

CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/132

August 01, 2023

To

All Recognized Stock Exchanges

Stock Brokers through Recognized Stock Exchanges

Dear Sir / Madam,

**Subject: Trading Preferences by Clients – Applicability for commodity derivatives**

1. SEBI, vide circular no. [SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/95](#) dated June 21, 2023, prescribed a revised format of “Trading Preferences” to be provided by clients to their respective stock brokers with the intent of allowing such clients access to all the exchanges for the same segment.
2. SEBI, vide its circular no. [SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92](#) dated September 23, 2016 (*incorporated under [SEBI Master Circular for Stock Brokers dated May 17, 2023](#)*), prescribed the account opening process for members of commodity derivatives exchanges, as per the FMC circular no. [FMC/COMPL/IV/KRA-05/11/14](#) dated February 26, 2015. Commodity derivatives exchanges have represented that the format as prescribed at Para 5 of SEBI circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/95 dated June 21, 2023 may not be made applicable to exclusive members of the commodity derivatives exchanges.
3. In view of the fact that in case of commodity derivatives exchanges, overlap of traded commodities between them is low at this point of time, it is hereby clarified that the aforesaid format of “Trading Preferences” as specified in SEBI circular dated June 21, 2023, shall not be made applicable to members registered exclusively with commodity derivatives exchanges. Such members shall use the format as prescribed by the erstwhile Forward Markets Commission (FMC) vide

its circular no. FMC/COMPL/IV/KRA-05/11/14 dated February 26, 2015, which is as under:

*“D. TRADING PREFERENCE*

*Note: Please sign in the relevant boxes against the Exchange with which you wish to trade. The Exchange not chosen should be struck off by the client.*

<i>Sr. No.</i>	<i>Name of the National Commodity Exchanges #</i>	<i>Date of Consent for trading on concerned Exchange</i>	<i>Signature of the Client</i>
1			
2			
3			
4			
5			
6			

*# At the time of printing the form, the Member must specify the names of the Exchanges where the Member has membership.*

*[In case of allowing a client for trading on any other Exchange at a later date, which is not selected now, a separate consent letter is required to be obtained by the Member from client and to be kept as enclosure with this document.]”*

4. Further, with reference to para 6 of the SEBI circular dated June 21, 2023, it is also clarified that opting out facility should be provided to new as well as existing clients, and negative consent should be obtained separately from clients in writing. Stock brokers shall be mandated to maintain records of such written negative consent provided by the clients for at least five years.
5. All other provisions specified in SEBI circular dated June 21, 2023, shall continue to remain applicable.
6. Stock Exchanges are directed to:
  - 6.1. bring the provisions of this circular to the notice of stock brokers and also disseminate the same on their websites;

- 6.2. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above provisions;
  - 6.3. monitor the implementation and compliance of this circular through half yearly internal audit and inspection of the stock brokers; and
  - 6.4. communicate to SEBI, the status of the implementation of the provisions of this circular in their monthly development report.
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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 at [www.sebi.gov.in](http://www.sebi.gov.in) under the category "Circulars".

**Yours faithfully,**

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