



CIRCULAR

SEBI/HO/CDMRD/DMP/CIR/P/2019/40

March 20, 2019

To,

**The Managing Directors / Chief Executive Officers
All Recognized Stock Exchanges having Commodity Derivatives Segment**

Dear Sir / Madam,

Sub: Framework for Utilization of Regulatory Fee Foregone by SEBI

1. With a view to encourage the participation by Farmers/Farmer Producer Organizations (FPOs) in agricultural commodity derivatives markets, SEBI has reduced the regulatory fee on Stock Exchanges with respect to turnover in agricultural commodity derivatives. The objective was to reduce the cost burden on farmers/FPOs from the amount saved by the Exchanges due to reduction of regulatory fee.
2. In order to pass on the desired benefits from reduction of regulatory fees on agricultural commodity derivatives, it has been decided that the stock exchanges dealing with agricultural commodity derivatives shall create a separate fund earmarked for the benefit of farmers/FPOs in which, the regulatory fee forgone by SEBI shall be deposited and utilized exclusively for the benefit of and easy participation by Farmers and FPOs in the agri-commodity derivatives market. Any income on investments from the fund shall also be ploughed back into the same fund.
3. In this regard, exchanges shall follow the guiding principles outlined below for the purpose of utilization of the earmarked fund –
 - 3.1. The fund shall be used exclusively for the benefit of and for easy participation by Farmers and FPOs in the agri-commodity derivatives market.
 - 3.2. It shall be the endeavour of the exchange to utilise the earmarked fund primarily for reducing cost of transaction and for facilitating ease of trading by farmers/FPOs.
 - 3.3. Exchange shall draw an action plan for full utilisation of regulatory fee foregone by SEBI in any financial year to be utilised during the succeeding financial year. Such action plan shall be drawn up by the 10th of April (of the year in which the fund has to be utilised) keeping in view the amount of fund available



for the purpose. In this regard, w.r.t. the action plan for F.Y. 2019-20, the same may be prepared and disseminated latest by April 30, 2019 after earmarking the fund out of the regulatory fee foregone by SEBI for F.Y. 2018-19.

- 3.4. Exchange shall disseminate the details of the action plan including the financial assistance proposed to be rendered to farmers/FPOs, activities to be subsidised/facilitated w.r.t. participation by farmers/FPOs during the financial year on their website under intimation to SEBI.
 - 3.5. The aforesaid earmarked fund shall not be clubbed with any other funds such as Investor Protection Fund (IPF) /Investor Services Fund (ISF) /Corporate Social Responsibility (CSR) Funds etc.
 - 3.6. Exchange shall ensure that the farmers/FPOs participating on the exchange are treated in a fair and equitable manner while utilising the proceeds of the fund for their benefit. Accordingly, the choice of activities for utilizing the fund and the rate of benefit should be such that benefits with respect to the activity are imparted to all farmers/FPOs participating during the year and are not restricted to a select few farmers/FPOs.
4. While preparing the action plan for a financial year, the exchanges may consider one or more of the following activities for utilization of the fund for benefit of farmers/FPOs –
- 4.1. **Funding of Warehousing and/or Assaying charges** – Waiver/subsidy in warehousing and/or assaying charges for agricultural commodities deposited for delivery on exchange platform by the farmers/FPOs.
 - 4.2. **Cost of bags and transportation for the Farmers / FPOs for delivery on exchange platform-** The cost of bags can be reimbursed or bags can be provided to Farmers / FPOs for deposits on exchange platform. To incentivize delivery based participation by Farmers / FPOs, certain percentage of transportation expenses can also be considered for reimbursement to farmers/FPOs.
 - 4.3. **Cost of Mark to market (MTM) funding** – The cost of or a part of the cost of MTM funding by Exchange/Clearing Corporation (CC) on the sell positions of the Farmers / FPOs who make early pay-in of the commodities in approved warehouses.
 - 4.4. **Broker fee** – Broker fee for farmers/FPOs can be subsidized.
 - 4.5. **Delivery fee/charge-** As delivery fee is one of the largest constituents of the overall transaction costs in the delivery based agri- commodity derivatives markets, Exchanges may reduce/subsidize this cost head.
 - 4.6. **Repository related fee** – Exchanges may subsidize repository related charges for farmers/FPOs - account opening, maintenance and transfer charges or any other similar charges.



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- 4.7. Any other activity as may be permitted by SEBI.
5. The exchanges shall allow utilization of the fund for the activities mentioned above with certain conditions such as overall amount per activity, maximum amount per farmer/FPO, maximum period etc., as may be applicable from time to time, so as to ensure fair and equitable distribution of benefit to farmers/FPOs.
6. The provisions of this circular shall be effective from the date of this circular.
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. Exchanges are advised to:
- i. to make necessary amendments to the relevant bye-laws, rules and regulations.
 - ii. bring the provisions of this circular to the notice of the stock brokers of the Exchange and also to disseminate the same on their website.
 - iii. communicate to SEBI, the status of the implementation of the provisions of this circular
9. This circular is available on SEBI website www.sebi.gov.in under the category “Circulars” and “Info for Commodity Derivatives”.

Yours faithfully,

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