CIRCULAR

HO/47/16/13(5)2026-MRD-POD1/ I/20735/2026 **September 09, 2026**

To,

The Managing Directors / Chief Executive Officers,

All Recognized Stock Exchanges having Commodity Derivatives Segment

Sir / Madam,

Sub: Review of Position Limits for Clients and Penalty Provisions for Violation / Breach of Position Limits for Commodity Derivatives Segment

1. The norms relating to position limits in the commodity derivatives segment are prescribed under Chapter 3 of SEBI Master Circular for Commodity Derivatives segment dated Aug 04, 2023. The current position limits were introduced in 2017, aligned with market conditions prevailing at that time. SEBI has been receiving representations to review the position limit norms applicable for agri commodity derivatives, as prescribed under Para 3.5.2 of the aforesaid circular. Further, representations have been received for capping of penalty for position limit violation as prescribed under Para 3.4.3.

2. Accordingly, based on representations received from stakeholders, recommendations by the Working Group (WG) on 'Review of current regulatory norms applicable to Agri Commodity Derivatives Segment' and CDAC and public comments received, and with the objective of facilitating Ease of Doing Business, it has been decided to modify the following provisions contained in Paragraph 3.4.3 and Paragraph 3.5.2 of the aforesaid circular:

   2.1. **Position Limit Violation:**

   Annexure J under sub-para (ii) of Para 3.4.3 regarding "Monitoring of Position Limits" of Chapter 3 of the SEBI Master Circular dated Aug 04, 2023, stands revised as under:

Penal provisions for position limit violation – Annexure J

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 at Client level in the open interest (either on own account or on account of clients/clubbed client level) are linked to the quantum/value of violation committed and to be charged from the concerned member for every day of 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. 2,00,000/- whichever is lower.*

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.*

   (Option penalty computed based on near calendar month underlying future close price)

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 square-off.*

(2) In case, the instance at 1(a) above is observed for more than 3 times for a trading member in a calendar month, the Exchange would put the concerned member on square off mode for a period of one day, if the violation is on account of the same commodity.

(3) In case, the instances above including 1(a) and 1(b), are observed for more than 3 times for a trading member in a calendar month, a penalty equivalent to the penalty charged for the said open interest violation would also be additionally imposed on

trading member. However, the trading members shall be exempted from the imposition of such additional penalty where the open position violation arises exclusively on account of clubbing of positions.

(4) Further, in case repeated violations of such nature are observed by SEBI, SEBI may consider action against the concerned member.

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

2.2. **Definition of 'Broad Commodity':**

The definition of 'Broad Commodity' under Paragraph 3.5.2(i)(b) of Chapter 3 of the SEBI Master Circular dated Aug 04, 2023, stands modified as under:

An agricultural commodity will be classified as 'Broad Commodity' if it is not a 'Sensitive Commodity' and satisfies the following criteria:

Average deliverable supply for past five years is at least 10 Lakh Metric Ton (MT) in quantitative terms or is at least INR 5,000 Crore in monetary terms.

2.3. **Client Level Numeric Position Limits:**

Paragraph 3.5.2(iii) of Chapter 3 of the SEBI Master Circular dated Aug 04, 2023, stands revised as under:

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	*2% of the deliverable supply*
Narrow	*1% of the deliverable supply*
Sensitive	*0.5% of the deliverable supply*
The numbers arrived based upon above formula should be rounded off downward to appropriate number of zeroes.	

The commodities which may shift from narrow category to broad category post change in definition of broad category, shall initially retain position limit of 1% for one year. Thereafter, pursuant to a review by the exchange and upon satisfaction, the exchange may increase the position limit of such commodities to 2% as per the applicable position limits for the broad category.

3. The circular shall come into force with immediate effect.

4. The Exchanges are advised to:
   4.1. take necessary steps and put in place necessary systems for implementation of the above.
   4.2. make necessary amendments to the relevant bye-laws, rules and regulations, wherever required, for the implementation of the above; and,
   4.3. bring the provisions of this circular to the notice of the market participants (including investors) and disseminate the same on their web.

5. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act 1992, read with Regulation 51 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

6. The Circular is issued with the approval of the competent authority.

7. 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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