



CIRCULAR

SEBI/HO/CDMRD/DMP/CIR/P/104

September 28, 2016

To,

**The Managing Directors / Chief Executive Officers
All Commodity Derivatives Exchanges**

Dear Sir / Madam,

Sub.: Introduction of Options in Commodity Derivatives Market

1. At present the only instrument available in the Commodity Derivatives market is futures on individual commodities. Introduction of new commodity derivatives products has been a subject of deliberation as it is considered to be conducive for the overall development of the commodity derivatives market, attracting broad base participation, enhancing liquidity, facilitating hedging and bringing in more depth to the commodity derivatives market.
2. In his Union Budget Speech for the year 2016-17, the Hon'ble Finance Minister announced that "new derivative products will be developed by SEBI in the Commodity Derivatives market".
3. SEBI has constituted a committee of experts known as Commodity Derivatives Advisory Committee (CDAC) to advise SEBI on matters concerning effective regulation and development of the commodity derivatives market. The recommendations made by the CDAC inter alia, on the subject of introduction of new products have been considered and **it has been decided that Commodity Derivatives Exchanges shall be permitted to introduce trading in 'options'**.
4. The Commodity derivatives exchanges willing to start trading in options contracts shall take prior approval of SEBI for which detailed guidelines will be issued in due course.
5. The circular shall be effective from the date of this circular.
6. The Exchanges are advised to:
 - i. take steps to make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the same.



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Securities and Exchange Board of India

- ii. bring the provisions of this circular to the notice of the members 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.
7. 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.
8. 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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