



CIRCULAR

SEBI/HO/CDMRD/DNPMP/CIR/P/2020/206

October 19, 2020

To,

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

Dear Sir / Madam,

**Sub: Utilization of Fund Created out of the Regulatory Fee Forgone by SEBI –
Additional Guidelines**

1. In order to encourage the participation of Farmers / Farmers Producers Organizations (FPOs) in agricultural commodity derivatives markets, the Stock Exchanges have created a separate fund, out of the regulatory fee so forgone by SEBI. The Stock Exchanges have been permitted by SEBI to utilize the said fund exclusively for the benefit of and easy participation by Farmers / FPOs in the agricultural commodity derivatives market, in accordance with the guidelines specified vide SEBI circular no. [SEBI/HO/CDMRD/DMP/CIR/P/2019/40](#) dated March 20, 2019.
2. Due to low participation by Farmers / FPOs in agricultural commodity derivatives market coupled with the challenges posed by the pandemic situation, a sizeable portion of the fund has remained unutilized. The matter was, therefore, deliberated in the Commodity Derivatives Advisory Committee (CDAC) and based on the recommendations of CDAC, it has been decided to permit the Stock Exchanges to utilize the said fund for the following additional activities :
 - 2.1. **Reimbursement of Mandi tax:** Reimbursement of Mandi tax including any other mandi cess or whatever name it may be called, levied against the goods deposited in warehouses accredited with Clearing Corporations for the purpose of delivering on Exchange platform for which exchange specific Electronic Negotiable Warehouse Receipt (eNWR) is generated.
 - 2.2. **Reimbursement of assaying, cleaning, drying, sorting, storage and transportation charges:** Farmers/FPOs can be reimbursed the charges incurred towards assaying, cleaning, drying, sorting, storage and transportation in respect of goods deposited in warehouses accredited with Clearing Corporations with an intention to deliver them on Exchange Platform for which exchange specific eNWR is generated.
 - 2.3. **Incentivising Option Premium:** The Farmers / FPOs can be incentivized to participate in “options in goods”. For this purpose, the Farmers / FPOs can be



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reimbursed a certain percentage or fixed amount of the premium paid by them, for purchasing “options in goods” on the exchange platform.

2.4. Reimbursement of fees levied by Clearing Corporation: Fees/cost levied by Clearing Corporation, if any, on Farmers/FPOs in the process of their participation in commodity derivatives trading can be reimbursed.

3. The Stock Exchanges can revise their action plan for utilisation of regulatory fee foregone by SEBI for FY 2020-21 incorporating the abovementioned activities and the revised plan, if any, shall be disseminated on their website.
4. Further, in order to enhance transparency, the Stock Exchanges are advised to make disclosure regarding the corpus of the fund and its utilization, on their website, on a monthly basis.
5. The Stock Exchanges are further advised to include the details of the corpus of the fund and its utilization in the Monthly Development Report (MDR).
6. All other extant provisions of the circular dated March 20, 2019 shall continue to remain in force.
7. The provisions of this circular shall be effective from the date of this circular.
8. 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.
9. The Stock 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; and
 - iii. communicate to SEBI, the status of the implementation of the provisions of this circular.
10. 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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