

**NATIONAL COMMODITY CLEARING LIMITED**

Circular to all Members and Participants

Circular No. : NCCL/LOGISTICS/003/2021

Date : May 21, 2021

Subject : Guidelines for warehousing norms for agricultural/agri-processed goods and non-agricultural goods (only base/industrial metals) underlying a commodity derivative contract having the feature of physical delivery

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This is in continuation to our circular no. NCCL/LOGISTICS-002/2021 dated April 19, 2021 on guidelines for warehousing norms issued by SEBI for agricultural/agri-processed goods and non-agricultural goods (only base/industrial metals) underlying a commodity derivatives contract having the feature of physical delivery.

In terms of the Bye-laws, Rules and Regulations of NCCL and in terms of the above mentioned circular, the revised warehousing norms which shall come into effect from June 1, 2021 are given in Annexure.

Members, Participants and Warehouse Service Providers of NCCL are requested to take note of the same.

For and on behalf of  
**National Commodity Clearing Limited**

Sachin Pundle  
Vice President

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**A. Accreditation of Warehouse Service Provider (WSP)**

- a. For accreditation of WSPs, NCCL shall publish open advertisements in leading newspapers and/or put up the same on its website and follow transparent selection process thereafter. The selection process to be followed for such accreditation shall be displayed on the website of NCCL before the process begins. NCCL shall ensure that the applications of the WSPs are processed within a stipulated time frame.

*Note: For the purpose of this Circular, a WSP is an entity which provides a storage facility for storing underlying goods related to a commodity derivatives contract.*

- b. The WSP shall ensure that it has obtained the required registrations of the proposed storage facility from WDRA for commodities notified by WDRA and for other commodities under applicable law/s and the same shall be intimated by it to NCCL prior to providing the storage services to the Clearing Corporation.

*For the purpose of this Circular, Storage Facility, depending on the nature of the commodity, may include warehouses, silos, cold storages, sheds, tanks, pipelines, marine vessels, open storage areas, or other forms of storage as appropriate to a physically deliverable good for settlement of commodity derivatives contracts traded on recognised stock exchanges.*

- c. The accreditation of the WSPs shall be done with the approval of the relevant Committee of the Board of NCCL in terms of the SECC Regulations, 2018.
- d. A WSP can be accredited with more than one Clearing Corporation. In such case, the Clearing Corporation shall not mandate that its WSP cannot provide services to other Clearing Corporations.
- e. A storage facility of a WSP may be utilized by more than one Clearing Corporation with proper segregation, demarcation and putting in place appropriate risk management procedures. However, the same storage facility shall not be utilized by more than one Clearing Corporation for the same commodity.
- f. The accreditation of a WSP shall remain valid until:
  - i. it is surrendered by the WSP and accepted by NCCL; or
  - ii. cancelled by NCCL.

**B. Eligibility and Experience of WSP / Promoters / Promoter Group of WSP**

- a. A WSP shall be a body corporate which is in warehousing business.
- b. The Promoters / Promoter Groups of the WSP should be responsible persons / entities of repute with a good business reputation and credibility.

- c. The Promoters / Promoter Groups of the WSP should be in the business of public warehousing for at least 3 years as on the date of their application and have knowledge of, and experience in, generally accepted warehousing and handling practices for commodities for which they propose to provide their services.
- d. However, NCCL in its discretion, may relax the norm of 3 years stated in Para B (c) above, provided that the WSP or its promoter/promoter group:
- i. Meets all other criteria
  - ii. Submit an undertaking that they shall comply with any additional norm that may be specified by NCCL within the time frame as may be specified by NCCL or meet 3 years' criterion whichever is earlier.
- e. WSP / Promoters / Promoter Group of WSP shall have no record of serious violation of law of land including that of laws governing warehousing / securities markets; or being expelled by any Clearing Corporation/stock exchange in last three years. NCCL can take an appropriate undertaking from the WSP in this regard.

### C. Financial Soundness of the WSP

#### a. Share Capital

- i. An accredited WSP shall have subscribed and paid-up share capital of at least ₹ 10 crores.

#### b. Net-worth

- i. An accredited WSP shall meet the following net-worth criteria: -

**Table 1: Net worth Requirement**

	Type of Goods	Number of Goods	Minimum net worth
A	Agricultural / Agri-processed	1	₹ 10 crores
		More than 1	₹ 50 crores
B	Base / Industrial Metals	1	₹ 10 crores
		More than 1	₹ 50 crores
C	Composite*	NA	₹ 50 crores
	<i>*Composite means combination of A and B</i>		

- ii. In case of reduction in net worth of WSPs below the stipulated requirement, a time period of six months may be allowed to the WSPs to augment the net worth. In the event the WSP is unable to augment the net worth to the requisite level within the allowed time

frame, NCCL shall ensure that WSP does not carry out any new business related to commodity derivatives market. NCCL shall take suitable measures, which are disclosed on its website for public information, with respect to the existing goods handled by such WSP.

iii. The value of the goods stored in the accredited storage facilities of WSP shall not, at any point of time, exceed 33 times the net worth of the WSP, irrespective of the number of Clearing Corporations being served by the WSP. The WSP shall provide suitable information to NCCL in this regard.

iv. The net worth of the WSP shall be calculated in the following manner.

*"the aggregate value of paid up equity share capital plus free reserves (excluding statutory funds, benefit funds and reserves created out of revaluation) reduced by the investments in businesses, whether related or unrelated, aggregate value of accumulated losses and deferred expenditure not written off, including miscellaneous expenses not written off."*

v. The WSPs shall submit the following documents to NCCL:

- the unaudited quarterly financial statements for all the quarters of a financial year, within 45 calendar days.
- unaudited net worth certificate duly certified by the statutory auditor of the WSP, on half yearly basis i.e. at the end of every March and September, within 45 calendar days.
- the audited Annual Financial Statements along with audited net worth certificate to NCCL within six months of the end of Financial Year.

**c. Security Deposit (SD)**

i. The accredited WSP has to furnish a refundable security deposit to NCCL wherein:

- Such security deposit shall be a minimum amount of ₹ 50 lakhs.
- Such security deposit shall be in the form of Cash / Bank Fixed Deposits / Bank Guarantee.

ii. Security deposit shall not be released until six months after cancellation or surrender of the accreditation of the WSP or until after satisfaction of every claim against the deposit, whichever is later.

**d. Financial Security Deposits (FSD)**

i. The WSP shall furnish refundable FSD for all goods on incremental basis in addition to the security deposit as under: -

**Table 2: FSD Requirement**

Type of Goods	Value of Goods stored	Minimum FSD
Agricultural/ Agriprocessed	Up to ₹250 crores	2% of the aggregate value of stored commodities
	Between ₹ 250 crores and ₹500 crores	₹ 5 crores + 3% of aggregate value of stored commodities exceeding ₹ 250 crores
	Above ₹ 500 crores	₹ 12.5 crores + 4% of the aggregate value of stored commodities exceeding ₹ 500 crores
Base / Industrial Metals	NA	0.5% of the aggregate value of stored commodities

- ii. NCCL based on its risk assessment, can decide on restricting the amount of FSD to ₹ 100 Crores from each WSP.
- iii. The FSD shall be in the form of liquid assets with applicable haircuts and concentration limits as listed below: -

**Table 3: Composition of FSD**

Type	Minimum haircut	Limits
Cash	0	No limit but minimum 10%
Bank Fixed Deposit	0	
Bank Guarantees	0	
Securities of the Central Government	10%	Remaining 90% FSD can be in any combination of the four types of options provided for furnishing the FSD

- iv. A daily monitoring of the FSD vis-à-vis the value of the goods stored shall be done marked to market on replacement value on ongoing basis to ensure that the minimum stipulated FSD are always maintained with NCCL. Based on the risk assessment, NCCL may seek additional FSD over and above the requirement stipulated in Para C (d) (i), if necessary.
- v. In circumstances where there is shortfall in the minimum required FSD due to sudden deposit of commodities in large quantity towards the end of the day, NCCL can allow the WSPs to replenish the FSD within three trading days.
- vi. Subject to the above, the WSPs are required to maintain at all times, a minimum deposit of ₹50 lakhs (in form of cash) or as may be specified by NCCL time to time. The cash shall be considered towards liquid assets for computing FSD.

**e. Exposure norms for SD/FSD**

- i. NCCL shall lay down exposure limits (for Bank Fixed Deposit and Bank Guarantees) either in rupee terms or as percentage of the total assets to be received (with respect to SD/FSD) that can be exposed to a single bank directly or indirectly.
- ii. No SD/FSD shall be accepted from a Bank which has a net worth of less than INR 1000 crores and/or is not rated P1 (or P1+) or equivalent, by a recognized credit rating agency or by a reputed foreign credit rating agency.

**f. Coordination between NCCL and WDRA in respect of SD / FSD maintained by the WSPs**

- i. NCCL shall immediately after accreditation of WSP/s, provide the details of WDRA registered warehouses with full details of warehouseman registration, warehouse registration, WSP, address, etc. to WDRA. WDRA will in turn, share the details of security deposit received from these accredited warehouses / WSPs to the respective Clearing Corporations as per the following formats. NCCL shall inform the changes, if any, with respect to accreditation status of these warehouses, to enable WDRA to provide the required information as above. WDRA shall also inform NCCL of any changes, if any, in the security deposit placed by such warehouses/WSPs with WDRA.

**Table 4: Details of Bank Guarantee**

<i>Sr. No.</i>	<i>Name of WSP</i>	<i>BG Number</i>	<i>Bank Name</i>	<i>Branch Name</i>	<i>Date of Issuance (DD/MM/Y YYY)</i>	<i>Maturity Date (DD/MM/Y YYY)</i>	<i>Claim Date (DD/MM /YYYY)</i>	<i>Amount</i>

**Table 5: Details of Fixed Deposit Receipt**

<i>Sr. No.</i>	<i>Name of WSP</i>	<i>FDR Number</i>	<i>Bank Name</i>	<i>Branch Name</i>	<i>Date of Issuance (DD/MM/Y YYY)</i>	<i>Maturity Date (DD/MM/Y YYY)</i>	<i>Amount</i>

- ii. NCCL shall continue to compute FSD requirement as stipulated in Para C (d), above. The deposits placed by WSPs with WDRA for Exchange/NCCL specific outstanding eNWRs shall be considered by NCCL in the calculation of available FSD for the WSP.
- iii. NCCL shall compensate the aggrieved client, in accordance with its rules, regulations etc., by debiting the FSD of WSP held with it, in the following situations:
  - for any such losses that have been appropriately established against the WSP
  - in case of loss arising from any action or inaction of its WSP or on the part of its warehouses that prevents the buyer or seller from exercising, in whole or in part, their rights.

- iv. In case the FSD available with NCCL is not sufficient to compensate for the loss the FSD and the SD maintained by such WSP with WDRA shall be made available to NCCL within 7 days of the release request from NCCL to WDRA, for settlement of the remaining claims.
- v. The settlement of security deposit by WDRA originates only after the goods stored, if any, are disposed of / withdrawn by the holder.
- vi. The discrepancy noted / claim received by any agency (NCCL or WDRA) shall be brought to the notice of other agency irrespective of invoking the security deposit.

#### **D. Fit and Proper Criteria**

- a. The WSP, assayers, Promoters of WSP / assayers, Key Management Personnel (KMPs) of WSPs / assayers responsible for business operation relating to the exchanges / NCCL shall always be 'fit and proper' to carry out business of warehousing.
- b. Such persons have adequate knowledge of, and experience in generally accepted warehousing and handling practices for the goods concerned, and are competent and willing to operate such a warehouse for which the WSP has a valid license/expertise under the appropriate state warehousing laws in respect of the warehouses concerned.

#### **E. Corporate Governance norms for WSP**

##### **a. Management and Employees**

- i. The accredited WSP shall have a professional management team to oversee its functioning and operations.
- ii. The Key Management Personnel (KMPs) of WSP taking care of business operations and warehousing in general shall have adequate knowledge of, and experience in generally accepted warehousing and handling practices for goods for which they are accredited. The WSP shall also ensure that the KMP are competent and willing to operate such a storage facility and do not have any conflict of interest in discharge of their functions.
- iii. The stock exchanges shall ensure that the following entities, are not allowed, either directly or indirectly, to trade in the commodity derivatives segment of the concerned stock exchange in the commodity for which it is accredited by NCCL:
  - WSP
  - Management of WSP (defined as 'key managerial personnel' including whole time directors of WSP and their 'relatives' as per Companies Act, 2013)
  - entities owned or controlled by promoters/management of WSP/Group concerns/associates directly or indirectly or persons 'acting in concert'
- iv. However, based on risk assessment, the stock exchanges may provide exemptions to requirement stated in Para E (a) (iii) above in the following manner:
  - entities stated in Para E (a) (iii) above shall not trade in that specific commodity/commodities at that particular stock exchange where concerned WSP is accredited, in their proprietary account.

- entities which are associated with an accredited WSP, either directly or indirectly, and are providing broking services will be permitted to trade in that commodity on that stock exchange only for their clients (i.e. non-proprietary) subject to stock exchange ensuring that the particular entity does not extend direct/indirect funding to its clients for trading in those commodities.
- v. If the stock exchange is providing exemptions as mentioned in Para E (a) (iv) above, then it should put in place appropriate controls so that the WSPs do not exercise preferential treatment to such entities which may act as disadvantage to other market participants.
- vi. NCCL may obtain, and share with Stock Exchanges, an annual declaration from the compliance officer of WSP to the effect that the WSP/Management of WSP or entities owned or controlled by management of WSP/Group concerns directly or indirectly or persons 'acting in concert' have not traded on exchange. Such declaration may be obtained within a month of end of the financial year.
- vii. The WSP shall ensure that it always has adequate number of competent employees who have the experience, capacity and ability of operating the business without any conflict of interest.
- viii. The WSP shall ensure that its KMPs, shall not disseminate any information that is false or misleading or disclose any confidential information obtained during the course of their dealings with NCCL or their positions on the market or any information received during the course of performance of their duties.
- ix. The WSP shall ensure that the staff / employees who are managing the day-to-day affairs of the warehouses, deployed both in the office of the WSP and in its warehouses, are duly trained on their expected tasks through relevant training programmes or are deputed to attend the certification programme conducted by National Institute of Securities market (NISM).

**b. Compliance officer**

- i. The WSP shall appoint a compliance officer who would be responsible for monitoring the compliance with relevant Act, byelaws, rules and regulations, notifications, guidelines and instructions issued by relevant authorities from time to time.
- ii. The compliance officer would be responsible for ensuring that all applicable norms are followed by the WSP and should issue a declaration to that effect to NCCL, at regular intervals as directed by NCCL.

**F. Know Your Depositor**

- a. The WSP shall comply with Know Your Depositor (KYD) Policy as prescribed by NCCL from time to time.
- b. NCCL and the WSP shall, at any point of time, be able to identify the depositor of the goods deposited in registered warehouses, and the actual beneficiary (in case the depositor and the beneficiary are different) of the deposited/stored commodities.

### **G. PAN requirement**

- a. The WSPs are under obligation to provide to NCCL, the details including PAN numbers of its Promoters, Promoter group entities, its holding/subsidiaries/associates and other related entities, persons 'acting in concert', Key Management Personnel, at the time of accreditation and update the same on periodical basis as mandated by NCCL and whenever any change is noted by WSP, in this regard.

### **H. Facilities & Infrastructure Requirement for WSP**

#### **a. General requirements applicable to all goods**

- i. The WSP shall ensure that the storage facilities provided are under absolute control of the WSP. In case a storage facility is a leased property it should be ensured that no third party including the owner / lessor of the storage facility, has any role to play in the operations and managing the concerned storage facilities operated by the WSP.
- ii. The accredited WSPs shall have reasonable facility and infrastructure for proper handling and storage of commodity as specified under:
  - All its storage facilities are well connected with rail and/or road networks and have sufficient space for parking and movement of loading/unloading vehicles.
  - All its storage facilities have adequate equipment, installed and maintained in good working order, as may be prescribed by NCCL, for the movement of commodities into, out of and within the storage facility.
  - All its storage facilities are physically and operationally suitable for the proper storage of commodities and are of sound construction and in a state of good repair.
  - All its storage facilities provide for a safe work environment;
  - All storage facilities shall have adequate security personnel with required facilities to immediately communicate to NCCL regarding any unlawful entry, burglary, theft or damage or potential loss to the goods deposited with it.
  - All its storage facilities have adequate lighting arrangement as may be prescribed by NCCL.
  - All its storage facilities have adequate firefighting equipment installed within its premises, have fire escapes and fire hydrant points (in case of goods which are inflammable) clearly marked. Further, the employees of the WSP shall undergo training in fire safety and use of firefighting equipment.
  - All its storage facilities have required ventilation, installed and maintained in good working order, as may be prescribed by NCCL, for the proper storage and preservation of quality of goods;
  - Each storage facility has adequate infrastructure for storing the deliverable commodities of commodity derivative contracts which needs to be piled properly in a separate storage area as specified by NCCL thereby providing clear-cut demarcation between Exchange / non- Exchange commodities;
  - All its storage facilities are free from materials and substances that may adversely affect the quality of stored commodities;
  - All its storage facilities to have adequate security as prescribed by NCCL for protection of stored or handled commodities to prevent from tampering or adulteration;
  - All its storage facilities to assign a separate place to store the samples used for inspection / testing for further examination / testing.

- Shall uniformly follow the SOP developed by NCCL with respect to the maintenance, preservation and retrieval of data/records/books of accounts.
- iii. The WSP shall have adequate infrastructure and shall take utmost care in storing commodities in accordance with the climatic conditions and the nature of commodity stored.
- iv. The WSP shall put in place necessary infrastructure for accurate and efficient weighing, sampling, inspection and grading of the commodities deposited in its storage facility and WSP has deployed personnel who have knowledge and experience in sampling, weighing, inspecting and/or grading of commodities.
- v. The WSPs shall always give priority to commodities meant for derivatives contracts delivery while receiving, storing and dispatching goods, in case its warehouse is also permitted to store goods not meant for delivery on exchange platform. The WSP should have internal process that enables it to physically verify, by deputing its officials or through any agencies / experts engaged by it, the goods deposited, the facilities available in such warehouse, or to inspect the level of compliance of the warehousing norms stipulated by NCCL/regulator from time to time.
- vi. The WSP shall be responsible to accept the goods/commodities in warehouses which meets the quantity and quality parameters as per the exchange contract specifications. The WSP shall take necessary steps to maintain the quality and quantity of goods stored in the warehouse, in accordance with the conditions/parameters (for maintaining the quality) as laid down by the exchanges for each of such commodity.
- vii. Further, WSP shall ensure that it has put in place appropriate procedure and controls in place so that there is minimal queuing of deposits/withdrawal at a storage facility.
- viii. NCCL shall ensure that its WSPs have in place, necessary policies, control and system in place for dealing with the risk that may be arising due to the warehouses being used for purposes other than commodity derivatives market.

**b. Requirements applicable for Agricultural & agri-processed commodities**

- i. The WSP shall ensure that each storage facility accredited by NCCL meant for storing the Agricultural and agri-processed commodities shall meet the following conditions in addition to requirements stated in Para H (a) above:
  - The walls, the floor and the roof do not permit water seepage and there is no source of any insect infestation.
  - has a fully fenced perimeter/boundary.
  - are free from materials and substances that may adversely affect the quality of stored commodities;
  - has its own or has access to fumigation facilities/agencies for pest control activities.
  - has assaying/testing facilities for the commodities it intends to render warehousing facility for, or shall undertake to be associated with an assaying/testing agency which may preferably be certified by one or more national/international agencies like NABL

(National Accreditation Board for Calibration and Testing Laboratories), BIS etc., as specified by NCCL.

- ii. WSPs shall take utmost care on daily basis for keeping surroundings for their respective warehouses under vegetation control and for disposal of waste which can otherwise create a favorable habitat for rodents and other pests. WSP should regularly inspect and verify whether rodent control structures in the warehouse are sound and whether there are any pools of water around the facility, which can increase the danger of water seepage into it, and take appropriate remedial steps.

### **c. Requirements applicable for Base Metals/Industrial Metals**

- i. The WSP shall ensure that each storage facility accredited by NCCL meant for storing Base Metals/Industrial Metals shall meet the following conditions in addition to requirements stated in H (a) above:
  - The storage facilities must have a fully fenced perimeter/boundary. Loading and unloading shall always take place within the perimeter/boundary of the warehouse and not in a public area.
  - All its storage facilities are of sound construction and in a state of good repair and floor properly levelled and can bear the load of the weight of the stored metals. The walls, the floor and the roof do not permit water seepage.
- ii. The WSP shall ensure that the ferrous metals are stored in a manner so as to prevent distortion, corrosion, scaling and rusting. They shall be stacked/piled adequately above the ground level.
- iii. The WSP shall ensure that it undertakes to have assaying/testing facilities for the commodities it intends to offer warehousing facility, or shall undertake to be associated with an assaying/testing agency which may preferably be certified by one or more national/ international agencies as specified by NCCL.

## **I. Standard Operating Procedure (SOP) and Standards**

### **a. ISO or other Relevant Standards**

- i. In case NCCL prescribes relevant ISO standards and/or its equivalent, then the WSPs shall comply with relevant ISO standards and/or its equivalent within the timelines prescribed by it.

### **b. SOPs**

- i. The WSP shall ensure that it has a Standard Operating Procedure (SOP) which is process-dependent and not person-dependent. NCCL shall examine the SOPs in respect of all the concerned storage facilities before granting accreditation to such storage facilities.
- ii. The SOP of a storage facility may cover the following but not restricted to:
  - Procedures for acceptance of goods to be deposited
  - Weigh bridge empanelment

- Procedures for weighing, sampling of goods to be deposited as per industry standards, Procedure for verification of commodity and communication to depositors,
  - Procedure for depositing and identifying the Exchange related goods,
  - Procedure for maintaining the quality of the goods stored as per the exchange contract specification,
  - Procedure for Know your depositor requirements,
  - Security policy for ensuring the safety of the goods from theft, burglary etc.,
  - Procedure and guidelines for scientific storage of goods, including stacking etc.,
  - Procedure for losses caused due to theft, fire, burglary, fraud, negligence and force majeure events,
  - Procedure for internal verification of stock,
  - Preservations of Stock – maintenance of godown hygiene, maintenance of warehouse structure, aeration, periodical examination of goods, classification of presence of insects, premonsoon precautions etc.
  - Selection of Location for offering warehousing services
  - Grievance redressal procedures
  - Role and responsibilities of employees (including outsourced employees)
  - Model warehouse agreement format
  - Maintenance of surroundings, infrastructure etc.
- iii. The WSP shall have good internal systems and controls which should meet the operating guidelines, if any, issued by NCCL from time to time. The WSP shall have clear delegation of powers to meet operational requirement.
- iv. The WSP shall ensure that it intimates / notifies in writing to NCCL, if there is any material change in its SOP, prior to making such change.
- v. The WSP shall ensure that it reports to NCCL within three days of initiation of any civil and criminal proceedings by or against it and shall also intimate NCCL if there is probability of any such legal proceedings being initiated involving it, as soon as the same comes to the knowledge of the WSP.

#### **J. Sampling Procedure**

- a. The WSP shall ensure that, wherever assaying is carried out, adequate samples of goods are collected/retained from the goods deposited and are sealed in the presence of the depositor or his authorized representative in accordance with the guidelines issued by NCCL from time to time.
- b. In order to resolve potential disputes arising with respect to the quality of goods, if any, it is advised that at least four samples are taken of which one sample is used for analysis, one is kept with the WSP for comparison purpose, one is given to the depositors while one is kept for record/lab reference purpose.

#### **K. Accreditation of assayers**

- a. NCCL shall follow a transparent process for accreditation of assayers by issuing open advertisement in leading newspapers and/or by putting up the same on the website. The process to be followed for such accreditation shall be displayed on the website of NCCL

before the beginning of the selection process. The accreditation shall be done with the approval of the relevant Committee of the Board of Directors of NCCL in terms of the SECC Regulations, 2018.

- b. NCCL shall conduct independent pre-empnelment due diligence of Assayers by visiting the laboratories and assessing the testing and certification facilities. NCCL shall give preference to the government assayers or to those Assayers who are having testing and certification facilities at various locations across India. In addition to the empanelment of assayers for deployment by the WSPs at their warehouses, NCCL shall also identify and empanel separate independent assayer(s) where the market participants can get their goods/commodities assayed independently, at the time of depositing into or withdrawing such commodities/goods from a warehouse. However, if the original empanelled assayers engaged by WSP at a delivery centre happen to be Government assayer, then the need for empaneling an additional independent assayer may be dispensed with.
- c. NCCL shall ensure that the empaneled assayers work independently, and their operations are governed by Standard Operating Procedures (SOPs) prescribed by NCCL. The assayers shall be preferably certified by one or more national/international agencies like NABL (National Accreditation Board for calibration and testing Laboratories), BIS etc., and shall have the facilities as laid down by NCCL from time to time.

#### **L. Warehouses at delivery centres**

- a. NCCL shall have at least one storage facility at each of the delivery centers (as specified in the contract specification) at the time of launch of contract itself and address of such storage facility shall be disclosed along with the contract specifications by NCCL on its website / by issuance of relevant Circular to market participants.
- b. NCCL may accredit warehouses of a WSP within 100 kms radius of the delivery centers depending on the feasibility and market requirements in respect of all commodities.

#### **M. Insurance**

- a. The WSP whether presently registered with the WDRA or not, shall ensure that it complies with the insurance guidelines/norms issued by the WDRA / NCCL from time to time.
- b. The WSP shall at all times ensure to fully cover under insurance, the value of goods stored at NCCL approved Warehouses against all potential perils relevant to the commodities for which insurance cover is available and necessary.
- c. The WSP shall take insurance cover for risks such as viz. Fire and allied perils including flood, cyclone, earthquake and spontaneous combustion, Burglary and Theft and special perils covering riots, strikes and terrorism (if applicable).
- d. The WSP shall take Fidelity guarantee & crime insurance and Professional indemnity cover in accordance with the guidelines issued by WDRA / NCCL.
- e. The value of goods to be insured should be marked to market on replacement value on an ongoing basis

**N. Embracing new technology**

- a. The Clearing Corporation shall strive to adopt the latest technology for routine and surprise inspections/audits, monitoring and surveillance of the warehouses etc.
- b. The Clearing Corporation shall ensure that to the extent possible the WSP to be accredited by them has adopted or shall adopt the latest technology with respect to the operations of the warehousing business. NCCL may identify the areas where use of latest technology can be mandated by it and provide a timeframe to its WSPs for adoption of the same.

**O. Monitoring / Inspection / Audit**

**a. Periodic inspection/audit by WSPs**

- i. The WSP shall ensure that there is periodic inspection/audit of the storage facilities and the goods stored therein.
- ii. The WSP shall ensure that the staff conducting inspection is independent of the employees / staff deputed at the registered storage facility.
- iii. The WSP shall ensure that the inspection/audit report is submitted to NCCL within 15 days of the completion of such inspection/audit.

**b. Periodic inspection / audit of warehouses by NCCL**

- i. NCCL shall carry out independent audit of the goods and other facilities in the storage facilities by engaging expert agencies, at regular intervals.
- ii. Such inspections shall be carried out in each accredited 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 same would be exempted from requirement of inspection by independent agency.
- iii. Additionally, the audit may also be conducted on risk profiling, as identified by NCCL. For this purpose, NCCL shall form a panel of independent expert agencies and the cost of such audit shall be borne by NCCL.
- iv. The panel of such independent expert agencies for carrying out inspection of warehouses, shall also be reviewed by NCCL from time to time.
- v. NCCL shall have a policy of rotation of such independent expert agencies for carrying out inspection after every 3 years with a provision for 'cooling off' period of 1 year.
- vi. In addition, NCCL shall also conduct in-house physical audit of accredited storage facilities at regular intervals.
- vii. The audit report conducted by independent expert agencies shall be displayed on the website of NCCL within 15 days after the submission of report by the auditor.

- viii. NCCL shall carry out surprise inspections of storage facilities as and when such exigencies arise.
- ix. NCCL shall have a detailed manual for carrying out the audits and inspections of the WSP/ storage facilities concerned.

**c. Monitoring of goods stored at accredited storage facilities by NCCL**

- i. NCCL shall monitor the storage facilities of the accredited WSPs.
- ii. Norms relating to the monitoring of storage facilities shall be placed in public domain by NCCL.
- iii. A deliberation on the continuous functioning, monitoring and compliance of norms by WSPs, storage facilities and assayers may be one of the agenda items in all Board meetings as well as other relevant committee of Board of NCCL in terms of the SECC Regulations, 2018.
- iv. NCCL and WSPs shall ensure that the goods whose final expiry date (FED) i.e. Exchange Deliverable Date (EDD) is over, are removed from the concerned warehouse immediately, but not later than 3 months from the date of the final expiry date. However, it is clarified that WSP shall ensure proper demarcation of goods which have crossed FED and where follow ups have been done may be considered compliance of guidelines by WSPs. If there is space constraint, WSP shall identify new warehouse nearby for deposit of goods.  
  
*Note: For the purpose of this Circular, FED is the date after which the goods cannot be delivered for settlement of derivatives contracts on the exchange platform.*
- v. To further strengthen the process of monitoring, the WSP shall submit the report of the inspections carried out by the statutory authorities like WDRA to NCCL within 2 weeks from the receipt of report by WSPs of such inspection along with their comments.

**d. Physical inspections of goods by beneficiary owner of goods**

- i. The WSP shall ensure that the beneficiary owner of the goods is allowed to physically inspect their goods as and when requested by the holders in accordance with the process put in place by NCCL.
- ii. The request for such physical inspection shall be submitted to NCCL and NCCL after verification and satisfaction of need for such request, shall forward the same to the concerned WSP for allowing such inspection to be completed within a stipulated timeframe.
- iii. Upon receipt of such advice from NCCL, the WSP shall allow the holder/its authorized representatives holding eNWRs or any other electronic receipts/credit balances to do physical inspection of their goods.

**e. Physical reconciliation of goods**

- i. NCCL shall put in place adequate procedures to ensure that the physical counting of goods and their reconciliation with the corresponding electronic records is done on fortnightly basis by its WSPs.
- ii. NCCL shall submit report to SEBI of details of discrepancy observed during the physical reconciliation of goods along with reasons and action taken thereof, on a quarterly basis. Only in extreme cases, in the judgement of NCCL, SEBI may be informed of the discrepancy observed on immediate basis.

**f. Review of WSPs / warehouses**

- i. NCCL shall review and appraise operational performance of each WSP every year. Based on the operational review NCCL may adjust the allocation of commodities and the limit of deliveries at various storage facilities of the concerned WSP in accordance with the results of such performance evaluation and appraisal.
- ii. Additionally, NCCL may carry out quarterly performance review of all warehouses accredited by it, taking into account various performance parameters such as storage facilities, the capacity and appearance of the warehouse, business capabilities, business performance, accounting, the satisfaction level of members/clients, redressal of client grievances, and other factors as NCCL may deem necessary for its review.
- iii. NCCL may take necessary action against WSPs as mentioned in Para (U) of the Circular, if the storage facility is unable to meet the requirements of an accredited storage facility and fails to improve the standard within the stipulated timeframe.

**P. Code of conduct**

- a. NCCL shall frame code of conduct for the WSPs, storage facilities and assayers which shall be disclosed on the website of NCCL.

**Q. Grievance Cell**

- a. NCCL shall have a Grievance Cell to handle the investor complaints.
- b. NCCL shall take proactive steps to resolve client/customer related issues and maintain a record of complaints received and resolved.
- c. NCCL shall require the WSP to report the details of complaints received, resolved by it, pending and action taken on the complaints, once in every fortnight.

**R. Monthly Information System (MIS)**

- a. It is desirable that there should be electronic record of information at the WSP and a MIS system with an arrangement for flow of real time information from the storage facility location to the central MIS and onwards to NCCL electronically. The MIS should have the capability to capture and disseminate information regarding goods being held either storage facility - wise or location-wise, and the availability of space in the storage facilities.

- b. NCCL shall display on its website, the list of accredited warehouses for the deposit of goods for delivery on the exchange platform along with the policy for deposit of such goods. The market participants willing to deposit goods in accredited warehouses shall submit a request to the WSP in accordance with the policy put in place by NCCL for deposit of goods. The WSP shall intimate the depositing participant about the logistic details such as the time, place and storage facility where the goods can be deposited by them. The WSP shall accept the goods for deposits for all such confirmed deposit requests in accordance with the policy put in place by NCCL for deposit of goods.

#### **S. Surrender/Cancellation of accreditation**

- a. The WSP may apply for surrender of its accreditation by submitting the Application for Surrender to the NCCL for evaluation and approval.
- b. NCCL may cancel the accreditation of a WSP if it fails to comply with the provisions of the rules/regulations specified by it and intimate the same to the market participants through Circular. Further, NCCL shall put in place a cancellation policy for WSP in public domain. However, NCCL shall offer the WSP concerned an opportunity of being heard and take a decision on cancellation after considering the explanation of the WSP.
- c. A WSP that surrenders its accreditation, or its accreditation is cancelled, shall attend to the following matters urgently:
  - i. All commodities for delivery towards settlement of derivatives contract shall be dispatched out of the warehouse;
  - ii. All liabilities and debts vis-a-vis the Exchange/Clearing Corporation, Member and Clients shall be settled;
  - iii. There is no obligation on its part to deliver goods to the clients pertaining to their trades on the exchange platform, and
  - iv. No client/customer complaints pertaining to any of its registered warehouses are pending for redressal.
- d. FSD shall be returned in accordance with the rules framed by NCCL, keeping aside 10% of such deposits with NCCL, which shall not be released until six months after cancellation or surrender of accreditation of the WSP or until satisfaction of all claims against the deposits made in its warehouses, whichever is later.
- e. A WSP which surrenders its accreditation with the NCCL shall not be eligible to provide its services to NCCL for a period of 3 years.
- f. Once the accreditation of a WSP is cancelled by a Clearing Corporation then it shall not be eligible to provide its services to any other Clearing Corporation for 3 years.
- g. Adequate notice intimation to general public / clients shall be given by NCCL through widely published newspapers and website etc. before accepting the surrender of WSP or cancellation of the WSP.

#### **T. Business Continuity Plan**

- a. The WSP shall ensure to put in place, a business continuity plan and submits such plan to NCCL.

#### **U. Actions against WSPs**

- a. NCCL may frame norms for its accredited WSPs to rectify or correct their misconduct or misconduct on the part of any of its approved warehouses used for storing goods for delivery on exchange platform. NCCL may also direct the WSPs to indemnify an entity aggrieved by the delivery process of its warehouse or, in serious cases of misconduct/malfeasance, revoke the accreditation of the concerned warehouse or/and hold the WSP accountable for any legal liabilities, if the concerned erring WSP/ warehouse engages in any of the following offences:
  - i. refuses to accept delivery without any bonafide reasons or, issues a falsified certificate of delivery;
  - ii. violates any of the NCCL rules or limits the movement of a deliverable commodity into or out of the warehouse;
  - iii. discloses any confidential business information relating to a buyer or seller of a commodity derivative contract;
  - iv. provide inaccurate or incomplete information to NCCL, conceal the truth of the facts;
  - v. engages in the commodity derivatives trading activities; or
  - vi. any other offence not listed above.

However, the above actions may be initiated only after taking due approval from the relevant committee of Board of NCCL in terms of the SECC Regulations, 2018.

- b. The accredited WSP shall be liable for any losses resulting from any action or inaction on its part or on the part of its warehouses that prevents the buyer or seller from exercising, in whole or in part, their rights. NCCL shall compensate the aggrieved client for any such losses that have been appropriately established by debiting the FSD of WSP held with NCCL, in accordance with its applicable rules, and WSP shall within 7 days replenish the FSD as required.

#### **V. Policy for depositors for rejection of goods**

- a. NCCL shall frame a policy for rejection of goods deposited by the depositors.

#### **W. Disclosures by NCCL**

- a. **Daily disclosure on the following:**
  - i. Details about the storage facility including available and utilized capacity, type of commodity allowed to be stored, location of storage facility etc.
  - ii. Details about storage facility-wise and / or commodity wise details of opening stock, goods deposited and held in transit (inbound and outbound), rejected stock, closing stock, encumbered/pledged stock and stock eligible for delivery on NCCL, name of the warehouse service provider, particulars of acceptance/rejection of goods by the storage

facility concerned, details of empaneled assayers and independent assayers, if any, attached to the storage facility etc., on their websites.

- iii. FED wise stock position in approved warehouses.
- iv. Quantum of goods physically withdrawn by the holders.
- v. Commodity wise %age of deposits held by top 3, 5 & 10 beneficiary owners for commodity as under:

**Table 6: Commodity wise percentage of overall deposits held in various warehouses**

	<b>Commodity A</b>	<b>Commodity B</b>	<b>Commodity C</b>	<b>Commodity D and so on</b>
Top 3				
Top 5				
Top 10				
Others				

**b. Monthly disclosures on the following:**

- i. A summary of number of complaints with status as per the following format:

**Table 7: Summary of WSP wise status of complaints**

<b>WSP wise status of complaints for Month ended</b>			
<b>WSP Name</b>	<b>No. of complaints received during month</b>	<b>No. of complaints resolved during month</b>	<b>No. of complaints pending for month with reasons for pendency</b>

- ii. A summary of nature of complaints received as per the following format:

**Table 8: Summary on nature of complaints**

<b>Month ending</b>					
<b>Nature of Complaint</b>	<b>Name of WSP 1</b>	<b>Name of WSP 2</b>	<b>.....</b>	<b>Name of WSP n</b>	<b>Total</b>

<b>Total</b>					
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- iii. Details of the number of applications received for accreditation of warehouses, Warehouses registered with WDRA during the month, registration pending with WDRA, warehouses pending with Inspecting Agencies, accreditation/registration of warehouses rejected by NCCL/WDRA with reason for the same, etc.
- iv. Details of storage fee and assaying charges.
- v. Details of commodity wise goods deposited in WSP's NCCL accredited warehouse - by WSP, Management of WSP (defined as 'key managerial personnel' including whole time directors of WSP and their 'relatives' as per Companies Act, 2013), entities owned or controlled by promoters/management of WSP/Group concerns/associates directly or indirectly or persons 'acting in concert'.

The above disclosures shall be made available on the website of NCCL latest by 7<sup>th</sup> of the Month.

**c. Other Periodical disclosures:**

- i. Disclosure of the audit report of the WSP within 15 days after the submission of report by the auditor.
- ii. Quarterly Disclosure on average value of various quality parameters of commodities stored
- iii. Commodity wise and WSP wise quarterly disclosure on request of resampling and its results
- iv. Warehouse wise Half yearly disclosure on indicative Load-in and Load-out Rate (Quantity in Metric Ton- MT)
- v. The archives of above reports shall be available on the website of NCCL/stock exchange.