



CIRCULAR

SEBI/HO/CDMRD/DMP/CIR/P/2016/137

December 16, 2016

To

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

Sir / Madam,

**Sub: Applicability of Principles of Financial Market Infrastructures (PFMIs) on  
Commodity Derivatives Exchanges**

1. To promote and sustain an efficient and robust global financial infrastructure, the Committee on Payments and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) published the *Principles for financial market infrastructures*<sup>1</sup> (PFMIs) on April 2012. The PFMIs comprise of **24 principles** for Financial Market Infrastructure to provide for effective regulation, supervision and oversight of FMIs. They are designed to ensure that the infrastructure supporting global financial markets is robust and well placed to withstand financial shocks. Financial Market Infrastructures (FMIs) that are determined by national authorities to be systemically important are expected to observe these principles.
2. SEBI vide its circular [CIR/MRD/DRMNP/26/2013](#) dated September 04, 2013 clarified that SEBI as a member of IOSCO is committed to the adoption and implementation of the new CPSS-IOSCO standards of PFMIs in its regulatory functions of oversight, supervision and governance of the key financial market infrastructures under its purview. It was also clarified that Depositories and Clearing Corporations regulated by SEBI are FMIs and would be required to comply with the PFMIs specified by CPSS-IOSCO as applicable to them.
3. Pursuant to Section 131 of the Finance Act, 2015 and Central Government Notification S.O. 2362 (E) dated August 28, 2015, all recognized associations (commodity derivatives exchanges) under the Forward Contracts (Regulation) Act, 1952 ('FCRA') are deemed to be recognized stock exchanges under the Securities Contracts (Regulation) Act, 1956 ('SCRA') with effect from September 28, 2015.

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<sup>1</sup>CPSS IOSCO: Principles of Financial Market Infrastructures - April 2012 <http://www.bis.org/publ/cpss101a.pdf>



4. Section 131 of the Finance Act, 2015 also stipulates that SEBI may provide such deemed exchanges, adequate time to comply with the provisions of SCRA and any regulations, rules, guidelines or like instruments made under SCRA. Accordingly, SEBI vide its circular CIR/CDMRD/DEA/03/2015 dated November 26, 2015 on "Timelines for Compliance with various provisions of Securities Laws by Commodity Derivatives Exchanges" has stipulated as under :

*“Commodity derivatives exchanges shall transfer the functions of clearing and settlement of trade to a separate clearing corporation within three years of date on which they are deemed as recognised stock exchanges (i.e. September 28, 2015) . Till then, the exchanges may continue with the existing arrangement for clearing and settlement of trades.”*

5. Currently, all Commodity Derivatives Exchanges themselves are clearing and settling trade executed on their platform, i.e. they are acting as Central Counterparties (CCP) in these markets. Therefore, it has been decided that Commodity Derivatives Exchanges (currently providing in-house clearing services) having annual turnover of more than INR 5 Lac Crore in previous financial year shall be deemed to be systemically important FMIs. The criteria may be reviewed by SEBI from time to time.
6. Thus provision of SEBI circular [CIR/MRD/DRMNP/26/2013](#) dated September 04, 2013 shall be applicable on following Commodity Derivatives Exchanges:
- National Commodity & Derivatives Exchange Ltd. (NCDEX)
  - Multi Commodity Exchange of India Ltd (MCX)

The abovementioned Commodity Derivatives Exchanges shall be required to comply with the PFMI's specified by CPSS-IOSCO as applicable to CCPs until their clearing and settlement functions are transferred to recognised clearing corporations.

7. 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.
8. Exchanges are also advised to bring the provisions of this circular to the notice of the members of the Exchange and also to disseminate the same on the website.



**भारतीय प्रतिभूति और विनिमय बोर्ड**  
**Securities and Exchange Board of India**

9. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the category “Circulars” and “Info for Commodity Derivatives”.

Yours faithfully,

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