



CIRCULAR

SEBI/HO/CDMRD/DMP/CIR/P/2018/55

March 26, 2018

To,

All National Commodity Derivatives Exchanges

Sir / Madam,

Sub.: Guidelines for Liquidity Enhancement Schemes (LES) in Commodity Derivatives Contracts

1. SEBI vide its circular [CIR/MRD/DP/14/2014](#) dated April 23, 2014, has prescribed revised guidelines for Liquidity Enhancement Schemes (LES) in Equity Cash and Equity Derivatives segments.
2. Based upon feedback from exchanges, it has been decided to permit LES in commodity derivatives contracts subject to the requirements stipulated vide abovementioned SEBI Circular dated April 23, 2014.
3. In addition to the conditions and other requirements stipulated in the abovementioned circular, with regard to the eligibility of commodity derivatives contracts for LES, following additional requirements shall apply:-
 - 3.1. Any commodity that is classified as 'Sensitive Commodity' by the Exchange, shall not be eligible for LES.
 - 3.2. If any commodity derivative product is 'liquid' on any of the exchanges i.e. there is at least one exchange where the average daily turnover in Options or/and Futures on similar underlying commodity is more than or equal to INR 200 crore for agricultural and agri-processed commodity, and INR 1000 crore for non-agricultural commodity during the last six months, then no other exchange is eligible to launch LES on the same derivative product, unless the exchange where the product is liquid, has itself also launched a LES on said product.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

- 3.3. For the present, schemes which incentivise brokers based on activation of new UCC (Unique Client Codes), number of trades or open interest shall not be permissible under LES.
- 3.4. Exchanges shall put in place a mechanism to ensure that the LES does not create artificial volumes, does not take away liquidity from the market, is not manipulative in nature and shall not lead to misselling of the product in the market.
4. The provisions of this circular shall come into effect from the date of the circular.
5. The Exchanges are advised to:
- take steps to make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the same.
 - bring the provisions of this circular to the notice of the members of the Exchange and also to disseminate the same on their website.
6. 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.
7. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Vikas Sukhwai
Deputy General Manager
Division of Market Policy
Commodity Derivatives Market Regulation Department
Email: vikass@sebi.gov.in