CIRCULAR

SEBI/HO/CDMRD/DMP/CIR/P/2016/102 **September 27, 2016**

To,

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

Dear Sir / Madam,

Sub: Sharing of Information in case of Declaration of Member as Defaulter in case of Multiple Membership

1. As per Section 131(B) of Finance Act, 2015 all rules, directions, guidelines, instructions, circulars, or any like instruments, made by the erstwhile FMC or the Central Government applicable to recognised associations under the FCRA would continue to remain in force for a period of one year from the date on which FCRA was repealed, or till such time as notified by SEBI, whichever is earlier.

2. In the past the erstwhile FMC had issued various directives sharing of information among Commodity Derivative Exchanges with regard to defaulter members having membership across multiple Exchanges.

3. SEBI vide its circular SEBI/MIRSD/Master Cir-04/2010 dated March 17, 2010 (Clause 'III' at Page '2') prescribed norms for default in case of membership at multiple Recognised Stock Exchanges (RSE)/ Recognised Clearing Corporation (RCC).

4. It is hereby notified that norms specified vide Clause 'III' of the said SEBI circular dated March 17, 2010 shall also be applicable on Commodity Derivatives Exchanges and its members. These norms are reproduced below for reference:

    i. Whenever a member of any segment is declared defaulter, the concerned Stock Exchange/ Clearing Corporation shall immediately declare it a defaulter in all its segments. It shall also immediately inform all other Stock Exchanges/Clearing Corporations the details of the defaulter member such as name of the member, the names of the proprietors/ partners/ promoters/ dominant shareholders, as applicable.

    ii. Immediately on receipt of the information about default of a member, the other Stock Exchange / Clearing Corporation shall declare the said member defaulter on all its segments.

iii. The Stock Exchanges / Clearing Corporations shall take appropriate action against the associates of defaulter member. For this purpose, the term 'associate' shall include a person:

a. who, directly or indirectly, by itself, or in combination with other persons, exercises control over the member, whether individual, body corporate or firm or holds substantial share of not less than 15% in the capital of such entities;
or

b. in respect of whom the member, individual or body corporate or firm, directly or indirectly, by itself or in combination with other persons, exercises control;
or

c. whose director or partner is also a director or partner of the member, body corporate or the firm, as the case may be.

Explanation: The expression "control" shall have the same meaning as defined under clause (e) of Regulation 2 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

5. The provisions of this circular shall come into effect from September 29, 2016 in supersession of all earlier directives issued by erstwhile FMC with regard to related matters.

6. This circular is issued in exercise of the 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.

7. The Exchanges are advised to:
   i. To make necessary amendments to the relevant bye-laws, rules and regulations.
   ii. Bring the provisions of this circular to the notice of the stock brokers 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.

8. This circular is available on SEBI website at www.sebi.gov.in under the category "Circulars" and "Info for Commodity Derivatives".

Yours faithfully,

Vikas Sukhwal
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