



CIRCULAR

SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/64

May 29, 2024

**The Managing Directors / Chief Executive Officers
All Recognised Stock Exchanges and Clearing Corporations having Commodity
Derivatives Segment**

Sir / Madam,

**Subject: Modification in requirement of inspection of accredited warehouses
by Clearing Corporations**

1. SEBI vide 'Master Circular for Commodity Derivatives Segment' dated August 04, 2023 has issued various requirements for stock exchanges and clearing corporations for compliance in commodity derivatives segment. Para 12.16 of aforementioned Master Circular deals with requirements pertaining to inspection / audit of accredited warehouses by Clearing Corporations.
2. As per Para 12.16 of aforementioned Master Circular, there is requirement for clearing corporations to conduct independent audit of the goods and other facilities in the storage facilities by engaging expert agencies, at regular intervals. Further, the requirement states that such inspection shall be carried out in each storage facility, at least twice in a calendar year, with a gap of not more than six months between two inspections/audits of same storage facility. However, in case there are NIL stocks in an accredited storage facility during preceding six months, the Clearing Corporations would be exempted from requirement of inspection by independent agency.
3. The clearing corporations have stated that if stocks are received, especially during end of the calendar year, the requirement of inspecting at least twice in a year leads to inspection being carried out at relatively shorter intervals. Therefore, such requirement becomes unproductive and hence inspection by an independent agency may be made in line with stocks deposited at warehouse. Clearing Corporations have therefore suggested rationalising the periodicity of inspection of accredited warehouses.

4. Based on the request from clearing corporations and with an aim to further advance the cause of ease of doing business, it has been decided that the requirement of two inspections in a calendar year may be done away for accredited storage facility with 'Nil' stock, continuously during preceding six months. In these cases, the number of inspections by an independent agency may be limited to 'once in a calendar year'.
5. Additionally, it has been decided that the requirement of inspection by an independent agency may also be done away with, in case there is 'Nil' stock in an accredited storage facility continuously during the calendar year". However, to ensure readiness of accredited warehouse/s to accept new deposits, it is emphasized that requirement of periodic (in-house) inspection by clearing corporation, as stated in Para 12.16.1 of Master Circular, shall continue to apply.
6. Accordingly, the requirement stated in Para 12.16.2 (ii) of Master Circular for Commodity Derivatives Segment dated August 04, 2023 is modified as follows:

"12.16.2 (ii)
Such inspections shall be carried out in each accredited storage facility, with a gap of not more than six months between two inspections/audits of same storage facility. However, in case there are NIL stocks in an accredited storage facility during preceding six months, the number of such inspections may be limited to once in a calendar year. Only in the event, there are NIL stocks in an accredited storage facility continuously during the calendar year, the Clearing Corporations would be exempted from requirement of inspection by independent agency.

In case of NIL inspection by independent agency in previous calendar year, the clearing corporation shall ensure the compliance of Para 12.16.1 (Chapter 12 of the Master Circular) before allowing accredited warehouse to accept new deposits."
7. The circular shall be effective from calendar year 2024.
8. 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.
9. The Circular is issued with the approval of the competent authority.

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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