भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

# CIRCULAR

**CIR/CDMRD/DCE/CIR/P/2018/49** **March 14, 2018**

**To,**

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

**Sir/Madam,**

**Subject: Clarification to Circular pertaining to Investor Protection Fund (IPF) and Investor Service Fund (ISF)**

1. SEBI vide circular no. CIR/CDMRD/DEICE/CIR/P/2017/53 dated June 13, 2017, has issued guidelines covering broad areas of Investor Protection Fund and Investor Service Fund.

2. Subsequently, SEBI has received representations from the national commodity derivatives exchanges (NCDEs) for clarifications and consideration of their requests with respect to some of the clauses of the said circular. After examination thereof, the following clarifications are being issued.

   i. It is clarified that the unutilized IPF Interest Income accruing during a specific financial year can be carried forward to the next financial year to enable effective utilization of such money by the exchanges during such extended period.

   ii. NCDEs are hereby permitted to utilize IPF interest income for undertaking research activities related to commodities market, provided every such research activity / project can be undertaken only after obtaining prior written approval of the trustees of the IPF Trust, who would *inter alia*, record the reasons, relevance and stated objectives of the research project while according approval to such activity/ project. Further, the Board of the exchange may be apprised of the research programs / activities being undertaken at least once in every quarter or half year of a given financial year.

   There will be an overall cap on the total amount, not more than 10% of the interest amount of IPF which can be spent on Research activities related to commodities market. IPF shall frame a policy towards identifying / recognising public and private academic institutions, professional bodies, trade (physical market) associations and industry bodies / chambers through / with whom such Research activities shall be undertaken / organised / sponsored.

iii. Clause 7.3 of the circular no. CIR/CDMRD/DEICE/CIR/P/2017/53 dated June 13, 2017 provided that the IPF of the exchange shall be utilized for the clients of SEBI registered members. In this connection, it is clarified that exchanges may also use the IPF of the exchange for meeting their liabilities towards the clients of members not registered with SEBI, if the same is allowed under the byelaws of the exchange.

iv. SEBI has prescribed certain expenditures which are to be met utilizing the ISF and not IPF. However since ISF is of recent origin, its corpus may be inadequate. NCDEs have therefore requested to permit utilizing interest on IPF in lieu of ISF for expenditures meant only for ISF. Accordingly, the NCDEs have been granted 3 years period starting April 1st, 2018 to permit utilizing interest on IPF for activities of ISF also.

3. The provisions of this circular shall come into effect immediately.

4. The exchanges are advised to:-

   - make necessary amendments to relevant bye-laws, rules and regulations for the implementation of this circular.
   - bring the provisions of this circular to the notice of the members of the exchange and also to disseminate the same on their website.
   - communicate to SEBI, the status of implementation of the provisions of this circular.

5. 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.

6. The circular is available on SEBI website at www.sebi.gov.in.

**Yours faithfully,**

**Prasad Jagadale**
**Deputy General Manager**
**Division of Complaints against Exchanges**
**Commodity Derivatives Market Regulation Department**
**prasadj@sebi.gov.in**