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**Master Circular – Products**

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In terms of provisions of the Rules, Bye-Laws and Business Rules of the Exchange, Members of the Exchange are notified as under:

The Exchange from time to time has issued various circulars / directions to members. In order to enable the users to have access to all the applicable circulars in one place, a Master Circular in respect of Products is attached herewith.

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

In case of any inconsistency between the Master Circular and the applicable circulars, the content of the relevant circular shall prevail.

Notwithstanding in 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- a) Anything done or any action taken or purported to have been done or taken under such revised/ rescinded process including but not limited to any regulatory inspection/ investigation or enquiry commenced or any disciplinary proceeding initiated or to be initiated under such rescinded/ revised process or rescission, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular.
- b) The previous operation of the rescinded process or circular or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred thereunder, any penalty incurred in respect of any violation of such rescinded process or circulars, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded process or circulars have never been rescinded.

For any further clarifications, members may contact the product management department at [pmt@mcxindia.com](mailto:pmt@mcxindia.com) /Tel No. 022-6731 8888.

All Members and their respective constituents are requested to take note of the same.

Ashish Bhagtani  
Senior Manager-Product Management Team

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## Master Circular for Products

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## **1. Permission for trading in futures contracts and modification in contract specifications at exchange level<sup>1</sup>**

All proposals of exchange for launch of new contract and/or for renewal of existing/earlier contracts shall be accompanied by complete information covering all the points delineated in the checklist mentioned in the SEBI Circular.

Approval for continuous trading in futures contracts is contingent upon volume and open interest at the Exchange. Continuous approval for futures trading in the contracts is subject to the following terms and conditions in the below mentioned circular.

National Commodity Derivatives Exchanges are permitted to modify the futures contract specifications related to Ticker symbol, Basis, Maximum order size, Trading unit, Delivery unit, Quotation base value, Tick size, Delivery centers, additional delivery centers, issue related to Premium/Discount, Quality parameters and its relevant aspects such as Quantity variation and Tolerance limit in the futures contract specifications. The permission to modify the above parameters of the futures contract specifications is subject to the condition that Exchanges shall invariably inform the market participants and the regulator well in advance before introduction of any modification in contract specifications with reasons for the modifications.

For more details, please refer to MCX Circular no: <sup>1</sup>[MCX/T&S/284/2016](#) dated September 21, 2016.

## **2. List of Commodities Notified under SCRA<sup>2</sup>**

List of commodities allowed for commodity derivatives trading as per SEBI guidelines can be referred in the below circular.

For more details, please refer to MCX Circular no: <sup>2</sup>[MCX/T&S/310/2016](#) dated September 28, 2016.

## **3. Introduction of Options in Commodity Derivatives Market<sup>3</sup>**

Commodity Derivatives Exchanges permitted to introduce trading in 'options' contract. Details are in the below mentioned circular.

For more details, please refer to MCX Circular no: <sup>3</sup>[MCX/T&S/321/2016](#) dated September 29, 2016.

## **4. Criteria for Eligibility, Retention and Re-introduction of Derivative Contracts on Commodities<sup>4</sup>**

The commodities which are to be recommended by SEBI for notification by the Government or on which the exchange proposes to launch a contract should pass through some test based upon the objective parameters and upon satisfaction, should be allowed for trading. Details of which are given in the below mentioned circular.

For any commodity to continue to be eligible for Futures trading on Exchange, it should have annual turnover of more than INR 500 Crore across all National Commodity Derivatives Exchanges in at least one of the last three financial years.

For more details, please refer to MCX Circular no: <sup>4</sup>[MCX/PKMT/024/2017](#) dated January 27, 2017.

## **5. Options on Commodity Futures- Product Design and Risk Management Framework/Options on Goods<sup>5</sup>**

For the exchange to launch Options on Commodity Futures. The average daily turnover of underlying futures contracts of the corresponding commodity during the previous twelve months, shall be at least: I. INR 200 crore for agricultural and agri-processed commodities II. INR 1000 crore for other commodities.

On expiry, following mechanism shall be adopted by Exchanges for exercise of the options contracts: All In the money (ITM) option contracts shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so. All Out of the money (OTM) option contracts shall expire worthless. All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner."

Stock Exchanges permitted to launch 'Option in Goods' in their commodity derivatives segment.

For more details, please refer to the below circulars.

<sup>5</sup>[MCX/TRD/177/2017](#) dated June 13, 2017

<sup>5</sup>[MCX/PMT/515/2020](#) dated July 21, 2020

<sup>5</sup>[MCX/TRD/004/2022](#) dated January 05, 2022

<sup>5</sup>[MCX/TRD/042/2020](#) dated 21 January 2020.

## **6. Criteria for Settlement Mode of Commodity Derivative Contracts<sup>6</sup>**

The first preference of settlement type shall always be by the way of physical delivery.

Any exemption from the above i.e. cash settlement of commodity derivatives contract, may be considered only in following scenarios with a proper justification –Physical delivery is difficult to implement due to any reason, which may inter-alia include the following: commodity is intangible, commodity is difficult to store may be due to low shelf life or inadequate storage infrastructure, or it is difficult to physically handle and transport the commodity due to inadequate logistics and transport infrastructure.

For more details, please refer to MCX Circular no: <sup>6</sup>[MCX/PKMT/399/2017](#) dated October 30, 2017.

## **7. Commodities Transaction Tax on Option Contracts with Commodity Futures as Underlying<sup>7</sup>**

Section 116 (7) of Finance Act, 2013 which defines “taxable commodities transactions” has been amended to include “options in commodity futures.

Section 117 and 118 of the Finance Act, 2013 has been substituted to include the following computational mechanism for levy of CTT.

For more details, please refer to MCX Circular no: <sup>7</sup>[MCX/F&A/109/2018](#) dated March 26, 2018.

## **8. Guidelines for Liquidity Enhancement Schemes (LES) in Commodity Derivatives Contracts<sup>8</sup>**

If any commodity derivative product is 'liquid' on any of the exchanges i.e. there is at least one exchange where the average daily turnover in Options or/and Futures on similar underlying commodity is more than or equal to INR 200 crore for agricultural and agri-processed commodity, and INR 1000 crore for non-agricultural commodity during the last six months, then no other exchange is eligible to launch LES on the same derivative product, unless the exchange where the product is liquid, has itself also launched a LES on said product .

Any commodity that is classified as ‘Sensitive Commodity’ by the Exchange, shall not be eligible for LES.

For more details, please refer to MCX Circular no: <sup>8</sup>[MCX/TRD/118/2018](#) dated March 28, 2018.

## **9. Product Advisory Committee<sup>9</sup>**

Stock exchange dealing in commodity derivatives segment shall constitute a Product Advisory Committee (PAC) for each group/complex of commodities having common stakeholders/value chain participants, on which derivatives are traded or being proposed to be traded on the exchange.

The PAC shall meet at least twice a year and more frequently as and when required.

In the PAC meetings at least 50% members (excluding representative from exchange/Clearing Corporation) shall be present, including its chairman or vice chairman (acting chairman).

There should be an annual review of the PAC’s performance by the Regulatory Oversight Committee of the Stock Exchange.

For more details, please refer to MCX Circular no: <sup>9</sup>[MCX/PMT/425/2019](#) dated August 12, 2019.

#### **10. Performance review of the commodity derivatives contracts<sup>10</sup>**

All recognized stock exchanges shall review the performance of all contracts traded on their exchanges, The said performance review shall be conducted on an annual basis for each financial year and shall be disclosed by 30<sup>th</sup> June of the following financial year.

For more details, please refer to MCX Circular no: <sup>10</sup>[MCX/PMT/071/2020](#) dated February 05, 2020.

#### **11. Proposed Expansion of MCX good delivery list to include Indian refineries that meet Exchange-set criteria<sup>11</sup>**

This circular invites all Indian refiners who wish to be part of screening process comprising of audits based on exchange-set criteria.

MCX is actively considering the possibility of acceptance of bullion bars refined by Indian refineries, for delivery via our contracts. This is subject to the refiners' meeting the exchange-set criteria as prescribed by MCX from time to time. This expansion of MCX good delivery list stands approved by the Product Advisory Committee (PAC) at the meeting held on January 9, 2020. Whereas the expansion of MCX good delivery list is subject to further approval as per Regulatory guidelines, to enable parallel processing and subject to such further approvals; we invite details from Indian refiners in the prescribed format appended as Table (Annexure I & Annexure II of Circular no.: MCX/PMT/411/2020) along with a confirmation by way of necessary documents as well as Undertaking, to be part of the screening process including all related audits.

For more details, please refer to MCX Circular no: <sup>11</sup>[MCX/PMT/411/2020](#) dated June 12, 2020.

#### **12. MCX Bullion Good Delivery List expansion - Basic Eligibility Criteria for applicant refiners to be part of Screening process<sup>12</sup>**

Proposed Expansion of MCX good delivery list to include Indian refineries that meet Exchange-set criteria.

The criteria will not Suo-moto create any rights and privileges in favour of the refiner with respect to listing by MCX and MCX will have the final and conclusive say whether to include any refiner in the "MCX GOOD DELIVERY LIST".

For more details, please refer to MCX Circular no: <sup>12</sup>[MCX/PMT/687/2020](#) dated September 21, 2020.

#### **13. MCX Good Delivery Norms for BIS – Standard Gold/Silver<sup>13</sup>**

In continuation of Exchange circular Nos. MCX/PMT/411/2020 dated June 12, 2020 and MCX/PMT/687/2020 dated September 21, 2020, MCX hereby issues the "MCX Good Delivery Norms for BIS – Standard Gold/Silver" Document detailing

the process of empanelment of refiners and the acceptance of delivery towards settlement of MCX bullion contracts.

The Exchange shall notify from time to time the empanelled refiners who have qualified for empanelment as per the aforesaid document and whose products are eligible to be delivered on the Exchange to settle the bullion contracts.

This initiative will go a long way in helping domestic refiners to deliver their products which are in compliance with international quality and process standards. It is also a step in the direction of Atmanirbhar Bharat mission of the Govt. of India

For more details, please refer to the below circular.

<sup>13</sup>[MCX/PMT/057/2021](#) dated January 28, 2021

<sup>13</sup>[MCX/PMT/216/2022](#) dated April 11, 2022.

#### **14. Framework for Utilization of Regulatory Fee Foregone by SEBI<sup>14</sup>**

With a view to encourage the participation by Farmers/Farmer Producer Organizations (FPOs) in agricultural commodity derivatives markets, SEBI has reduced the regulatory fee on Stock Exchanges with respect to turnover in agricultural commodity derivatives. The objective was to reduce the cost burden on farmers/FPOs from the amount saved by the Exchanges due to reduction of regulatory fee. In order to pass on the desired benefits from reduction of regulatory fees on agricultural commodity derivatives, it has been decided that the stock exchanges dealing with agricultural commodity derivatives shall create a separate fund earmarked for the benefit of farmers/FPOs in which, the regulatory fee forgone by SEBI shall be deposited and utilized exclusively for the benefit of and easy participation by Farmers and FPOs in the agri-commodity derivatives market. Any income on investments from the fund shall also be ploughed back into the same fund.

For more details, please refer to the below circulars.

<sup>14</sup>[MCX/PMT/153/2019](#) dated March 22, 2019

<sup>14</sup>[MCX/PMT/780/2020](#) dated October 20, 2020.

#### **15. Design of Commodity Indices and Product Design for Futures on Commodity Indices<sup>15</sup>**

To introduce Futures on Commodity Indices with details on construction of commodity indices as per the guidelines prescribed and futures on commodity indices shall conform to the product design as specified in the circular.

For more details, please refer to MCX Circular no: <sup>15</sup>[MCX/TRD/321/2019](#) dated June 19, 2019.

## **16. Introduction of Options on Commodity Indices Product Design and Risk Management Framework<sup>16</sup>**

To introduce Options on Commodity Indices with the product design and risk management framework to be in conformity with the guidelines prescribed in the circular.

For more details, please refer to MCX Circular no: <sup>16</sup>[MCX/TRD/177/2022](#) dated March 25, 2022.



**List of Circulars**

Sr. No.	Date	Circular No.	Subject
<b>PMT-General Circulars</b>			
1	21 <sup>st</sup> September 2016	<a href="#">MCX/T&amp;S/284/2016</a>	Permission for trading in futures contracts and modification in contract specifications at exchange level
2	28 <sup>th</sup> September 2016	<a href="#">MCX/T&amp;S/310/2016</a>	List of Commodities Notified under SCRA
3	29 <sup>th</sup> September 2016	<a href="#">MCX/T&amp;S/321/2016</a>	Introduction of Options in Commodity Derivatives Market
4	27 <sup>th</sup> January 2017	<a href="#">MCX/PKMT/024/2017</a>	Criteria for Eligibility, Retention and Re-introduction of Derivative Contracts on Commodities
5	13 <sup>th</sup> June 2017 21 <sup>st</sup> July 2020 5 <sup>th</sup> January 2022 21 <sup>st</sup> January 2020	<a href="#">MCX/TRD/177/2017</a> <a href="#">MCX/PMT/515/2020</a> <a href="#">MCX/TRD/004/2022</a> <a href="#">MCX/TRD/042/2020</a>	Options on Commodity Futures- Product Design and Risk Management Framework/Options in Goods
6	30 <sup>th</sup> October 2017	<a href="#">MCX/PKMT/399/2017</a>	Criteria for Settlement Mode of Commodity Derivative Contracts
7	26 <sup>th</sup> March 2018	<a href="#">MCX/F&amp;A/109/2018</a>	Commodities Transaction Tax on Option Contracts with Commodity Futures as Underlying <sup>7</sup>
8	28 <sup>th</sup> March 2018	<a href="#">MCX/TRD/118/2018</a>	Guidelines for Liquidity Enhancement Schemes (LES) in Commodity Derivatives Contracts
9	12 <sup>th</sup> August 2019	<a href="#">MCX/PMT/425/2019</a>	Product Advisory Committee
10	5 <sup>th</sup> February 2020	<a href="#">MCX/PMT/071/2020</a>	Performance review of the commodity derivatives contracts
<b>PMT-Bullion Circulars</b>			
11	12 <sup>th</sup> June 2020	<a href="#">MCX/PMT/411/2020</a>	Proposed Expansion of MCX good delivery list to include Indian refineries that meet Exchange-set criteria
12	21 <sup>st</sup> September 2020	<a href="#">MCX/PMT/687/2020</a>	MCX Bullion Good Delivery List expansion - Basic Eligibility Criteria for applicant refiners to be part of Screening process
13	28 <sup>th</sup> January 2021 11 <sup>th</sup> April 2022	<a href="#">MCX/PMT/057/2021</a> <a href="#">MCX/PMT/216/2022</a>	MCX Good Delivery Norms for BIS – Standard Gold/Silver
<b>PMT-Agri Circulars</b>			
14	22 <sup>nd</sup> March 2019 20 <sup>th</sup> October 2020	<a href="#">MCX/PMT/153/2019</a> <a href="#">MCX/PMT/780/2020</a>	Framework for Utilization of Regulatory Fee Foregone by SEBI

PMT-Index Circulars			
15	19 <sup>th</sup> June 2019	<a href="#">MCX/TRD/321/2019</a>	Design of Commodity Indices and Product Design for Futures on Commodity Indices
16	25 <sup>th</sup> March 2022	<a href="#">MCX/TRD/177/2022</a>	Introduction of Options on Commodity Indices Product Design and Risk Management Framework