

## SEBI allows participation of portfolio managers in Commodity Derivatives Market

In order to promote institutional participation in the Exchange Traded Commodity Derivatives, SEBI has permitted Category III Alternative Investment Funds to participate in Exchange Traded Commodity Derivatives vide Circular dated June 21, 2017. In furtherance to this objective, and in supersession to Circular SEBI/HO/CDMRD/DMP/P/CIR/2016/100 dated September 27, 2016 Portfolio Managers are now permitted to participate in Exchange Traded Commodity Derivatives on behalf of their clients.

The participation of Portfolio Managers in the exchange traded commodity derivatives would be subject to the following:

- Portfolio Managers may participate in Exchange Traded Commodity Derivatives on behalf of their clients and such participation shall be in compliance with all the rules, regulations including SEBI (Portfolio Managers) Regulations, 1993 and circulars/guidelines and position limit norms as may be applicable to 'clients', issued by SEBI and Exchanges from time to time
- Portfolio Managers may participate in Exchange Traded Commodity Derivatives after entering into an agreement with the clients. Portfolio Managers may execute addendums to the agreement with their existing clients, permitting the Portfolio Managers to participate in the Exchange Traded

Commodity Derivatives on their behalf.

- Portfolio Managers shall provide adequate disclosures in the Disclosure Document as well as the agreement with the client pertaining to their participation in the Exchange Traded Commodity Derivatives, including but not limited to the risk factors, margin requirements, position limits, prior experience of the Portfolio Manager in Exchange Traded Commodity Derivatives, valuation of goods etc
- In case dealing in Commodity derivatives lead to delivery of physical goods, there is a possibility that, the Portfolio Manager remains in possession of the physical commodity. In such cases, the goods need to be disposed off at the earliest, within the timelines as agreed upon between the client and the Portfolio Manager. The responsibility of liquidating the physical goods shall be with the Portfolio Manager.
- Since Foreign Portfolio Investors are not allowed to participate in the Exchange Traded Commodity Derivatives market, Portfolio Managers shall not onboard Foreign Portfolio Investors until such time as they are permitted to participate in Exchange Traded Commodity Derivatives market
- Portfolio Managers shall also provide periodic reports to the clients as per Regulation 21 of SEBI (Portfolio Managers) Regulations, 1993 regarding their exposure in Exchange Traded Commodity Derivatives.
- Portfolio Managers shall report the exposure in Exchange Traded Commodity Derivatives under the heading of 'Commodity Derivatives' in the monthly reports submitted to SEBI

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Warm Regards,



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