



CIRCULAR

SEBI/HO/MRD/MRD-RAC-1/P/CIR/2022/131

September 29, 2022

To

All Recognized Stock Exchanges having Commodity Derivatives Segment

All Foreign Portfolio Investors registered with SEBI

All Custodians registered with SEBI

Sir/Madam,

Sub: Participation of SEBI registered Foreign Portfolio Investors (FPIs) in Exchange Traded Commodity Derivatives in India

1. In order to promote institutional participation in Exchange Traded Commodity Derivatives (ETCDs), SEBI has permitted Category III Alternative Investment Funds, Mutual Funds and Portfolio Management Services to participate in ETCDs vide Circular No SEBI/HO/CDMRD/DMP/CIR/P/2017/61 dated June 21, 2017, Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/65 dated May 21, 2019 and Circular No. SEBI/HO/IMD/DF1/CIR/P/2019/066 dated May 22, 2019, respectively.
2. In furtherance to the objective of enhancing institutional participation in ETCDs, SEBI, vide Circular No. SEBI/HO/CDMRD/DMP/CIR/P/2018/134 dated October 09, 2018 also permitted Eligible Foreign Entities (EFEs) having actual exposure to Indian commodity markets, to participate in the commodity derivative segment of recognized stock exchanges for primarily hedging their exposure.
3. Considering the non-participation by such EFEs in ETCDs in spite of more than three years since the EFE framework came into force, based on the representations of the market participants and recommendations of Commodity Derivatives Advisory Committee of SEBI, it has been decided that the existing EFE route be discontinued. Accordingly, the Circular No.



SEBI/HO/CDMRD/DMP/CIR/P/2018/134 dated October 09, 2018 stands repealed.

4. It has been decided to allow foreign investors to participate in Indian ETCDs through the FPI route, subject to conditions prescribed by SEBI.
5. The participation of FPIs in Indian ETCDs would be subject to the following:
 - 5.1 To begin with, FPIs will be allowed to participate in cash settled non-agricultural commodity derivative contracts and indices comprising such non-agricultural commodities.
 - 5.2 FPIs desirous of participating in ETCDs shall be subject to risk management measures applicable, from time to time.
 - 5.3 Position Limits:
 - 5.3.1 FPIs other than individuals, family offices and corporates may participate in eligible commodity derivatives products as 'Clients' and shall be subject to all rules, regulations and instructions, position limit norms as may be applicable to clients, issued by SEBI and stock exchanges, from time to time.
 - 5.3.2 FPIs belonging to categories viz. individuals, family offices and corporates will be allowed position limit of 20 per cent of the client level position limit in a particular commodity derivative contract.
 - 5.4 The participation of FPIs including individuals, family offices and corporates shall be subject to compliance with the provisions of SEBI (Foreign Portfolio Investors) Regulations, 2019, SEBI (Custodian) Regulations, 1996 and other applicable SEBI circulars on ETCDs.
 - 5.5 Stock Exchanges/Clearing Corporations may specify additional safeguards/conditions, as deemed fit, to manage risk and ensure orderly trading in ETCDs.
6. The provisions of this circular shall come into immediate effect.
7. This circular is issued with the approval of competent authority.



8. The stock exchanges are advised to:

8.1 Take steps to make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of this circular,

8.2 Bring the provisions of this circular to the notice of the members of the stock exchange and also disseminate the same on their website.

8.3 Communicate to SEBI, the status of implementation of the provisions of this circular.

9. This circular is issued in exercise of the 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.

10. The circular is available on SEBI website at www.sebi.gov.in under the category "Circulars" and "Info for - Commodity Derivatives".

Yours faithfully,

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