

Cancellation Policy for Warehouse Service Providers

1. Objective:

In pursuance to the directives as contained in the directives of SEBI as notified vide SEBI Circular no. SEBI/HO/CDMRD/DMP/CIR/P/2016/103 dated September 27, 2016, this policy lays down the broad guidelines for cancellation of services of Warehouse Service Provider(s) (WSP).

This policy shall come into effect immediately and shall remain in force unless modified or rescinded by the NCCL or the SEBI, as the case may be.

2. Applicability:

This Policy shall apply to all the existing empanelled/approved Warehouse Service Providers (WSP) of the NCCL and those that would be empanelled/approved henceforth.

The NCCL may consider cancellation of services of a Warehouse Service Provider in case of any material breach in the terms and conditions prescribed/ stipulated by the NCCL for providing warehousing service, in case such material breach is not remedied by a WSP who has been issued a notice by the NCCL and has been advised to remedy the breach within a prescribed timeline. In such a case, in order to protect the interest of the market participant and to keep up with the spirit of regulatory directives, the NCCL shall take necessary steps to cancel the services of a WSP.

Explanation: Material breach for the purpose of this policy shall mean and include but not limited to the conditions as stipulated in para: 3 below-

3. Conditions under which the Exchange may consider issuance notice to a WSP:

The NCCL may issue notice to an empanelled WSP of the NCCL for cancellation of the services in the following conditions, but not limited to:

1. Non-Compliance or violation of the provisions of Warehousing Norms in the Derivatives Market for Agricultural and Agri-processed Commodities Traded on the National Commodity Derivatives Exchanges issued by SEBI from time to time.
2. Non-Compliance or violation of the provisions of Warehousing Norms and Additional Norms/Guidelines above SEBI norms issued by the NCCL from time to time.

3. Upon any material breach committed by WSP under the Warehousing Agreement executed with the NCCL.
4. Non-adherence to the Rules, Regulations and Bye-laws of the Exchange including circulars and directives issued by the NCCL
5. Upon any regulatory directive from the State/Central Government or by an order or direction of any court of law or a tribunal.
6. Non-adherence to the provisions of the various central and state laws applicable and in force from time to time.
7. Fraudulent and unlawful activities done by the WSP
8. Repeated violation observed in following the Code of Conduct prescribed by the NCCL.
9. Upon indication of financial weaknesses of WSP or information on significant default by WSP to other vendors / creditors

Procedure before Cancellation:

1. The NCCL shall serve a notice to the WSP notifying the WSP of the violations and breaches observed by the Exchange and seek explanation from the WSP within such period as may be specified in the notices.
2. The WSP shall reply to the notice and remedy the deficiencies as directed by the NCCL within such time as may be allowed by the NCCL.
3. The NCCL may also require WSP to conduct an external due diligence audit or any other investigation as may be considered appropriate by the NCCL.
4. In case of failure of the WSP to remedy the non-compliance(s) and deficiencies within the stipulated time or in case the NCCL finds the conduct of the WSP as unsatisfactory or activities of the WSP is prejudicial to the interest of Commodity Derivatives Market, the NCCL may cancel services of the WSP.

5. The NCCL shall inform the market participants about the cancellation of the service of a WSP.
6. The NCCL shall also invite claims from depositors/holders/ market participants to ensure that any pending dispute is redressed and interest of investors of the Commodity Derivatives Market is protected.
7. The WSP shall continue to remain liable and responsible for settlement of all the claims received from the depositors/ holders/market participants and also redressal of all complaints/disputes which may be pending for redressal or has arisen on account of cancellation of the services.