भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/CDMRD/DRMP/CIR/P/2019/73 June 20, 2019

To,

The Managing Directors / Chief Executive Officers,
All Recognised Stock Exchanges and Clearing Corporations having Commodity Derivatives Segment

IPF Trusts of Recognised Stock Exchanges

Sir / Madam,

Sub: Credit of Penalty for short-collection/non-collection of Margins on Commodity Derivatives Segments to Core SGF

1. SEBI vide circular SEBI/HO/CDMRD/DRMP/CIR/P/2016/80 dated September 07, 2016 prescribed mechanism for levying penalties on short-collection/non-collection of Margins. Para '3.x' of the said circular stipulated that all the penalties collected as prescribed therein shall be credited to the Investor Protection Fund (IPF) of the Exchange.

2. Regulation 32 of Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2018 (SECC Regulations) prescribes the following:-
   Penalties levied by recognised stock exchange or recognised clearing corporation shall be credited to its Investor Protection Fund or the Fund as specified in regulation 37, as the case may be.

3. With regard to the above, it has been noted that while a few Clearing Corporations (CCs)/Exchanges are crediting the aforementioned penalties to Core SGF, others are crediting the same to IPF.

4. In this regard, in order to bring uniformity and make it compliant with the aforesaid provisions of the SECC Regulations, it is hereby clarified that all penalties levied on short-collection/non-collection of Margins as prescribed by SEBI Circular dated September 07, 2016 shall be credited to Core SGF only. Thus para '3.x' of SEBI circular dated September 07, 2016 stands modified accordingly.

5. Further, it is also directed that penalties, if any, on short-collection/non-collection of Margins for commodity derivatives segments levied by CCs/Exchanges that have already been transferred to IPF Trust, the same shall be transferred to Core SGF, effective from the day on which CCs started clearing function for commodity derivatives segment. For this purpose, the penalty amounts to be so transferred to the Core SGF may be deemed to have been levied, collected and transferred by the respective CC with effect from the date from which the said CC commenced clearing functions for commodity derivatives segment.

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, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

7. This circular shall be effective from the date of the circular.

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

Yours faithfully,

Prasad Jagadale
General Manager
Division of Risk Management
Commodity Derivatives Market Regulation Department
prasadj@sebi.gov.in