



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/CDMRD/DRMP/CIR/P/2021/20

February 23, 2021

To,

**The Managing Directors / Chief Executive Officers,  
All Clearing Corporations having Commodity Derivatives Segment**

Sir / Madam,

**Sub: Pre-Expiry Margin on commodities under Alternate Risk Management Framework**

1. SEBI vide Circular CIR/CDMRD/DRMP/01/2015 dated October 01, 2015 and SEBI/HO/CDMRD/DNPMP/CIR/P/2019/83 dated July 26, 2019, inter alia, had prescribed norms related to Pre-Expiry Margins.
2. In light of an unprecedented event of negative final settlement price in the crude oil futures markets in the recent past, SEBI vide circular [SEBI/HO/CDMRD/DRMP/CIR/P/2020/176](#) dated September 21, 2020 had prescribed an Alternate Risk Management Framework (ARMF) that would be applicable in case of near zero and / or negative prices for any underlying commodities/futures. Pursuant to clause 3.2 of the aforesaid circular, Clearing Corporations had to identify commodities susceptible to the possibility of near zero and negative prices
3. The matter of negative crude oil price event was deliberated upon in the Risk Management Review Committee (RMRC) of SEBI. In this regard, one of the suggestions of RMRC was that Indian Exchanges should consider introducing some mechanism to encourage significant reduction of Open Interest as the contract approaches the expiry date.



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4. In line with the recommendations of the RMRC, it has been decided in consultation with Clearing Corporations that pre-expiry margins shall be imposed on cash settled contracts wherein the underlying commodity is deemed susceptible to possibility of near zero and/or negative prices as identified by exchange/CC under ARMF circular. In case of these contracts, pre-expiry margins shall be levied during the last five trading days prior to expiry date, wherein they shall increase by 5% every day.
5. The circular shall be effective from the first trading day of the month of April 01, 2021.
6. This circular is issued in exercise of the 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. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in).

Yours faithfully,

**Vishal V. Nair**  
**Deputy General Manager**  
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