



CIRCULAR

SEBI/HO/CDMRD/DNPMP/CIR/P/2019/29

February 11, 2019

To,

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

Dear Sir / Madam,

**Sub: Framework for utilization of Financial Security Deposit (FSD) available
with Clearing Corporations and WDRA**

1. SEBI vide its circular [SEBI/HO/CDMRD/DMP/CIR/P/2016/103](#) dated September 27, 2016 had inter alia specified the norms requiring Financial Security Deposit (FSD) to be furnished by Warehouse Service Providers (WSPs) linked to the value of goods stored in the warehouses. In addition to this, Warehousing Development Regulatory Authority (WDRA) vide notification dated July 06, 2017 has also specified Security Deposit to be maintained by warehouse/warehouseman with the WDRA, linked to the value of outstanding negotiable warehouse receipts for the registered warehouses of the warehouseman. Thus, on the same goods, security deposits are required to be maintained with both WDRA and Recognized Clearing Corporations, putting additional financial burden on the warehouse operators.
2. In order to rationalize security deposit and after consultation with WDRA & Exchanges/Clearing Corporations, it has been decided that Recognized Clearing Corporations having commodity derivatives segment shall adhere to the following norms for utilization of security deposit:
 - i. The Clearing Corporations shall immediately after accreditation, provide the details of WDRA registered warehouses accredited by them with full details of warehouseman registration, warehouse registration, WSP, address etc. to WDRA. WDRA will in turn, share the details of security deposit received from these accredited warehouses/WSPs to the respective Clearing Corporations as per the enclosed **format**. Clearing Corporations shall inform the changes, if any, with respect to these warehouses as and when it



भारतीय प्रतिभूति और विनिमय बोर्ड Securities and Exchange Board of India

happens, to enable WDRA to provide the required information as above. WDRA shall also inform Clearing Corporations of any changes, if any, in the security deposit placed by such warehouses/WSPs with WDRA.

- ii. Clearing Corporations shall continue to compute FSD requirement as per SEBI circular dated September 27, 2016. The deposits placed by WSPs with WDRA for Exchange/Clearing Corporation specific outstanding eNWRs shall be considered by the Clearing Corporation in the calculation of available FSD for the WSP subject to the same complying with norms regarding FSD in the said SEBI circular.
 - iii. The accredited WSP shall be liable for any losses resulting from any action or inaction on its part or on the part of its warehouses that prevents the buyer or seller from exercising, in whole or in part, their rights. The Clearing Corporation shall compensate the aggrieved clients for any such losses that have been appropriately established by debiting the FSD of WSP held with the Clearing Corporation, in accordance with its applicable rules. In case the FSD available at Clearing Corporation is not sufficient to compensate for the loss, Clearing Corporation shall make part compensation with the FSD available with it and the security deposit available with WDRA shall be made available to Clearing Corporation within 7 days of the release request from Clearing Corporation to WDRA, for settlement of the remaining claims.
 - iv. The settlement of security deposit by WDRA originates only after the stocks stored, if any, are disposed off/ withdrawn by the holder.
 - v. This arrangement is only for stocks stored in WDRA registered / Clearing Corporation accredited Warehouses for the purpose of delivery on exchange platform and for which e-NWR has been issued.
 - vi. The discrepancy noted / claim received by any agency (Clearing Corporation or WDRA) shall be brought to the notice of other agency irrespective of invoking the security deposit.
3. The circular shall be effective from 30 days from the date of this circular.
 4. 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



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

of investors in securities and to promote the development of, and to regulate the securities market.

5. This circular is available on SEBI website www.sebi.gov.in under the category “Circulars” and “Info for Commodity Derivatives”.

Yours faithfully,

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



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

Formats for providing details of Security Deposit

A. Details of Bank Guarantee

Sr. No.	Name of WSP	BG Number	Bank Name	Branch Name	Date of Issuance (DD/MM/YYYY)	Maturity Date (DD/MM/YYYY)	Claim Date (DD/MM/YYYY)	Amount

B. Details of Fixed Deposit Receipt

Sr. No.	Name of WSP	FDR Number	Bank Name	Branch Name	Date of Issuance (DD/MM/YYYY)	Maturity Date (DD/MM/YYYY)	Amount