NCDEX
Pragati ka Solid Exchange

NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No : NCDEX/SURVEILLANCE & INVESTIGATION-047/2026

Date : April 16, 2026

Subject : Master Circular – Surveillance & Investigation

Exchange from time to time has been issuing various circulars/directions to market participants. In order to enable the users to have access to the applicable circulars at one place, Master Circular in respect of Surveillance & Investigation is attached herewith

This Master circular is a compilation of relevant circulars pertaining to surveillance issued by the Exchange which are operational as on date of this circular. Efforts have been made to incorporate applicable provisions of existing circulars issued by SEBI.

It is hereby clarified that in case of any inconsistency between this Master Circular and the original applicable circular, the content of the original circular shall prevail.

Notwithstanding any revision in the processes or formats, if any -

a) anything done or any action taken or purported to have been done or taken under such revised/ rescinded process including but not limited to any regulatory inspection/ investigation or enquiry commenced or any disciplinary proceeding initiated or to be initiated under such rescinded/ revised process or rescission, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular;

b) the previous operation of the rescinded process or circular or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred thereunder, any penalty incurred in respect of any violation of such rescinded process or circulars, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded process or circulars have never been rescinded.

The rescinded Master Circular is available on the NCDEX website at NCDEX/SURVEILLANCE & INVESTIGATION-016/2025 under the category "Circulars".

All Members, clients and market participants are requested to take note of the same.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Avinash Mohan
Chief– Enterprise Risk, Surveillance & Investigation

For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 26 62339
2. Customer Service Group by e-mail to: askus@ncdex.com

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Annexure: List of Circulars

Sr. No	Subject	Circular no.	Date
1	Surveillance Obligations for Trading Members	NCDEX/SURVEILLANCE & INVESTIGATION-003/2016/294	03-Nov-2016
2	Surveillance Obligations for Trading Members	NCDEX/SURVEILLANCE & INVESTIGATION-008/2018	31-Oct-2018
3	Surveillance Obligations for Trading Members	NCDEX/SURVEILLANCE & INVESTIGATION-081/2020	26-Oct-2020
4	Non-genuine trades	NCDEX/SURVEILLANCE & INVESTIGATION-004/2018/204	20-Aug-2018
5	Position Limits for Agricultural Commodity Derivatives	NCDEX/RISK-014/2017/184	27-Jul-2017
6	Options on Commodity Futures-Product Design and Risk Management Framework	NCDEX/TRADING-053/2017/144	15-Jun-2017
7	Design of Commodity Indices and Product Design for Futures on Commodity Indices	NCDEX/TRADING-018/2019	21-Jun-2019
8	Participation of SEBI registered Foreign Portfolio Investors (FPIs) in Exchange Traded Commodity Derivatives in India	NCDEX/TRADING-050/2022	30-Sep-2022
9	Guidelines on Clubbing of Open Positions	NCDEX/SURVEILLANCE & INVESTIGATION-003/2017/014	16-Jan-2017
10	Position Limits for Commodity Derivatives, clubbing of open positions, penalties for violation of position limits	NCDEX/RISK-037/2016/244	28-Sep-2016
11	Levy of penalties - Violations of open interest limits	NCDEX/TRADING-101/2016/257	28-Sep-2016
12	Modification of Client Codes post Execution of Trades on	NCDEX/TRADING-033/2016/072	06-Apr-2016

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Sr. No	Subject	Circular no.	Date
	Commodity Derivatives Exchanges		
13	Modification of Client Codes	NCDEX/SURVEILLANCE & INVESTIGATION-133/2024	02-Dec-2024
14	Placing of Orders at Unrealistic Prices	NCDEX/SURVEILLANCE & INVESTIGATION-040/2021	01-Jul-2021
15	Additional Surveillance Measures Circular_CASTORSEED	NCDEX/SURVEILLANCE & INVESTIGATION-009/2019	15-Oct-2019
16	Additional Surveillance Measures-Selected commodities	NCDEX/SURVEILLANCE & INVESTIGATION-010/2019	17-Oct-2019
17	Additional Surveillance Measures-Selected commodities	NCDEX/SURVEILLANCE & INVESTIGATION-78/2020	18-Sep-2020
18	Reduction in Event based Additional Surveillance Margin (E-ASM)	NCDEX/SURVEILLANCE & INVESTIGATION-126/2021	30-Dec-2021
19	Participation of Mutual Funds in Commodity Derivatives Market in India	NCDEX/TRADING-014/2019	22-May-2019
20	Participation of Mutual Funds in Commodity Derivatives Market in India	NCDEX/TRADING-030/2020	17-Jun-2020
21	Participation of Mutual Funds in Commodity Index	NCDEX/TRADING-034/2020	08-Jul-2020
22	Participation of Mutual Funds in Commodity Derivatives Market in India	NCDEX/SURVEILLANCE & INVESTIGATION-065/2020	05-Aug-2020
23	Early Pay-in Facility for Farmer Producer Organisation (FPO)	NCDEX/SURVEILLANCE & INVESTIGATION-005/2018/209	29-Aug-2018
24	Comprehensive Risk Management Framework for	NCDEX/RISK-022/2015/319	05-Oct-2015

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Sr. No	Subject	Circular no.	Date
	National Commodity Derivatives Exchanges		
25	Disclosure by Commodity Derivative Exchanges on their Websites	NCDEX/COMPLIANCE-017/2016/241	28-Sep-2016
26	Disclosures by Stock Exchanges for commodity derivatives	NCDEX/SURVEILLANCE & INVESTIGATION-001/2019	07-Jan-2019
27	Disclosures by Stock Exchanges for commodity derivatives	NCDEX/SURVEILLANCE & INVESTIGATION-006/2019	11-Jun-2019
28	Disclosures by Stock Exchanges for Commodity Derivatives	NCDEX/SURVEILLANCE & INVESTIGATION-046/2021	13-Aug-2021
29	Disclosure by Exchanges related to Deliverable Supply and Position Limits Calculation for Agricultural Commodity Derivatives	NCDEX/RISK-010/2018/148	15-Jun-2018
30	Measures to instill confidence in securities in securities market – Broker's institutional mechanism for prevention and detection of fraud or market abuse - update	NCDEX/SURVEILLANCE & INVESTIGATION-002/2025	02-Jan-2025

1. SURVEILLANCE OBLIGATIONS FOR TRADING MEMBERS

With a view to facilitate effective surveillance at the Trading Member level, the Exchange has been providing transactional Alerts to Trading Members so as to facilitate Trading Members to detect abnormality (if any) w.r.t. Client trading activity at the initial stage itself.

Trading Members are required to take a note of the above and put in place the required changes in procedures, policies and processes after obtaining proper approvals from their relevant authorities.

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The Exchange shall continue to provide these alerts to Trading Members through Extranet at "Transactional Alerts" folder. Trading Members are advised to analyze these alerts and revert in case of adverse observations, if any, to the Exchange at surveillance@ncdex.com.

Trading Members are also required to provide the status of the alerts forwarded to them on a quarterly basis in the specified format within 15 days from last trading day of the quarter starting from the quarter end.

The activities to be carried out by the Trading Members has been detailed in the reference circular

Reference:

- Circular No. NCDEX/SURVEILLANCE & INVESTIGATION-081/2020 dated October 26, 2020
- Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-008/2018 dated October 31, 2018
- Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-003/2016/294 dated November 03, 2016

2. NON-GENUINE TRADES

Non-genuine trades are described as:

"Instances wherein the same sets of parties have executed buy and sell transactions on the Exchange at abnormally high price differences which are not co-related to the spot/futures price movement in the underlying commodity. This is particularly true with illiquid contracts. Such trades maybe between two members or between two clients of the same member or different members."

The decision whether a trade or trades is/are non-genuine would be of the Exchange which would be final and binding

The non-genuine trades are executed by the market participants primarily with an objective of transferring profit/loss between the concerned entities. In view of the same, penalty upto 100% of the profit made/ loss incurred/ transferred as a result of non-genuine trades will be levied on the members.

Members are advised to be cautious and refrain from executing such trades, which do not appear to be genuine on their own account and/ or on behalf of their clients.

Reference:

- Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-004/2018/204 dated August 20, 2018

3. POSITION LIMITS

I. Position limits for Agricultural Commodity Derivatives

With an objective to outline a principle based methodology for revising the commodity-wise numerical value of overall client level open position limits for agricultural commodities with reference to the 'deliverable supply' of the such commodity available in the country during any specific year, a broad framework was issued by SEBI for determination of numerical value of overall client level open position limits for agricultural commodities:

A. **Categorization of commodities:** In any given year, based on the average of production data and import data of past five years on a rolling basis and keeping in view various extraneous factors that affect the trading in derivatives, the agricultural commodities shall be classified into three categories viz., sensitive, broad and narrow
B. **Re-Categorization of Agricultural Commodity**: Whenever an agricultural commodity of 'narrow' category is required to be re-categorized to 'broad' in subsequent years, such re-categorization may be possible only if both, average deliverable supply of such commodity for the past five years and monetary value thereof exceeds by more than 5%.
C. **Deliverable Supply:** The deliverable supply for an agricultural commodity would be “Production + Imports”
D. **Client Level Numeric Position Limits:** Numerical value of overall client level open position limits for each commodity shall be calculated from 'deliverable supply' available in a particular year, as per its category as given below:

Category of Commodity	Position limits
Broad	1% of the deliverable supply
Narrow	0.5% of the deliverable supply
Sensitive	0.25% of the deliverable supply

Numerical values of position limits for any agricultural commodity shall be revised only if the computation results in a revision in the value by at least 5% compared to previous year's limits.

E. **Member Level Position Limits for Agricultural Commodities:** the overall member level position limits for an agricultural commodity across all the contracts shall be 10 times the numerical value of client level position limit or 15% of the market-wide open interest, whichever is higher.
F. **Exchange-wide Position Limit for Agricultural Commodities:** For any agricultural commodity, the overall Exchange-wide gross position limit on open interests shall be 50% of its 'deliverable supply' determined for the relevant year, which shall also be jointly notified by Exchanges along with client level numerical limits.

II. Position limits for options

Position limits of options would be separate from position limits of futures contracts and numerical value for client level/member level limits shall be twice of corresponding numbers applicable for futures contracts

III. Position limits for Futures on Commodity Indices

a. Client level- Higher of: 5% of the total open interest in the market in commodity index futures Or 1000 lots

b. Trading Member level- Higher of: 15% of the total open interest in the market in commodity index futures Or 10000 lots

IV. Position limits for Foreign Portfolio Investors (FPIs) in Exchange Traded Commodity Derivatives

a. 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.

b. 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.

Reference:

- Circular no. NCDEX/TRADING-053/2017/144 dated June 15, 2017
- Circular no. NCDEX/RISK-014/2017/184 dated July 27, 2017
- Circular no. NCDEX/TRADING-018/2019 dated June 21, 2019
- Circular no. NCDEX/TRADING-050/2022 dated September 30, 2022

4. GUIDELINES ON CLUBBING OF OPEN POSITIONS

While calculating open positions for the purpose of position limits, the Exchange is authorized vide SEBI circular No. SEBI/HO/CDMRD/DMP/CIR/P/2016/96 dated September 27, 2016 on Position Limits for Commodity Derivatives, clubbing of open positions, penalties for violation of position limits to take suitable measures for clubbing of open positions on the basis of -

1. the criteria laid down in the aforementioned SEBI circular,
2. other criteria such as PAN, patterns such as 'acting in concert' through common ownership and control structures and,
3. any other relevant criteria to club open positions that may be observed during the course of regular monitoring and surveillance that may appear to compromise market integrity.

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Criteria I – Criteria as laid down in SEBI circular dated September 27, 2016

1. When a person is a partner in one or more partnership firms and /or is a director in one or more companies and/or is a manager(karta) of a Hindu Undivided Family (HUF), the total open position of
    a. the person as an individual operator,
    b. the firm or firms in which he is a partner ;
    c. the Company or companies in which he is a director ; and
    d. the HUF of which he is a manager(karta)

    taken together shall not exceed the prescribed limit.

2. Where two or more persons are partners in a partnership firm or firms and where two or more persons are director in a company or companies and where two or more persons are Kartas of HUFs, the total open position held by
    a. all the partners of partnership firm or firms;
    b. the concerned partnership firm or firms;
    c. all the directors of the company or companies ;
    d. the concerned company or companies ;
    e. all the Kartas of the HUFs ; and
    f. the concerned HUFs

    taken together shall not exceed the limit as mentioned above.

3. Where a person or persons operating as individuals and /or being partners in one or more partnership firms and/or being directors in one or more companies and/or being kartas of HUFs are also trustees in one or more trusts, the total open position of
    a. the person as individual operator,
    b. the firm or firms in which they are partners;
    c. the company or companies in which they are directors;
    d. the HUFs in which they are Kartas; and
    e. the trust or trusts in which they are trustees,

    taken together shall not exceed the limit as mentioned above

    Provided that, if at any time more deliveries than one are running in the same commodity, the above limit shall apply to the combined open position of the member or the non-member, as the case may be, in all such deliveries running concurrently.

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4. Open position of a member shall be the total of the open position acquired by him by trading through or with other member and by appropriating the business of his clients (collectively for all clients).

5. The open position of a non-member shall be the total of the open position acquired by him trading through or with one or more members.

Criteria II – Other criteria such as PAN, patterns such as 'acting in concert' through common ownership and control structures.

The term 'Acting in concert' is inclusive rather than exclusive and it would depend on the relevant facts and circumstances of the situation to establish where the persons are acting in concert to circumvent the norms of position limits and therefore it cannot be conclusively defined.

However, for the purpose clubbing of open positions under this criteria, the 'persons acting in concert' shall comprise of but not limited to:-

a) persons who are acting together pursuant to an agreement or understanding, formal or informal, directly or indirectly co-operate and take positions in a commodity derivatives contract with a common objective or purpose of collectively circumventing the norms of position limits as applicable to a client and member or otherwise, unless the contrary is established.

b) without prejudice to the generality of the above clause and in addition to the laid down criteria given in Criteria I above, the persons falling within the following categories shall be deemed to be persons acting in concert with other persons in the same category or other categories unless the contrary is established:-
i. a company, its Holding / Subsidiary company,
ii. a company, its Associates or Joint Venture Companies in which it holds at least 20% shareholding,
iii. a company, its significant shareholder i.e. shareholder holding more than 26% of issued shares of the company,
iv. a company, its Key Managerial Personnel (KMP) and Authorised Signatories.

For this purpose Key Managerial Personnel shall be as defined in the Companies Act, 2013 and Authorised Signatory means the signatory who has been named as such or is identified by the company in the annual returns as authorized signatory

Criteria III – Any other relevant criteria to club open positions which may be observed during the course of regular monitoring and surveillance and which may appear to compromise market integrity

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Apart from the parameters as broadly described under the Criteria I and II above, the following additional relationships/ criteria will be considered by the Exchange for further analysis/ investigations to ascertain whether persons are acting in concert under any other relevant criteria

a) Relatives as per AS 18
b) Immediate Relatives for individual as defined in Companies Act
c) Promoters of the company as provided in Annual return filed under the Companies Act
d) Co-parceners of HUF
e) Clients having same/ similar postal address, e-mail address, bank accounts, website domain name or contact numbers

it may be noted that the aforesaid relationship/criteria are only indicative and does not in any way restrict the Exchange to consider other criteria not mentioned herein for the purposes of clubbing of open positions.
The Exchange shall look into the following parameters to test 'acting in concert' in the event of any of the above relationship criteria or any other criteria not mentioned herein triggers further investigation:-

- Existence of relationship between various clients on the basis of objective or subjective criteria,
- Linked clients being on the same side i.e. Long or Short and cumulatively controlling substantial proportion of the market open interest in a particular commodity/ contract,
- Orders being placed at or around the same time at relatively near prices by group of clients,
- Existence of commonality of funds flow between the various parties

It may further be noted that if the parameters as set out in Criteria I and II above are met based on the information as and when available with the Exchange, the Exchange shall proceed to club such positions. However, in case of Criteria III, where the existence of relationship between parties or specified transactions gives rise to a suspicion of acting in concert, the Exchange shall call for explanation from the concerned members/ clients and only after finding that the explanation/ replies are not found to be satisfactory in its opinion, the Exchange shall proceed to club the positions of the identified entities

Members are advised to take a note of the above and put in place required processes to ensure that position limits are also monitored by them considering the above broad framework on clubbing of open positions.

Exemptions from Clubbing:

1. In the agriculture marketing set up of the rural India, co-operative societies play a crucial role. Primary Agriculture Marketing Societies registered under the state cooperative Acts, thus, are active in different agricultural commodities. These societies are also member of Federations at the State and National level. Due to this Federal structure there may be some instances when these societies have common Directors. Also, the persons from State Governments/RCS may be nominated as Directors

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in these societies. In view of this, the position of different societies if they are members of a Federation will not be clubbed with the open interest position of the Federation for the purpose of determining the open interest position of the Federal or vice versa. Similarly, if Govt/RCS nominated directors sits on the Boards of different societies, this will not amount to common interest for the purpose of clubbing of positions.

2. As a practice of good corporate governance, the companies now have independent directors on their Board with no financial interest in the company. Similarly, companies also have Govt/Financial Institutions nominated Directors without any financial interest in the company. In such cases, when the Directors don't have any financial interest in the company. In view of the same, the position of such companies/corporates may not be clubbed just because they have common directors

Reference:

- Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-003/2017/014 dated January 16, 2017
- Circular no. NCDEX/RISK-037/2016/244 dated September 28, 2016

5. LEVY OF PENALTIES - VIOLATIONS OF OPEN INTEREST LIMITS

Penalty shall be levied on those breaching the position limits at **end of the day** as well as during **intra-day trading**.

The following penal provisions are made to discourage/ prevent open interest violations at Commodity level / near month contract level -

1. Monetary penalty on the concerned member for violations in the open interest (either on own account or on account of clients) are linked to the quantum/ value of violation committed and to be charged from the concerned member for each such violation as under:

   a. Where the violation is more than 2% of the prescribed limit(s) – Limit exceeded x Closing price x number of days such violation continued x 2% (0.02) or Rs. 10,000/- whichever is higher.
   b. Where the violation is up to 2% of the prescribed limit(s) – Limit exceeded x Closing price x number of days such violation continued x 2% (0.02) or Rs. 10,000/- whichever is lower.
   c. The member has to ensure reduction in position and to bring it within the prescribed limit(s) by the next trading day after the day of violation. In case such violation continues, the Exchange would square-off the excess position without any further notice to the member by putting the orders on behalf of the member in that client code and will not be responsible for the consequences of such action.

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2. In case, the instance at 1 (a) above is observed for more than 3 times in a month across the market, the Exchange would suspend the concerned member for a period of one week.

3. In case, the instance at 1 (b) above is observed for more than 6 times in a month across the market, the Exchange would impose a monetary penalty as below, (Limit exceeded) X (closing price of the day) X (number of days such violation continued) X 2% (0.02) or Rs. 10,000, whichever is higher.

4. The monetary penalty as stated above, will be credited to the Investor Protection Fund of the Exchange.

Reference:

➢ Circular no. NCDEX/TRADING-101/2016/257 dated September 28, 2016

6. CLIENT CODE MODIFICATION

Members are provided with the facility of Client Code Modifications for rectification of errors in entering client codes at the time of order entry.

The Exchange may waive penalty for a client code modification where the member is able to produce evidence to the satisfaction of the exchange to establish that the modification was on account of a genuine error.
Not more than one such waiver per quarter may be given to a member for modification in a client code.

Explanation: If penalty wavier has been given with regard to a genuine client code modification from client code AB to client code BA, no more penalty waivers shall be allowed to the member in the quarter for modifications related to client codes AB and BA.
Proprietary trades shall not be allowed to be modified as client trade and vice versa.

The Exchanges shall undertake stringent disciplinary actions against the members who undertake frequent client code modifications.

The penalty shall be levied as under:

'a' as % of 'b'	Penalty as % of 'a'
≤ 5	1
> 5	2

Where

a = Value (turnover) of non-institutional trades where client codes have been modified by a trading member in a segment during a month.

b = Value (turnover) of non-institutional trades of the trading member in the segment during the month.

The Exchange shall conduct a special inspection of the trading member to ascertain whether the modifications of client codes are being carried on as per the strict objective criteria set by the Stock Exchange, if 'a' as % of 'b', as defined above, exceeds 1% during a month and take appropriate disciplinary action, if any deficiency is observed.

On December 02, 2024, updated framework for Client Code Modification penalty was prescribed, which interalia included following:

- Shifting of any trade to the "Error" account of the trading member shall not be treated as modification of client code, provided the positions arising out of trades in error account are subsequently liquidated/closed out in the market and not shifted to some other client code.
- Liquidating of trades done in wrong client code before transferring to ERROR account and then transferring both legs to ERROR account: Rs. 10,000 per month.
- Penalty for modification of client code from ERROR account to another client Code: 2% of traded value
- Penalty for holding Open position for more than 3 working days in ERROR account: If the value of modified trades is less than 5% of the total trade value of member than penalty would be 1% otherwise it would be 2%.
- Institutional Trade Modification Penalty: If the value of modified trades is less than 5% of the total trade value of member than penalty would be 1% else 2%.

Reference:

➢ Circular no. NCDEX/TRADING-041/2016/093dated April 25, 2016

➢ Circular no. NCDEX/TRADING-033/2016/072 dated April 06, 2016

➢ Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-133/2024 dated December 02, 2024

7. PLACING OF ORDERS AT UNREALISTIC PRICES

It has been observed that some market participants are placing orders repeatedly at unrealistic prices (i.e. at or near Daily Price Limit) that are far away from the fair price at that point of time. Such orders may cause false or misleading appearances with respect to the price of the contract.

In view of the above, the members are hereby advised to refrain from such undesirable practices and also ensure that none of their traders/ dealers/ clients indulge in such undesirable practices. Further, the members are advised to implement appropriate internal systems/ checks to restrict placing of orders at unrealistic

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prices. In case such repeated instances are observed, the Exchange may consider to take appropriate action as may be deemed fit against the concerned member.

Reference:

- Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-040/2021 dated July 01, 2021

8. APPLICABILITY OF EVENT BASED ADDITIONAL SURVEILLANCE MARGIN - E-ASM

E-ASM of 2.50% would be applicable on both long and short side in the below listed seven commodities (for all the running as well as yet to be launched contracts) for a period of 15 trading days,

1. Castor Seed
2. Barley
3. Coriander
4. Guar Gum
5. Guar Seed
6. Jeera
7. Turmeric

if top 2 contracts based on Open interest meet price movement criteria as under:

1. A High/ Low variation of 10%, within 5 consecutive trading days
2. A High/ Low variation of 15%, within 10 consecutive trading days

Reference:

- Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-126/2021 dated December 30, 2021
- Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-78/2020 dated September 18, 2020
- Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-010/2019 dated October 17, 2019
- Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-009/2019 dated October 15, 2019

9. PARTICIPATION OF MUTUAL FUNDS IN COMMODITY DERIVATIVES MARKET IN INDIA

As per the regulatory directive in the Exchange circular No. NCDEX/TRADING-014/2019 dated May 22, 2019 and circular no. NCDEX/TRADING- 030/2020 dated June 17, 2020 on 'Participation of Mutual Funds in Commodity Derivatives Market in India, participation of Mutual Funds would be subject to the following:

- Mutual funds are permitted to participate in Exchange Traded Commodity Derivatives (ETCDs) in India, except in commodity derivatives on 'Sensitive Commodities' as defined in SEBI circular no. SEBI/HO/CDMRD/DMP/CIR/P/2017/84 dated July 25, 2017. However, Mutual funds are allowed to participate in Futures contract on Indices irrespective of whether the underlying index has sensitive commodities as its constituents as per Exchange circular no. NCDEX/TRADING-034/2020 dated July 8, 2020.

- Mutual fund schemes participating in ETCDs may hold the underlying goods in case of physical settlement of contracts. The goods so held shall be disposed of by the immediate next expiry day of the same contract series of the said commodity. However, if Final Expiry Date (FED) of the goods falls before the immediate next expiry day of the same contract series of the said commodity, then within 30 days from the date of holding of physical goods.
- No mutual fund scheme shall have net short positions in ETCDs on any particular good, considering its positions in physical goods as well as ETCDs, at any point of time.
- Mutual fund schemes may participate in the ETCDs as 'clients' and shall be subject to all the Rules, Regulations, instructions and position limit norms, etc. issued by SEBI and Exchange from time to time, as may be applicable to clients. The position limits at Mutual fund level will be as applicable to 'Trading Members'.

Any dealings in sensitive commodities or Net short position held in contravention of the aforesaid SEBI circulars will be considered as Open Interest violation. The penal provision as mentioned in Exchange circular no. NCDEX/TRADING-101/2016/257 dated September 28, 2016 on "Levy of penalties – Violations of open interest limits", would be applicable for all the above mentioned open Interest violations. In case of non-compliance of any of the provisions stated in the aforesaid circulars, Exchange may initiate necessary actions as it may deem fit.

Reference:

- Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-065/2020 dated August 05, 2020

10. EARLY PAY-IN FACILITY FOR FARMER PRODUCER ORGANISATION (FPO)

Currently 'Early pay-in' facility is available to the Farmer Producer Organisation (FPO) permitting them to deposit certified goods to the Exchange approved warehouse against relevant futures contracts sold at any time after the start of trading in respective contract. For such short positions against which early pay-in has been made, the Exchange exempts imposition of all types of margins. However, the Exchange continues to collect mark to market margins against such positions.

SEBI and Exchange, pursuant to discussions in the surveillance meeting, have decided that in order to facilitate greater participation of FPOs, the existing facility of exempting imposition of all types of margins be further extended to exempt the collection of mark to market margins for such short positions against which early pay-in has been made.

Reference:

- Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-005/2018/209 dated August 29, 2018

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11. ADDITIONAL MARGIN

Margins imposed on both long and short sides over and above the other margins, would be called as additional margins. Exchanges may levy Additional Margins based on their evaluation in specific situations as may be necessary.

Additional Ad-hoc Margins

Exchanges have the right to impose additional risk containment measures over and above the risk containment system mandated by SEBI. However, the Exchanges should keep the following three factors in mind while taking such action:

a) Additional risk management measures (like ad-hoc margins) would normally be required only to deal with circumstances that cannot be anticipated or were not anticipated while designing the risk management system. If ad-hoc margins are imposed with any degree of regularity, exchanges should examine whether the circumstances that give rise to such margins can be reasonably anticipated and can therefore be incorporated into the risk management system mandated by SEBI. Exchanges are encouraged to analyse these situations and bring the matter to the attention of SEBI for further action

b) Any additional margins that the exchanges may impose shall be based on objective criteria and shall not discriminate between members on the basis of subjective criteria.

c) Transparency is an important regulatory goal and therefore every effort must be made to make the risk management systems fully transparent by disclosing their details to the public.

Reference:

➢ Circular no. NCDEX/RISK-022/2015/319 dated October 05, 2015

12. REGULATORY DISCLOSURES

SEBI through various circulars has prescribed certain norms regarding disclosures by Stock Exchanges on their website for commodity derivatives segment. The exchange from time to time disseminates the data pertaining to the trading in the derivative segments for the information of the market.

❖ Top 10 Trading clients in order of maximum Open Interest

The data relating to Top 10 Trading clients in order of maximum Open Interest updated on daily basis. The website link of the disclosure is as follows;

https://www.ncdex.com/reports/top-10-trading-clients-in-order-of-maximum-open-interest

Reference:

➢ Circular no. NCDEX/COMPLIANCE-017/2016/241 dated September 28, 2016

❖ Disclosure of Category-wise OI turnover at Commodity Level

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The data contains the details of open interest and turnover by each category of participants as on T-1 day. The members are required to obtain self-declaration from their clients on commodity wise categorization and update the client category for each commodity based on self-declaration through a file upload on the web extranet. Further, members are requested to review and reassure themselves about the declaration provided by their clients and ensure that the correct categorization details are uploaded. The website link of the disclosure is as follows;
https://www.ncdex.com/reports/disclosure

Reference:

- ➢ Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-046/2021 dated August 13, 2021
- ➢ Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-006/2019 dated June 11, 2019
- ➢ Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-001/2019 dated January 07, 2019

❖ Top Participants/Members at Commodity Level

The data contains percent of Open Interest of top participants/group of participants/member wise at Commodity Level. The website link of the disclosure is as follows:
https://www.ncdex.com/reports/disclosure

Reference:

- ➢ Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-001/2019 dated January 07, 2019

❖ Market Wide Position Limits

The data shows daily Exchange wide position applicable OI limits at Commodity Level. The website link of the disclosure is as follows;
https://www.ncdex.com/reports/disclosure

Reference:

- ➢ Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-001/2019 dated January 07, 2019

❖ Disclosure related to Deliverable Supply and Position Limits Calculation for Agricultural Commodity Derivatives:

In order to provide necessary information about Deliverable Supply and Position Limits to the stakeholders, SEBI has prescribed that the Exchanges shall prominently disseminate on their websites the details of five year average deliverable supply, current year deliverable supply,

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source of data, categorization of the commodity, position limits etc. for each of the commodity traded on their exchange.

The website link of the disclosure is as follows;

https://ncdex.com/reports/deliverable-supply-and-position-limits-calculation

Reference:

- Circular no. NCDEX/RISK-010/2018/148 dated June 15, 2018

13. MEASURES TO INSTILL CONFIDENCE IN SECURITIES MARKET – BROKER'S INSTITUTIONAL MECHANISM FOR PREVENTION AND DETECTION OF FRAUD OR MARKET ABUSE - UPDATE

SEBI vide its circular SEBI/HO/MIRSD/MIRSD-PoD-/P/CIR/2024/96 dated July 04, 2024 and Exchange vide its circular NCDEX/COMPLIANCE-051/2024 dated 8 July 2024 titled 'Measures to instil confidence in securities market – Brokers' Institutional mechanism for prevention and detection of fraud or market abuse'. According to that, stock brokers shall comply with the following obligations /mechanisms as laid down in Chapter IVA of the Broker Regulations:

- Systems for surveillance of trading activities and internal controls
- Obligations of the stock broker and its employees
- Escalation and reporting mechanisms
- Whistle Blower Policy

As required in the SEBI circular, a Guidance Note is provided to:

- Recommend best practices to be adopted by the Trading Member for effective trade Surveillance operations;
- Describe some common types of market abuse practices and how to identify them; and
- Provide an accountability matrix for different types of suspicious behavior.

Reference:

- Circular no. NCDEX/COMPLIANCE-051/2024 dated July 08, 2024
- Circular no. NCDEX/SURVEILLANCE & INVESTIGATION-002/2025 dated January 02, 2025

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