

Info Capsule

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THE INSTITUTE OF
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

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1. EXEMPTION FROM CLUBBING OF INVESTMENT LIMIT FOR FOREIGN GOVERNMENT AGENCIES AND ITS RELATED ENTITIES CIRCULAR No. IMD/FPI&C/CIR/P/2020/07 (Dated 16th January, 2020)

SEBI vide notification dated 19 December 2019 amended the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 and omitted the following regulation:

“Regulation 20 (9)

In cases where the Government of India enters into agreements or treaties with other sovereign Governments and where such agreements or treaties specifically recognize certain entities to be distinct and separate, the Board may, during the validity of such agreements or treaties, recognize them as such, subject to conditions as may be specified by it.”

In line with rule 1(a)(iv) of Schedule II of Foreign Exchange Management (Non-debt Instruments) Rules, 2019 regarding “Investments by Foreign Portfolio Investors”, certain foreign Government agencies and its related entities are exempt from clubbing of investment limit requirements and other investment conditions either by way of an agreement or treaty with other sovereign governments or by an order of the Central Government.

In view of the above, clause 1(x) of Part C of Operational guidelines for FPIs & DDPs and EFIs regarding “Monitoring of investment limit at investor group level” has been amended accordingly. The amended operational guidelines are annexed to the circular and available at https://www.sebi.gov.in/sebi_data/commondocs/jan-2020/circular15_p.pdf.

The Circular is available at: https://www.sebi.gov.in/legal/circulars/jan-2020/exemption-from-clubbing-of-investment-limit-for-foreign-government-agencies-and-its-related-entities_45697.html

2. OPTIONS IN GOODS - PRODUCT DESIGN AND RISK MANAGEMENT FRAMEWORK CIRCULAR NO. SEBI/HO/CDMRD/DMP/CIR/P/2020/05 (Dated 16th January, 2020)

The Central Government, in exercise of the powers conferred by sub-clause (D) of clause (ac) of section 2 of the Securities Contracts (Regulation) Act, 1956 and in consultation with the SEBI, have vide Notification No. [S.O. 3743\(E\) dated October 18, 2019](#) declared a contract for the purchase or sale of a right to buy or sell or a right to buy and sell in future, such underlying goods, as notified vide number S.O. 3068(E), dated the 27th September, 2016, as a derivative for the purposes of the said Act. For ease of nomenclature, the instrument notified vide the said Notification may be called as ‘Option in Goods’.

Stock Exchanges are now permitted to launch 'Option in Goods' in their commodity derivatives segment. This is in addition to 'Options on commodity futures', guidelines which were issued vide SEBI circular [SEBI/HO/CDMRD/DMP/CIR/P/2017/55](#) dated June 13, 2017.

The product design and risk management framework would be in conformity with the guidelines prescribed in Annexure enclosed with this circular.

Exchanges willing to start trading in options contracts with goods as underlying shall take prior approval of SEBI for launching such contracts.

Exchanges shall make necessary disclosures such as open interest of top 10 largest participants/group of participants in "option in goods" (both long and short) and the details of their combined open interest in underlying constituents etc., in line with SEBI circular [SEBI/HO/CDMRD/DNPMP/CIR/P/2019/08](#) dated January 04, 2019 regarding "Disclosures by Stock Exchanges for commodity derivatives" to the public.

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,
- 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

The Circular is available at: https://www.sebi.gov.in/legal/circulars/jan-2020/options-in-goods-product-design-and-risk-management-framework_45692.html