



CIRCULAR

SEBI/HO/CDMRD/DNPMP/CIR/P/2019/84

July 26, 2019

To,

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

Dear Sir / Madam,

Sub: Guidelines for Liquidity Enhancement Scheme (LES) in Commodity Derivatives Contracts

1. SEBI vide circular [SEBI/HO/CDMRD/DMP/CIR/P/2018/55](#) dated March 26, 2018 had issued guidelines for LES in Commodity Derivatives Contracts subject to certain conditions stipulated vide Circular No. [CIR/MRD/DP/14/2014](#) dated April 23, 2014.
2. The manner in which exchanges can provide LES under the extant circular No. [CIR/MRD/DP/14/2014](#) dated April 23, 2014 is as under:
 - '5.1. *Discount in fees, adjustment in fees in other segments or cash payment - The incentives during a financial year shall not exceed 25% of the net profits or 25% of the free reserves of the stock exchange, whichever is higher, as per the audited financial statements of the preceding financial year.*
 - 5.2. *Shares, including options and warrants, of the stock exchange - The shares that may accrue on exercise of warrants or options, given as incentives under all liquidity enhancement scheme, during a financial year, shall not exceed 25% of the issued and outstanding shares of the stock exchange as on the last day of the preceding financial year. Further, the stock exchange shall ensure that this is in compliance with the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 at all times.'*
3. An exchange in early years of its formation/commencement of business may not be able to generate profits or have free reserves from business operations. In this regard, it has now been decided to exempt such exchanges, during their first five years of operation from the date of SEBI's approval for commencement /



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

recommencement of their business, from the applicability of clauses 5.1 and 5.2 of said SEBI circular No. [CIR/MRD/DP/14/2014](#) dated April 23, 2014, subject to adherence to the following conditions:

- 3.1. The yearly incentives that such an exchange can earmark for LES shall not exceed 25% of the audited net-worth of the said exchange as on the last day of the previous financial year.
 - 3.2. Such exchange shall create a reserve specifically to meet its LES incentives/expenses and transfer funds to such reserve accordingly. However, such reserves shall not be included in the calculation of Exchange net worth.
 - 3.3. Such exchange however shall continuously comply with the minimum net-worth requirement as per Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018.
4. The provisions of this circular shall be effective from the date of this circular.
 5. 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.
 6. Exchanges are advised to:
 - i. 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.
 - iii. communicate to SEBI, the status of the implementation of the provisions of this circular
 7. This circular is available on SEBI website www.sebi.gov.in under the category “Circulars” and “Info for Commodity Derivatives”.

Yours faithfully,

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