



CIRCULAR

SEBI/HO/CDMRD/DOP/CIR/P/2019/135

November 14, 2019

To,

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

Sir/Madam,

**Subject: Modifications in the contract specifications of commodity derivatives contracts**

1. SEBI vide its circular ref. no. SEBI/HO/CDMRD/CIR/2016/88 dated September 20, 2016 had *inter-alia* prescribed at Para 3(c) provisions regarding permission to allow modifications in contract specifications at the exchange level.
2. In order to streamline the process and after consultation with the exchanges, it has been decided to categorise the modifications in contract specification parameters in the following three categories:
  - a. **Category A:** Non-material modifications which can be made at the exchange level in yet to be launched and running contracts.
  - b. **Category B:** Material modifications which can be made at the exchange level in yet to be launched contracts or running contracts which have nil open interest. These modifications shall require approval from Product Advisory Committee and approval of Regulatory Oversight Committee to be obtained post facto.
  - c. **Category C:** Material modifications which can be made only after approval from SEBI. These modifications shall require deliberations and approval from Product Advisory Committee and Regulatory Oversight Committee before seeking permission from SEBI.
3. The list of various contract specification parameters as per the above stated categories along with the timelines for advance intimation of modification to SEBI and market participant is given at **Annexure I**.
4. The permission to modify contract specification parameters of commodity derivatives contracts is subject to the condition that before introduction of any modification in contract specifications the Exchanges shall inform SEBI and market participants along with reasons for the modifications as per the timeline mentioned in **Annexure I**. However, this shall not apply to certain modifications which are required to be effected immediately considering the exigencies of the situation as per surveillance measure.



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**Securities and Exchange Board of India**

5. The Circular ref. no. SEBI/HO/CDMRD/CIR/2016/88 dated September 20, 2016 stands amended to this effect.
6. The provisions of this circular shall be effective from December 01, 2019.
7. This Circular is issued in exercise of powers conferred under Section 11(1) of Securities and Exchange Board of India Act, 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
8. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the category 'Circulars' and "Info for Commodity Derivatives".

Yours faithfully,

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**Annexure I**

**Categorisation of contract specification parameters in commodity derivatives contracts**

Category	Type of Modification	Parameter	Number of days of advance intimation to be given to SEBI and market participants
<b>Category A</b>	Non-material modifications which can be made at the exchange level in yet to be launched and running contracts	<ul style="list-style-type: none"> <li>• Symbol</li> <li>• Description</li> <li>• Contract Commencement Day(Y/L)</li> <li>• Quotation/Base value (Y/L)</li> <li>• Maximum Order Size</li> <li>• Tick Size (Minimum Price Movement)</li> <li>• Strike Interval (Y/L)</li> <li>• Number of Strikes</li> <li>• Initial Margin</li> <li>• Extreme Loss Margin</li> <li>• Delivery Period Margin</li> <li>• Pre-expiry Margin</li> <li>• Other Margins</li> <li>• Underlying Quotation (Y/L)</li> </ul>	10 days
<b>Category B</b>	Material modifications which can be made at the exchange level in yet to be launched contracts or running contracts which have nil open interest. These modifications shall require approval from Product Advisory Committee and approval of Regulatory Oversight Committee to be obtained post facto.	<ul style="list-style-type: none"> <li>• Last Trading Day /Due Date/Expiry Date#</li> <li>• Trading Unit</li> <li>• Price Quote (Basis)</li> <li>• Delivery Centre</li> <li>• Delivery Unit</li> <li>• Additional Delivery Centre(s)</li> <li>• Quality Specifications</li> <li>• Quantity Variation</li> <li>• Tolerance Limit</li> <li>• Trading Session</li> <li>• Premium/Discount</li> <li>• Underlying Price Quote (basis)</li> <li>• Maximum Allowable Open Position</li> </ul>	30 days



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<b>Category C</b>	Material modifications which can be made only after approval from SEBI. These modifications shall require deliberations and approval from Product Advisory Committee and Regulatory Oversight Committee before seeking permission from SEBI.	<ul style="list-style-type: none"> <li>• Contract Launch Calendar</li> <li>• Trading Period</li> <li>• Daily Price Limit</li> <li>• Delivery Logic</li> <li>• Settlement of Contract/ Settlement Logic/Final settlement Method Exercise of Options</li> <li>• Mechanism of Exercise</li> <li>• Due Date Rate (Final Settlement Price)</li> <li>• Tender Period</li> <li>• Start Date of Near Month Staggered Delivery Period/Tender Period</li> <li>• Option Type</li> </ul>	30 days
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(Y/L)-Modification can only be carried out in yet to be launched contracts

#-Changes in due date/expiry date may be required to be done in the running contracts in the event of sudden closure of markets on expiry date. SEBI Circular ref. no. SEBI/HO/CDMRD/DRMP/CIR/P/2016/90 dated September 21, 2016 prescribes that Exchange may advance expiry date of running contract in case physical market is closed in the notified basis centre on the expiry day of the contract, due to festivals, strikes, erratic weather conditions, etc. Decision about advancing expiry of running contract shall be intimated to the trade participants at least 10 days before the revised expiry date.