

CONSULTATION PAPER ON DRAFT CIRCULAR ON CLARIFICATION WITH RESPECT TO APPLICABILITY OF THE BENEFIT OF EARLY PAY-IN IN COMMODITY DERIVATIVES SEGMENT

Objective

1. This consultation paper seeks comments from the public and stakeholders on the proposal to extend the applicability of the benefit of early pay-in, currently available on futures contracts, to options contracts in the commodity derivatives segment.

Background

2. Para 11.3 of Chapter 11 of SEBI Master Circular SEBI/HO/MRD/MRD-PoD-1/P/CIR/2023/136 for Commodity Derivatives Segment dated Aug 04, 2023 prescribes norms for Early Pay-in Facility in respect of commodity derivatives, wherein, it is inter alia stated that:

“11.3. Early Pay-in Facility

11.3.1. Stock Exchanges shall provide early pay-in facility to market participants permitting market participants to deposit certified goods to the Stock Exchange accredited warehouse against relevant futures contracts sold. For such short positions against which early pay-in has been made, based on risk perception, stock exchanges may exempt imposition of all types of margins. However, Stock Exchanges shall continue to collect mark to market margins from such market participants against such positions.”

3. SEBI has received representations with respect to the aforementioned provisions, stating that the early pay-in (EPI) benefit is currently available only in respect of futures contracts. It has been requested that the EPI benefit may be also made applicable on options contracts.

Recommendation of the Working Group and the CDAC

4. The proposal was examined and deliberated in the meeting of the Working Group (WG) on Review of current regulatory framework of delivery and settlement applicable to Agricultural Commodity Derivatives Segment, wherein based on deliberation/ discussion, the WG

recommended that early pay-in benefit may also be made applicable to options contract. Further, the recommendation of the WG was also placed before the Commodity Derivatives Advisory Committee (CDAC) meeting held on Feb 26, 2026, wherein the CDAC was broadly in agreement with the same.

5. In view of the above, a draft circular has been prepared modifying the provisions contained in paragraph 11.3.1 of SEBI Master Circular dated August 04, 2023, and is placed at Annexure-A.

Public Comments:

6. Comments are invited on the draft circular on **“Clarification with respect to applicability of the benefit of early pay-in in Commodity Derivatives Segment”**, placed at **Annexure A**. The comments/ suggestions should be submitted latest by **May 26, 2026**, through the online web-based form which can be accessed using the following link:
<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>
7. In case of any technical issue in submitting your comment through the web based public comments form, you may contact the following through email with the subject: ***“Consultation Paper on Draft Circular on Clarification with respect to applicability of the benefit of early pay-in in Commodity Derivatives Segment”***.
 - 1) mrd_consultation@sebi.gov.in
 - 2) Ms Neetika Rajpal, DGM (neetika@sebi.gov.in)
 - 3) Ms Deepika, AGM (deepika@sebi.gov.in)

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DRAFT CIRCULAR

SEBI/HO/MRD/MRD-POD-1/

May XX, 2026

To

The Managing Directors / Chief Executive Officers

All Recognized Stock Exchanges/Clearing Corporations having Commodity Derivatives Segment

Madam/Sir,

Subject: Clarification with respect to applicability of the benefit of early pay-in in Commodity Derivatives Segment

1. Para 11.3 of Chapter 11 of SEBI Master Circular SEBI/HO/MRD/MRD-PoD-1/P/CIR/2023/136 for Commodity Derivatives Segment dated Aug 04, 2023 prescribes norms for Early Pay-in Facility in respect of commodity derivatives.
2. Based on representations received from stakeholders and deliberations by the Working Group (WG) on "*Review of current regulatory framework of delivery and settlement applicable to Agricultural Commodity Derivatives Segment*" and the Commodity Derivatives Advisory Committee (CDAC), paragraph 11.3.1 of the aforementioned Master Circular stands revised as under:

"11.3.1. Clearing Corporations shall provide early pay-in facility to market participants permitting them to deposit certified goods to the Clearing Corporation accredited warehouse against relevant derivatives contracts sold. For such short positions against which early pay-in has been made, based on risk perception, Clearing Corporations may exempt imposition of all types of margins. However, Clearing Corporations shall continue to collect mark to market margins from such market participants against such positions."

3. The Circular shall come into force with immediate effect.
4. The Stock Exchanges and Clearing Corporations are advised to bring the provisions of this circular to the notice of their members and also to disseminate the same on their website.
5. This Circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with Regulation 51 of the Securities Contracts (Regulation) (Stock Exchange and Clearing Corporations) Regulations, 2018 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
6. The Circular is issued with the approval of the competent authority.
7. This Circular is available on SEBI website www.sebi.gov.in under the category “Circulars” and “Info for Commodity Derivatives”.