



Circular No: MCX/FIM/202/2025

April 25, 2025

Master Circular – Institutional Participants in Commodity Derivatives Markets

In terms of provisions of the Rules, Bye-Laws and Business Rules of the Exchange, Members of the Exchange are notified as under:

Multi Commodity Exchange of India Ltd (“MCX”) from time to time, has issued various circulars to its members. In order to enable the users to have access to all the applicable circulars in one place, the Master circular – Institutional Participants in Commodity Derivatives Markets has been issued.

This circular is consolidation of all the previous circulars issued by MCX pertaining to Institutional Participants in Commodity Derivatives Markets.

In case of any inconsistency between the Master Circular and the applicable circulars, the content of the relevant circular shall prevail.

Notwithstanding in any revision in the processes or formats, if any-

- a) anything done or any action taken or purported to have been done or taken under such revised/ rescinded process including but not limited to any regulatory inspection/ investigation or enquiry commenced or any disciplinary proceeding initiated or to be initiated under such rescinded/ revised process or rescission, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular;
- b) the previous operation of the rescinded process or circular or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred thereunder, any penalty incurred in respect of any violation of such rescinded process or circulars, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded process or circulars have never been rescinded.

For any further clarifications, members may contact to Financial Institutions Marketing department at Tel No. 022-6731 8888.

All Members and their respective constituents are requested to take note of the same.

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INSTITUTIONAL PARTICIPANTS IN COMMODITY DERIVATIVES MARKETS**1. Category-III Alternative Investment Funds¹**

1.1. Category-III Alternative Investment Funds (AIFs) are allowed to participate in the commodity derivatives market subject to the following conditions:

- i. Category III AIFs may participate in all commodity derivatives products that are being traded on the commodity derivatives exchanges as 'clients' and shall be subjected to all the rules, regulations and instructions, position limit norms as may be applicable to clients, issued by SEBI and Exchanges from time to time.
- ii. Category III AIFs shall invest not more than ten percent of the investable funds in one underlying commodity.
- iii. Category III AIFs may engage in leverage or borrow subject to consent from the investors in the fund and subject to a maximum limit, as specified by the Board from time to time.
- iv. Category III AIFs shall make disclosure in private placement memorandum issued to the investors about investment in commodity derivatives. Consent of existing investor(s) shall be taken by AIFs if they intend to invest in commodity derivatives and exit opportunity should be provided to dissenting investor(s).
- v. If applicable, AIF shall also comply with RBI notification No. FEMA. 355/2015-RB dated November 16, 2015 and all other guidelines issued by the RBI under Foreign Exchange Management Act, 1999 from time to time.
- vi. Category III AIF shall be subject to the reporting requirements as may be specified by SEBI.
- vii. The participation of Category III AIF in the commodity derivatives market shall be subject to the compliance of the provisions of SEBI (Alternative Investment Funds) Regulations, 2012 and circulars issued thereunder.

2. Portfolio Management Services²

2.1. Portfolio Managers are permitted to participate in Exchange Traded Commodity Derivatives (ETCD) on behalf of their clients' subject to the following:

- i. Portfolio Managers may participate in Exchange Traded Commodity Derivatives on behalf of their clients and such participation shall be in compliance with all the rules, regulations including SEBI (Portfolio Managers) Regulations, 1993 and circulars/guidelines and position limit norms as may be applicable to 'clients', issued by SEBI and Exchanges from time to time.
- ii. Portfolio Managers may participate in Exchange Traded Commodity Derivatives after entering into an agreement with the clients. Portfolio Managers may execute addendums to the agreement with their existing clients, permitting the Portfolio Managers to participate in the Exchange Traded Commodity Derivatives on their behalf.

¹ SEBI Circular no [SEBI/HO/CDMRD/DMP/CIR/P/2017/61](#) dated June 21, 2017

² SEBI circular no [SEBI/HO/IMD/DF1/CIR/P/2019/066](#) dated May 22, 2019.

- iii. Portfolio Managers shall provide adequate disclosures in the Disclosure Document as well as the agreement with the client pertaining to their participation in the Exchange Traded Commodity Derivatives, including but not limited to the risk factors, margin requirements, position limits, prior experience of the Portfolio Manager in Exchange Traded Commodity Derivatives, valuation of goods etc.
- iv. In case dealing in Commodity derivatives lead to delivery of physical goods, there is a possibility that, the Portfolio Manager remains in possession of the physical commodity. In such cases, the goods need to be disposed of at the earliest, on best effort basis within the timelines as agreed upon between the client and the Portfolio Manager. The responsibility of liquidating the physical goods shall be with the Portfolio Manager.
- v. Since Foreign Portfolio Investors are not allowed to participate in the Exchange Traded Commodity Derivatives market, Portfolio Managers shall not onboard Foreign Portfolio Investors until they are permitted to participate in Exchange Traded Commodity Derivatives market.
- vi. Portfolio Managers shall also provide periodic reports to the clients as per Regulation 21 of SEBI (Portfolio Managers) Regulations, 1993 regarding their exposure in Exchange Traded Commodity Derivatives.
- vii. Portfolio Managers shall report the exposure in Exchange Traded Commodity Derivatives under the heading of 'Commodity Derivatives' in the monthly reports submitted to SEBI.

2.2. It would be mandatory for Portfolio Managers to appoint SEBI registered Custodian before dealing in Exchange traded Commodity Derivatives.

3. Mutual Funds³

3.1. Mutual Funds are permitted to participate in ETCDs subject to the following:

- i. Mutual funds are permitted to participate in ETCDs in India, except in commodity derivatives on 'Sensitive Commodities' as defined under Chapter 3.
- ii. ETCDs having gold as the underlying directly or indirectly, shall also be considered as 'gold related instrument' for Gold Exchange Traded Funds (Gold ETFs).
- iii. No Mutual fund schemes shall invest in physical goods except in 'gold' through Gold ETFs. However, as mutual fund schemes participating in ETCDs may hold the underlying goods in case of physical settlement of contracts, in that case mutual funds shall dispose of such goods from the books of the scheme, at the earliest, not exceeding the timeline prescribed below⁴: -
 - a. For Gold and Silver: - 180 days from the date of holding of physical goods,
 - b. For other goods (except for Gold and Silver):

³ SEBI circular no [SEBI/HO/IMD/DF2/CIR/P/2019/65](#) dated May 21, 2019

⁴ Substituted vide SEBI circular no. [SEBI/HO/IMD/DF2/CIR/P/2020/96](#) dated June 05, 2020. Prior to substitution, the provision read as under:

"No Mutual fund schemes shall invest in physical goods except in 'gold' through Gold ETFs. Further, as mutual fund schemes participating in ETCDs may hold the underlying goods in case of physical settlement of contracts, in that case mutual funds shall dispose of such goods from the books of the scheme, at the earliest, not exceeding 30 days from the date of holding of the physical goods."

- By the immediate next expiry day of the same contract series of the said commodity.
 - However, if Final Expiry Date (FED) of the goods falls before the immediate next expiry day of the same contract series of the said commodity, then within 30 days from the date of holding of physical goods.
- iv. No mutual fund scheme shall have net short positions in ETCDs on any particular goods, considering its positions in physical goods as well as ETCDs, at any point of time.
 - v. Mutual funds are permitted to participate in ETCDs through the following schemes:
 - a. Hybrid schemes in terms of paragraph C of the Annexure to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 which includes multi asset scheme and
 - b. Gold ETFs.
 - vi. In case of existing schemes, as mentioned in paragraph (V) above, prior to commencement of participation in ETCDs, the scheme shall comply with the provisions of Regulation 18(15A) of SEBI (Mutual Funds) Regulations, 1996, as this will lead to change in fundamental attributes of the scheme and all unit holders shall be given a time-period of at least 30 days to exercise the option to exit at prevailing NAV without charging of exit load, if any.
 - vii. Prior to participation in ETCDs, the AMCs shall adhere to the following:
 - a. Appoint a dedicated fund manager with requisite skill and experience in commodities market (including commodity derivatives market).
 - b. Appoint a custodian registered with the Board for custody of the underlying goods, arising due to physical settlement of contracts.
 - c. Have written down investment policy for participation in ETCDs approved by the Board of the Asset Management Company and Board of Trustees.
 - d. Have written down valuation policies approved by the Board of the AMC and Board of Trustees for valuation of commodity derivatives and the underlying goods, arising due to physical settlement of contracts. The approved valuation policies should be subject to the fair valuation of the assets of mutual fund schemes.
 - viii. Before investing in GDS of Banks, GMS and ETCDs having gold as the underlying, mutual funds shall put in place a written policy with regard to such investments with due approval from the Board of the Asset Management Company and Board of Trustees. The policy should have provision to make it necessary for the mutual funds to obtain approval of trustees for investment proposal in GDS of any Bank and GMS. The policy shall be reviewed by mutual funds, at least once in a year.
 - ix. Mutual fund schemes may participate in the ETCDs as 'clients' and shall be subject to all the rules, regulations and instructions, position limit norms, etc. as may be applicable to clients, issued by SEBI and Exchanges from time to time. The position limits at mutual fund level be as applicable to 'Trading Members'.
 - x. Schemes investing in ETCDs shall be benchmarked against an appropriate benchmark.
 - xi. AMCs shall not onboard Foreign Portfolio Investors (FPIs) in schemes investing in ETCDs until FPIs are permitted to participate in ETCDs.
 - xii. Mutual funds shall not write options or purchase instruments with embedded written options in goods or on commodity futures.⁵

⁵ SEBI circular no [SEBI/HO/IMD/DF2/CIR/P/2021/10](#) dated January 15, 2021

3.2. Investment limits: Participation of mutual funds in ETCDs shall be subject to the following investment limits:

- i. Mutual fund schemes shall participate in ETCDs of a particular goods (single), not exceeding 10% of net asset value of the scheme. However, the limit of 10% is not applicable for investments through Gold ETFs in ETCDs having gold as the underlying directly or indirectly.
- ii. In case of multi assets allocation schemes, the exposure to ETCDs shall not be more than 30% of the net asset value of the scheme.
- iii. In case of other hybrid schemes excluding multi assets allocation scheme, the participation in ETCDs shall not exceed 10% of net asset value of the scheme.
- iv. In case of Gold ETFs, the cumulative exposure to gold related instruments i.e. Gold Deposit Scheme (GDS) of banks, Gold Monetization Scheme (GMS) and ETCD having gold as the underlying, shall not exceed 50% of net asset value of the scheme. However, within the 50% limit, the investment limit for GDS and GMS as part of gold related instrument shall not exceed 20% of net asset value of the scheme. The unutilized portion of the limit for GDS of banks and GMS can be utilized for ETCD having gold as the underlying.
- v. The cumulative gross exposure through equity, debt, derivative positions (including commodity and fixed income derivatives), repo transactions and credit default swaps in corporate debt securities, Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), other permitted securities/assets and such other securities/assets as may be permitted by the Board from time to time should not exceed 100% of the net assets of the scheme⁶
- vi. The following exposures shall not be considered in the cumulative gross exposure as specified in para v above:⁷
 - a. Short position in Exchange Traded Commodity Derivatives (ETCDs) not exceeding the holding of the underlying goods received in physical settlement of ETCD contracts.
 - b. Short position in ETCDs not exceeding the long position in ETCDs on the same goods.

3.3. Disclosures: In case of mutual fund schemes investing in ETCDs, the AMC shall adhere to the following:

- i. The NAVs of those schemes shall be updated on daily basis by the AMCs on their website and on the website of AMFI by 09:00 a.m. of the following calendar day.
- ii. The format of monthly and half-yearly portfolio may be modified to reflect the investment in ETCDs.
- iii. The total exposure to ETCDs shall be disclosed as a line item in the Monthly Cumulative Report (MCR).

⁶ Substituted vide SEBI Circular no. [SEBI/HO/IMD/DF2/CIR/P/2021/24](#) dated March 04, 2021. Prior to substitution the norm read as under:

“The cumulative gross exposure through equity, debt and derivative positions (including commodity derivatives) shall not exceed 100% of net asset value of the scheme.”

⁷ SEBI circular no [SEBI/HO/IMD/DF2/CIR/P/2021/10](#) dated January 15, 2021

3.4. Norms for Silver Exchange Traded Funds (Silver ETFs)⁸

- i. Investments:
 - a. A Silver ETF Scheme shall invest at least 95% of the net assets of the scheme in:
 - i. Silver and
 - ii. Silver related instruments. Exchange Traded Commodity Derivatives (ETCDs) having silver as the underlying shall be considered as 'silver related instrument' for Silver ETFs. Investment in ETCDs having silver as the underlying by Silver ETFs will be subject to following conditions:
 1. The exposure to ETCDs having silver as the underlying shall not exceed 10% of net asset value of the scheme. However, the above limit of 10% shall not be applicable to Silver ETFs where the intention is to take delivery of the physical silver and not to roll over its position to next contract cycle.
 2. Before investing in ETCDs having silver as the underlying, mutual funds shall put in place a written policy with regard to such investment with due approval from the Board of the AMC and the Trustees. The policy shall be reviewed by the Board of AMC and Trustees at least once a year.
 3. The cumulative gross exposure of Silver ETFs shall not exceed 100% of the net assets of the scheme.
 - ii. The physical silver shall be of standard 30 kg bars with fineness of 999 parts per thousand (or 99.9% purity) confirming to London Bullion Market Association (LBMA) Good Delivery Standards.
 - iii. Valuation: Silver shall be valued based on the methodology provided in paragraph 3B of Eighth Schedule to MF Regulations.

4. Specialized Investment Funds (SIF)

- i. Active Asset Allocator Long-Short Fund under Specialized Investment Funds (SIF) category is also allowed to invest in ETCD⁹

5. Foreign Portfolio Investors¹⁰

- The Exchange allows participation of Foreign Portfolio Investor(s) (FPIs), in eligible cash settled non-agricultural commodity derivatives contracts and indices comprising such non-agriculture commodities.

⁸ SEBI circular no [SEBI/HO/IMD/DF2/CIR/P/2021/668](#) dated November 24, 2021

⁹ SEBI circular no [SEBI/HO/IMD/IMD-PoD-1/P/CIR/2025/26](#) dated February 27, 2025

¹⁰ SEBI circular no [SEBI/HO/MRD/MRD-RAC-1/P/CIR/2022/131](#) dated September 29, 2022

- The allowable position limits for the aforementioned category I FPIs will be same as the applicable client level position limits of the respective eligible cash settled contracts, whereas position limits for the Individual, family offices and Corporates FPIs shall be 20% of the client limit of the respective eligible cash settled contracts, subject to all rules, regulations issued by SEBI and the Exchange, from time to time.

5.1. Foreign Portfolio Investors are permitted to participate in ETCDs subject to the following:

- To begin with, FPIs will be allowed to participate in cash settled non-agricultural commodity derivative contracts and indices comprising such non-agricultural commodities.
- FPIs desirous of participating in ETCDs shall be subject to risk management measures applicable, from time to time.

5.2. Position Limits:

- FPIs other than individuals, family offices and corporates may participate in eligible commodity derivatives products as 'Clients' and shall be subject to all rules, regulations and instructions, position limit norms as may be applicable to clients, issued by SEBI and stock exchanges, from time to time.
- FPIs belonging to categories viz. individuals, family offices and corporates will be allowed position limit of 20 per cent of the client level position limit in a particular commodity derivative contract.
- The participation of FPIs including individuals, family offices and corporates shall be subject to compliance with the provisions of SEBI (Foreign Portfolio Investors) Regulations, 2019, SEBI (Custodian) Regulations, 1996 and other applicable SEBI circulars on ETCDs.
- Stock Exchanges/Clearing Corporations may specify additional safeguards/ conditions, as deemed fit, to manage risk and ensure orderly trading in ETCDs.

6. Direct Market Access (DMA) to SEBI registered Foreign Portfolio Investors (FPIs) for participating in Exchange Traded Commodity Derivatives (ETCDs)¹¹

6.1. Based on representations received for enabling DMA facility to FPIs in ETCDs and deliberations by Commodity Derivatives Advisory Committee (CDAC) of SEBI, it has been decided to allow stock exchanges to extend DMA facility to FPIs for participation in ETCDs subject to the following conditions:

- Stock exchanges/brokers shall adhere to the provisions stipulated in SEBI Circulars vide Circular No MRD/DoP/SE/Cir-7/2008 dated April 3, 2008, Circular No MRD/DoP/SE/Cir-03/2009 dated February 20, 2009 and Circular No CIR/MRD/DP/20/2012 dated August 2, 2012 laid down framework of DMA facility for institutional investors or through investment manager, as the case may be

¹¹ SEBI circular no [SEBI/HO/MRD/MRD-PoD-1/P/CIR/2023/68](#) dated May 10, 2023

which include procedure for application for DMA, operational specifications, Client authorization and broker-client agreement, risk management, etc.

- ii. The provisions of Circular No. SEBI/HO/MRD/MRD-RAC-1/P/CIR/2022/131 dated September 29, 2022 allowing FPIs to participate in ETCDs shall remain applicable.

1) LIST OF CIRCULARS

Sr.	Exchange Circular/ Notification No. and Date	SEBI Circular / Notification No. - Date	Description
1	MCX/TRD/194/2017 dated June 21, 2017	SEBI/HO/CDMRD/ DMP/CIR/P/2017/61 dated June 21, 2017	Regulatory framework for Participation of Category III Alternative Investment Funds (AIFs) in the commodity derivatives market
2	MCX/TRD/265/2019 dated May 21, 2019	SEBI/HO/IMD/DF2/ CIR/P/2019/65 dated May 21, 2019	Participation of Mutual Funds in Commodity Derivatives Market in India
3	MCX/TRD/267/2019 dated May 22, 2019	SEBI/HO/IMD/DF1/ CIR/P/2019/066 dated May 22, 2019	Participation of Portfolio Managers in Commodity Derivatives Market in India
4	MCX/TRD/410/2020 June 12, 2020	SEBI/HO/IMD/DF2/ CIR/P/2020/96 dated June 05, 2020	Participation of Mutual Funds in Commodity Derivatives Market in India
5	MCX/TRD/034/2021 dated January 18, 2021	SEBI/HO/IMD/DF2/ CIR/P/2021/10 dated January 15, 2021	Norms for investment and disclosure by Mutual Funds in Exchange Traded Commodity Derivatives ("ETCDs")
6	-	SEBI/HO/IMD/DF2/ CIR/P/2021/668 dated November 24, 2021	Norms for Silver Exchange Traded Funds (Silver ETFs) and Gold Exchange Traded Funds (Gold ETFs)
7	MCX/FIM/560/2022 dated September 29, 2022	SEBI/HO/MRD/ MRD- RAC- 1/P/CIR/2022/131 September 29, 2022	Participation of SEBI registered Foreign Portfolio investors (FPIs) in Exchange Traded Commodity Derivatives in India
8	MCX/FIM/309/2023 dated May 10, 2023	SEBI/HO/MRD/MRD- PoD-1/P/CIR/2023/68 dated May 10, 2023	Direct Market Access (DMA) to SEBI registered Foreign Portfolio Investors (FPIs) for participating in Exchange Traded Commodity Derivatives (ETCDs)
9	MCXFIM2432024 dated April 20, 2024	SEBI/HO/MRD/ MRD- RAC- 1/P/CIR/2022/131 September 29, 2022	Participation of SEBI registered Foreign Portfolio investors (FPIs) viz. Individual, Family Offices and Corporates in Exchange Traded Commodity Derivatives in India
10	MCX/FIM/130/2025 dated March 12, 2025	SEBI/HO/IMD/IMD- PoD-1/P/CIR/2025/26 February 27, 2025	Regulatory framework for Specialized Investment Funds (‘SIF’)