भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/CDMRD/DNPMP/CIR/P/2019/023 January 23, 2019

To,

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

Dear Sir / Madam,

Sub: Alignment of Trading Lot and Delivery Lot size

1. As per the IOSCO Principles for Regulation and Supervision of Commodity Derivatives Markets, with regards the size of delivery unit for physically settled commodity derivatives contracts, "*any deviation from the physical market delivery size or composition should be closely examined to ensure that it does not constitute a barrier to delivery or otherwise impedes the physical delivery of the commodity.*"

2. In the commodity derivatives markets, it is observed that the stock exchanges keep differential "trading lot size" and "delivery lot size" of some commodity derivatives contracts, wherein-
   a. **Trading Lot Size** represents the standard quantity of the underlying commodity corresponding to a single derivatives contract position, i.e. trading can be done only in multiple of the Trading lot size, and
   b. **Delivery Lot Size** represents the standard quantity of the underlying commodity, in multiple of which delivery is permitted after the expiry of the contract.

3. The practice of different trading and delivery lot sizes, at times, puts participants in disadvantageous positions. The matter was discussed in CDAC and based on the recommendation of CDAC it has been decided that the exchanges shall follow the policy of having uniform trading and delivery lot size for the commodity derivatives contracts.

4. An exception to the above may be provided on case to case basis, subject to the recognized stock exchanges submitting detailed rationale including physical market practices, feedback from stakeholders etc., for keeping different lot size for trading and delivery with respect to any contract, to SEBI for approval. In such cases exchanges shall put in place an adequate

mechanism to ensure that no participant is put to disadvantageous position and that it does not constitute a barrier to delivery or otherwise impedes the physical delivery of the commodity.

5. The circular shall be effective from the date of this circular. For existing contracts with different trading lot and delivery lot size, exchanges shall submit their proposal for alignment/exemption to SEBI within one month from the date of this circular in order to comply with the provisions of this circular.

6. This circular is issued in exercise of 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.

7. Exchanges are advised to:

   i. to make necessary amendments to the relevant bye-laws, rules and regulations.
   ii. bring the provisions of this circular to the notice of the stock brokers of the Exchange and also to disseminate the same on their website.
   iii. communicate to SEBI, the status of the implementation of the provisions of this circular

8. This circular is available on SEBI website www.sebi.gov.in under the category "**Circulars**" and "**Info for Commodity Derivatives**".

Yours faithfully,

Vikas Sukhwal
Deputy General Manager
Division of New Products and Market Policy
Commodity Derivatives Market Regulation Department
vikass@sebi.gov.in