



CIRCULAR

SEBI/HO/CDMRD/DMP/CIR/P/2018/12

January 22, 2018

To,

1. All National Commodity Derivatives Exchanges
2. All Recognized Stock Exchanges in International Financial Services Centre (IFSC)

Sir / Madam,

Sub.: Role of the Independent Oversight Committee for Product Design

1. SEBI vide its circular [CIR/CDMRD/DEA/03/2015](#) dated November 26, 2015, has prescribed “Timelines for compliance with various provisions of securities laws by commodity derivatives exchanges”. In the said circular, on the issue of oversight committees, SEBI has advised all the commodity derivatives exchanges as under-

“21. Commodity derivative exchanges shall comply with the requirements of Regulation 29 read with Regulation 44D (1) (b) of SECC Regulations within three months. National commodity derivatives exchanges shall constitute an oversight committee for 'Product design', chaired by a Public Interest Director, within three months.”

2. It is observed that the commodity derivatives exchanges have been adopting varied approach in complying with the above requirement both in the constitution and the functioning of such oversight committees. In order to bring uniformity with respect to the role of the oversight committee on product design, and after having discussions with commodity derivatives exchanges on this issue, it is decided that the functions of the oversight committee for ‘Product Design’ in all the commodity exchanges shall be as under-

2.1. To oversee matters related to product design such as introduction of new products/contracts, modifications of existing product/contract designs etc. and review the design of the already approved and running contracts.

2.2. To oversee SEBI inspection observation on Product Design related issues.



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- 2.3. To estimate the adequacy of resources dedicated to Product design related function.
3. The head(s) of department(s) handling the above matters shall report directly to the committee and also to the Managing Director. Any action of the Exchange against the aforesaid head(s) shall be subject to an appeal to the committee, within such period as may be determined by the governing board.
 4. The recognized stock exchanges operating in the IFSC shall also be required to constitute an oversight committee for product design and discharge their functions enumerated at para '2' and '3' above.
 5. The provisions of this circular shall come into effect from the 30 days from the date of the circular.
 6. 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.
 7. 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.
 8. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

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