limit as prescribed in table in **Annexure- A**.

5.4.2. Member level position limits shall also be equivalent to the one fourth of the overall member level position limit.

5.5. The overall Exchange wide gross position limit, in case of the agricultural commodities, shall be capped at 50% of the annual estimated production and Imports of the commodity. The annual estimates for production and imports may be sourced from the available estimates published by



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Government of India/Ministry of Agriculture/ Institutions/Agencies/ other Departments of Central and State Government, as may be appropriate.

6. **Clubbing of Open Positions:** While calculating open positions for the purpose of position limits, Exchanges shall take suitable measures for clubbing of open positions of clients/members who may be acting in concert to circumvent the norms of position limits. The broad guidelines for clubbing of open positions are provided in **Annexure- B** to the circular.
7. **Monitoring of position limits:** Exchanges shall monitor the open position on a real time basis, and shall endeavour that no client or member breaches the open position limits 'at end of the day' as well as 'during intra-day trading'. Penalty shall be levied on those breaching the position limits at end of the day as well as during intra-day trading as provided in **Annexure-C** to this circular.
8. The provisions of this circular shall come into effect from September 29, 2016 in supersession of all directives issued by erstwhile FMC with regard to matters related to Position Limits, clubbing of open positions, penalties for violation of position limits.
9. The Exchanges are advised to:
  - i. take steps to make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the same.
  - ii. bring the provisions of this circular to the notice of the members of the Exchange and also to disseminate the same on their website.
  - iii. communicate to SEBI, the status of the implementation of the provisions of this circular.
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).

Yours faithfully,

**Vikas Sukhwal**  
Deputy General Manager  
Division of Market Policy  
Commodity Derivatives Market Regulation Department  
Email: [vikass@sebi.gov.in](mailto:vikass@sebi.gov.in)



Annexure- A

Sr.	Commodity	Unit	Client Level Numerical Position Limit for Overall Commodity
<b>AGRICULTURAL COMMODITIES</b>			
1.	Barley	MT	6,500
2.	Cardamom	MT	160
3.	Castor seed	MT	12,000
4.	Chana	MT	30,000
5.	Coffee	MT	2,000
6.	Copra	MT	5,000
7.	Coriander (Dhaniya)	MT	2,000
8.	Cotton	Bales	150,000
9.	Cotton seed oilcake	MT	40,000
10.	Crude Palm Oil	MT	50,000
11.	Guar Gum	MT	1,000
12.	Guar Seed	MT	2,400
13.	Isabgul Seed	MT	500
14.	Jeera	MT	1,000
15.	Kapas	MT	25,000
16.	Maize	MT	20,000
17.	Mentha Oil	MT	500
18.	Pepper	MT	900
19.	Rapeseed-MustardSeed	MT	30,000
20.	Raw Jute	MT	8,000
21.	Red Chilli	MT	2,500
22.	Refined Soy Oil	MT	35,000
23.	Rubber	MT	4,000
24.	Sacking	Bales	3,000
25.	Soy Bean	MT	60,000
26.	Sugar	MT	20,000
27.	Turmeric	MT	4,000
28.	Wheat	MT	20,000
<b>NON-AGRICULTURAL COMMODITIES</b>			
1.	Aluminum	MT	25,000
2.	Brent Crude Oil	BBL	400,000
3.	Copper	MT	7,000
4.	Crude Oil	BBL	480,000



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<b>Sr.</b>	<b>Commodity</b>	<b>Unit</b>	<b>Client Level Numerical Position Limit for Overall Commodity</b>
5.	Gold	Kgs	5,000
6.	Lead	MT	3,500
7.	Natural Gas	mmBtu	6,000,000
8.	Nickel	MT	1000
9.	Silver	MT	100
10.	Steel	MT	120,000
11.	Zinc	MT	7,000



**Annexure- B**

**A. Guidelines for Clubbing of Open Positions:**

1. When a person is a partner in one or more partnership firms and /or is a director in one or more companies and/or is a manager(karta) of a Hindu Undivided Family (HUF), the total open position of
  - a. the person as an individual operator,
  - b. the firm or firms in which he is a partner ;
  - c. the Company or companies in which he is a director ; and
  - d. the HUF of which he is a manager(karta)taken together shall not exceed the prescribed limit.
2. Where two or more persons are partners in a partnership firm or firms and where two or more persons are director in a company or companies and where two or more persons are Kartas of HUFs, the total open position held by
  - a. all the partners of partnership firm or firms;
  - b. the concerned partnership firm or firms;
  - c. all the directors of the company or companies ;
  - d. the concerned company or companies ;
  - e. all the Kartas of the HUFs ; and
  - f. the concerned HUFstaken together shall not exceed the limit as mentioned above.
3. Where a person or persons operating as individuals and /or being partners in one or more partnership firms and/or being directors in one or more companies and/or being kartas of HUFs are also trustees in one or more trusts, the total open position of
  - a. the person as individual operator,
  - b. the firm or firms in which they are partners;
  - c. the company or companies in which they are directors;
  - d. the HUFs in which they are Kartas; and
  - e. the trust or trusts in which they are trustees,taken together shall not exceed the limit as mentioned above.

Provided that, if at any time more deliveries than one are running in the same commodity, the above limit shall apply to the combined open position of the member or the non-member, as the case may be, in all such deliveries running concurrently.

4. Open position of a member shall be the total of the open position acquired by him by trading through or with other member and by appropriating the business of his clients(collectively for all clients).
5. The open position of a non-member shall be the total of the open position acquired by him trading through or with one or more members.



**B. Exemptions from Clubbing:**

1. In the agriculture marketing set up of the rural India, co-operative societies play a crucial role. Primary Agriculture Marketing Societies registered under the state cooperative Acts, thus, are active in different agricultural commodities. These societies are also member of Federations at the State and National level. Due to this Federal structure there may be some instances when these societies have common Directors. Also, the persons from State Governments/RCS may be nominated as Directors in these societies. In view of this, the position of different societies if they are members of a Federation will not be clubbed with the open interest position of the Federation for the purpose of determining the open interest position of the Federal or vice versa. Similarly, if Govt/RCS nominated directors sits on the Boards of different societies, this will not amount to common interest for the purpose of clubbing of positions.
2. As a practice of good corporate governance, the companies now have independent directors on their Board with no financial interest in the company. Similarly, companies also have Govt/Financial Institutions nominated Directors without any financial interest in the company. In such cases, when the Directors don't have any financial interest in the company. The Commission has taken a view that the position of such companies/corporates may not be clubbed just because they have common directors.
- C. The above stated guidelines are indicative only. The Exchanges are directed to take suitable measures for clubbing of open positions on the basis of the criteria laid down above and also include other criteria such as PAN, patterns such as 'acting in concert' through common ownership and control structures and any other relevant criteria to club open positions that may be observed during the course of regular monitoring and surveillance that may appear to compromise market integrity.



### Annexure-C

#### Position Limit Violation

The following penal provisions are made to discourage/ prevent open interest violations at Commodity level / near month contract level-

1. Monetary penalty on the concerned member for violations in the open interest (either on own account or on account of clients) are linked to the quantum/ value of violation committed and to be charged from the concerned member for each such violation as under:
  - a. Where the violation is more than 2% of the prescribed limit(s) –  
Limit exceeded x Closing price x number of days such violation continued x 2% (0.02) or Rs. 10,000/- whichever is higher.
  - b. Where the violation is up to 2% of the prescribed limit(s) –  
Limit exceeded x Closing price x number of days such violation continued x 2% (0.02) or Rs. 10,000/- whichever is lower.
  - c. The member has to ensure reduction in position and to bring it within the prescribed limit(s) by the next trading day after the day of violation. In case such violation continues, the Exchange would square-off the excess position without any further notice to the member by putting the orders on behalf of the member in that client code and will not be responsible for the consequences of such action
2. In case, the instance at 1 (a) above is observed for more than 3 times in a month across the market, the Exchange would suspend the concerned member for a period of one week. For instances at 1 (b) above, the Exchange may devise its norms to deal with habitual defaulters.
3. Further, in case repeated violations of such nature are observed by SEBI, SEBI may consider action against the concerned Exchange.
4. The monetary penalty as stated above, will be credited to the Investor Protection Fund of the Exchange.