Warehouse Service Provider Policy
Version 1.8

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Table of Contents

1. **Objective** 5
2. **Scope & Applicability** 5
3. **Ownership** 5
4. **Empanelment of Warehouse Service Provider (WSP)** 5
5. **Eligibility and Experience of WSP/Promoters/Promoter Group of WSP** 7
6. **Financial Norms for the WSP:** 7
7. **Fit and proper** 11
8. **Corporate Governance norms for WSP** 11
9. **Know Your Depositor** 14
10. **PAN requirement** 14
11. **Facilities & Infrastructure Requirement for WSP** 14
12. **Accreditation of assayers:** 17
13. **Accreditation of Warehouses/ Cold Storages** 17
14. **Insurance:** 18
15. **Monitoring of warehouses by MCXCCL:** 18
16. **Physical reconciliation of goods** 19
17. **Policy for depositors for rejection of goods** 19
18. **Monthly Information System (MIS)** 19
19. **Surrender and cancellation of empanelment of WSP** 19
20. **Actions against WSPs:** 21
21. **Warehouse de-accreditation request** 22
22. **Periodic Review and Status Report on WSPs / Warehouses** 22
23. **Waivers & Breaches** 22
24. **Payment of Administrative charges** 23
25. **Review & Continual Improvement** 23

Annexure - I 24

1. Objective

Warehousing Infrastructure is critical for catering the storage requirements of various Exchange Members and their Clients/ Depositors to facilitate deliveries on the Exchange platform for delivery based contracts of Multi commodity Exchange (MCX) MCX Clearing Corporation Ltd. (MCXCCL) controls the warehousing operations at the warehouses operated by different MCXCCL empaneled Warehouse Service Providers (WSPs).

The objective/ intent of the policy is to provide broad framework and guidance to the warehousing department in respect of WSP empanelment & de-empanelment, warehouse accreditation & de-accreditation for Agricultural/agri processed commodities and non-agricultural goods which are approved to deliver on MCX platform . The policy is governed by the norms outlined by SEBI under the heading “Guidelines for warehousing norms for agricultural/ agri-processed goods and non-agricultural goods (only base/industrial metals) underlying a commodity derivatives contract having the feature of physical delivery” which covers comprehensive framework of norms for adherence by the Warehouse Service Providers (WSPs) so as to make available a robust mechanism for ensuring good delivery to market participants for commodities traded and settled on expiry of the futures contract.

2. Scope & Applicability

Broad outlines are derived from SEBI circular no. SEBI/HO/CDMRD/DMP/P/CIR/2021/551 dated April 16, 2021 on “Guidelines for warehousing norms for agricultural/agri-processed goods and non-agricultural goods (only base/industrial metals) underlying a commodity derivatives contract having the feature of physical delivery”.

This policy is applicable to Warehousing Operations Department and Warehouse Inspection department.

The emphasis of the policy shall be:

a) Give action points to empaneled WSPs for compliance.

b) Uniform norms for accreditation and de-accreditation of Warehouse Service Providers, Warehouses, Cold Storages etc.

c) Establish and Maintain transparency and better corporate governance to inspire confidence in the market and ensure credibility in conducting operations.

3. Ownership

Primary responsibility and accountability of WSP Policy is with Warehousing Operations Department.

Head of Warehousing Operations Department (HOD) shall approve changes or modification to the policy as per Regulatory/ MCXCCL requirement and as per relevant circumstances.

4. Empanelment of Warehouse Service Provider (WSP)

The MCXCCL shall issue open advertisements in leading newspapers and/ or shall put up the advertisement on the MCXCCL website. MCXCCL shall solicit enquiries from WSPs who are

interested to get affiliated with the MCXCCL. The selection process being/to be followed for such empanelment shall be displayed on the website of the MCXCCL in advance. The applicant will have to apply for WSP empanelment in the prescribed application form along with the applicable processing fee as prescribed from time to time being one time empanelment fees. Such fees shall be returned to the WSP in case the application for WSP is deemed unfit by the MCXCCL.

The WSP shall submit the list of documents required by the MCXCCL for processing the empanelment application. Such documents shall be maintained as "**Preliminary List of Requirements for WSP Empanelment"**. Wherever required, the applicant will be required to "self-certify" the submitted documents along with an undertaking indicating compliance/ non-compliance of the norms.

Approval to act as WSP shall be granted to entities with credible track record and who undertake to comply with the best warehousing standards and practices. Submission of application and compliance to the applicable norms and eligibility criteria shall not be deemed as approval to the WSP unless explicitly conveyed by the MCXCCL. Additionally, MCXCCL also reserves the right to modify/ amend/ upgrade some of the requirements from time to time.

The MCXCCL shall ensure that the WSP had obtained the required registrations of the proposed storage facility from WDRA for commodities notified by WDRA and for other commodities under applicable law/s and the same shall be intimated by it to the Clearing Corporation prior to providing the storage services to the Clearing Corporation

On receipt of the documents and the empanelment fees, MCXCCL shall review the submitted documents and wherever deviations/ shortfalls are observed, shall call upon the WSP for submission of additional information/ declaration for compliance to the norms.

MCXCCL shall also undertake site visit/ physical inspection of available infrastructure by undertaking field visit to the WSP's operational head office and one of the warehouses. Thereafter, the same shall be put up to the Member Committee of the Board of Directors of the MCXCCL. The Committee shall reserve the right to call for more information as well as have discussions with any applicant/s and seek clarification on any issue as may be required by it. The Committee may also seek additional undertakings from the WSP. The application of the WSP shall be processed latest within three months of receipt of the final set of requisite documents.

Committee shall decide further on the subject matter and record its observations/ approval for empanelment of WSP.

Selected applicants will be issued in-principle approval subject to conditions specified therein and shall be advised to proceed with the signing of Master Service Agreement as prescribed by the MCXCCL. WSP shall be required to submit the minimum upfront Security Deposit of ₹ 50 lakh, payable at Mumbai by Cheque/ Demand Draft/ Bank transfer/ Fixed Deposit Receipt lien marked in favour of the Multi Commodity Exchange Clearing Corporation Limited or Bank Guarantee favoring "Multi Commodity Exchange Clearing Corporation Limited." before empanelment of WSP.

Once the WSP application is approved, agreement (duly vetted by Legal Department) shall be executed with the WSP, hereinafter called as **"Master Service Agreement"**, which shall be for a period ranging between 1 year and 3 years.

The empanelment of a WSP shall, unless any expulsion proceedings pending against it, be subject to renewal after expiry of agreement considering WSP's performance during empanelment, quality of services and number of client complaints and effective resolutions thereof etc. During the renewal process, MCXCCL and the WSP shall continue to be responsible for the commodities stored till their Final Expiry date. The existing empanelment as on the date of the circular would be valid for 3 years from the date of this circular, thereafter would be subject to renewal. On expiry of MSA, proposal for renewal shall be submitted to HOD for approval. Once approved, renewed agreement shall be signed between WSP & MCXCCL.

A storage facility of a WSP may be utilized by more than one Clearing Corporation with proper segregation, demarcation and putting in place appropriate risk management procedures. However, the same storage facility shall not be utilized by more than one Clearing Corporation for the same commodity.

The empanelment of a WSP shall remain valid until it is surrendered by the WSP and accepted by the MCXCCL; or cancelled by the MCXCCL.

5. Eligibility and Experience of WSP/Promoters/Promoter Group of WSP

MCXCCL ensures the below norms/guidelines shall met by WSP.

a) A WSP shall be a corporate body which is in warehousing business.

b) The Promoters/ Promoter Groups of the WSP should be responsible persons/entities of repute with a good business reputation and credibility, and who are in the business of public warehousing for at least 3 years as on the date of their application and have knowledge of, and experience in, generally accepted warehousing and handling practices for Commodities.

   The MCXCCL in its discretion, may relax the above norm of 3 years provided that the WSP or its promoter/promoter group:

   i. Meets all other criteria

   ii. Submit an undertaking that they shall meet any additional norm specified by MCXCCL within the time frame as specified by it or 3 years whichever is earlier.

c) WSP and Promoters/ Promoter Group of WSP shall have no record of serious violation of laws or being expelled by any Exchange in last three years. The MCXCCL can take an appropriate undertaking from the WSP in this regard.

6. Financial Norms for the WSP:

MCXCCL ensures the below norms/guidelines shall met by WSP

a) Capital and Net worth: A WSP shall be a corporate body with the minimum net worth requirement as under:

The WSP shall have at least, subscribed and paid-up share capital of Rs.10 crore.

i. The WSP shall meet the following net worth criteria:-

	Type of commodities	Number of commodities	Minimum net worth
A	Agricultural / Agri-processed	1	₹10 crores
		More than 1	₹25 crores
B	Base / Industrial Metals	1	₹10 crores
		More than 1	₹25 crores
C	Composite*	NA	₹50 crores

*Composite means combination of A and B

ii. For the WSP handling Metals, the MCXCCL shall ensure that the value of the goods stored in the accredited warehouses of WSP shall not, at any point of time, exceed 33 times of the net worth of the WSP, irrespective of the number of Clearing Corporations being served by the WSP.

For the WSP handling agri commodities, the MCXCCL shall ensure that the value of the goods stored in the accredited warehouses of WSP shall not, at any point of time, exceed 20 times of net worth of the WSP, irrespective of the number of Clearing Corporations being served by the WSP.

For the WSP handling agri and metal commodities, the MCXCCL shall ensure that the value of the goods stored in the accredited warehouses of WSP shall not, at any point of time, exceed 20 times of net worth of the WSP, irrespective of the number of Clearing Corporations being served by the WSP..

iii. The MCXCCL may calculate the net worth of WSP in the following manner.

"the aggregate value of paid up equity share capital plus free reserves (excluding statutory funds, benefit funds and reserves created out of revaluation) reduced by the investments in businesses, whether related or unrelated, aggregate value of accumulated losses and deferred expenditure not written off, including miscellaneous expenses not written off."

iv. In case of reduction in net worth below the stipulated amount, a time period of six month may be allowed to the WSP to augment its net worth. In the event the WSP is unable to augment the net worth to the requisite level within the allowed time frame, the WSP shall not carry out any new business i.e. can not include any new warehouse for new contracts/commodity/location. The MCXCCL may take suitable measures, which are disclosed on its website for public information, with respect to the existing goods handled by such WSP.

v. The WSP shall submit an unaudited net worth certificate to the MCXCCL every six months i.e. at the end of every March and September, within 45 calendar days.

vi. The Annual Financial Statements of the WSPs should be audited and submitted to the MCXCCL within six months of the end of Financial Year. Further, each WSP shall also be required to file its unaudited quarterly financial statements for all the quarters of a financial year to the MCXCCL, within 45 calendar days of the date of a quarterly statement.

b) Security Deposit: The WSP seeking Empanelment with MCXCCL is required to furnish a refundable security deposit along with the application form.

i. Such security deposit shall be a minimum amount of Rs 50 lakhs.

ii. Security deposit shall not be released until six months after cancellation or revocation or surrender of the Empanelment of the WSP or until after satisfaction of every claim against the deposit, whichever is later.

iii. Such security deposit shall be in form of cash or cash equivalent like Bank Fixed Deposits, Bank Guarantees etc.

c) Financial Security Deposits (FSD):

MCXCCL ensures the below norms/guidelines shall met by WSP by daily monitoring of Insurance value of the stock of daily basis.

i. The WSP shall furnish FSD in addition to the security deposit as under:-

Type of Goods	Value of Goods stored	FSD
Agricultural/Agri-processed goods	Upto ₹250 crores	2% of the aggregate value of stored commodities
Agricultural/Agri-processed goods	Above ₹250 crores and upto - ₹500 crores	5 crores + 3% of the aggregate value of stored commodities exceeding Rs 250 crores
Agricultural/Agri-processed goods	Above ₹500 crores	12.5 crores + 4 % of the aggregate value of stored commodities exceeding Rs 500 crores
Base / Industrial Metals	NA	0.5% of the aggregate value of stored commodities

ii. The FSD shall be in form of liquid assets with applicable haircuts and concentration limits as listed below:

Item	Minimum haircut	Limits
Cash	0	No Limit but minimum 10%
Bank Fixed Deposit	0	
Bank Guarantees	0	

Securities of the Central Government	10%	Remaining 90% FSD can be in any combination of the four types of options provided for furnishing the FSD

In circumstances where there is shortfall in the minimum required FSD due to sudden deposit of commodities in large quantity towards the end of the day, the MCXCCL shall allow the WSPs to replenish the FSD within three trading days.

iii. The MCXCCL shall lay down exposure limits either in rupee terms or as percentage of the total assets to be received as FSD/SD that can be exposed to a single bank directly or indirectly. The total exposure towards any bank would include Bank Fixed Deposit and Bank Guarantees issued by the bank which have been deposited by WSPs.

iv. MCXCCL issues circular for approved Securities and approved Banks for security deposit and same is available on MCXCCL website with their limit (URL: https://www.mcxccl.com/risk-management/collaterals).

v. The MCXCCL shall ensure that SD/FSD shall be accepted from a Bank which fulfil the following criteria (as issued by MCXCCL Collateral team from time to time):

   a. Minimum net worth of the bank shall be INR 5,000 Cr.

   b. Banks, which are in approved list, published by the MCXCCL Collateral team.

vi. A daily monitoring of the FSD vis-à-vis the value of the commodities stored needs to be done so as to ensure that the minimum stipulated FSD are always maintained with the MCXCCL. The MCXCCL may ask for additional FSD over that stipulated above, if considered necessary.

vii. The FSD vis-a-vis the value of goods stored should be marked to market on replacement value on ongoing basis.

viii. The MCXCCL, based on its risk assessment, shall decide on restricting the amount of FSD to ₹ 100 Crores from each WSP.

d) Coordination between MCXCCL and WDRA in respect of SD / FSD maintained by the WSPs with respect to the Commodities Notified by WDRA.

i. The MCXCCL shall immediately after Empanelment of WSP/s, provide the details of WDRA registered warehouses with full details of warehouseman registration, WSP, address, etc. to WDRA. WDRA will in turn, share the details of security deposit received from these accredited warehouses / WSPs to s MCXCCL in prescribed formats. MCXCCL shall inform the changes, if any, with respect to accreditation status of these warehouses, to enable WDRA to provide the required information as above. WDRA shall also inform MCXCCL of any changes, if any, in the security deposit placed by such warehouses/WSPs with WDRA.

ii. MCXCCL shall continue to compute FSD requirement as stipulated in SEBI norms. The deposits placed by WSPs with WDRA for Exchange/ MCXCCL for specific outstanding eNWRs shall be considered by the MCXCCL in the calculation of available FSD for the WSP.

iii. The MCXCCL shall compensate the aggrieved client, in accordance with its rules, regulations etc., by debiting the FSD of WSP held with it, in the following situations: -for any such losses that have been appropriately established against the WSP in case of loss arising -from any action or inaction of its WSP or on the part of its warehouses that prevents the buyer or seller from exercising, in whole or in part, their rights.

iv. In case the FSD available with MCXCCL is not sufficient to compensate for the loss the FSD and the SD maintained by such WSP with WDRA shall be made available to MCXCCL within 7 days of the release request from MCXCCL to WDRA, for settlement of the remaining claims.

v. The discrepancy noted / claim received by any agency (Clearing Corporation or WDRA) shall be brought to the notice of other agency irrespective of invoking the security deposit.

7. Fit and proper

The MCXCCL shall ensure that the WSP, Promoters of WSP, assayers, Key Management Personnel (KMPs) of WSPs, warehouses and Assayers shall always be 'fit and proper' to carry out business of warehousing, have adequate knowledge of, and experience in generally accepted warehousing and handling practices for Commodities, and are competent and willing to operate such a warehouse for which the WSP has a valid license/expertise under the appropriate state warehousing laws in respect of the warehouses concerned. MCXCCL ensures the above norms/guidelines shall met by WSP by way of taking annual declaration from WSP.

8. Corporate Governance norms for WSP

MCXCCL ensures the norms/guidelines shall be met by WSP during empanelment process of WSP.

a) Management and Employees: The MCXCCL shall ensure that the accredited WSP has a professional management team to oversee its functioning and operations.

i. The MCXCCL shall ensure that the Key Management Personnel (KMPs) of WSP have adequate knowledge of, and experience in generally accepted warehousing and handling practices for Commodities and are competent and willing to operate such a warehouse, and do not have any conflict of interest in discharge of their functions.

ii. The MCXCCL shall ensure that the WSP/Management of WSP (defined as ‘key managerial personnel’ including whole time directors of WSP and their ‘relatives’ as per Companies Act, 2013) or entities owned or controlled by promoters/management of WSP/Group concerns/associates directly or indirectly or persons ‘acting in concert’ are not allowed, either directly or indirectly, to trade on the commodity derivatives

exchange in the commodity for which it is accredited by MCXCCL. The MCXCCL shall not provide for any exemption in this regard.

iii. However, based on risk assessment, the stock exchanges may provide exemptions to requirement stated above in the following manner:

Entities stated above shall not trade in that specific commodity/commodities at that particular stock exchange where concerned WSP is accredited, in their proprietary account.

iv. entities which are associated with an accredited WSP, either directly or indirectly, and are providing broking services will be permitted to trade in that commodity on that stock exchange only for their clients (i.e. non-proprietary) subject to stock exchange ensuring that the particular entity does not extend direct/indirect funding to its clients for trading in those commodities.

v. If the stock exchange is providing exemptions, then it should put in place appropriate controls so that the WSPs do not exercise preferential treatment to such entities which may act as disadvantage to other market participants.

vi. The MCXCCL shall obtain and share with Stock Exchanges an annual declaration from the compliance officer of WSP to the effect that the WSP/Management of WSP or entities owned or controlled by management of WSP/Group concerns directly or indirectly or persons 'acting in concert' have not traded on exchange. Such declaration may be obtained within a month of end of the financial year.

vii. The MCXCCL shall ensure that the WSP has adequate number of competent employees at all times who have the experience, capacity and ability of operating the business without any conflict of interest.

viii. The MCXCCL shall ensure that the staff/employees of the WSP including the assayers, who are managing the day-today affairs of the warehouses, deployed both in the office of the WSP and in its warehouses, are duly trained on their expected tasks through the MCXCCL delivery business related training programmes or are deputed to attend the certification programme on commodity derivatives and warehousing conducted by National Institute of Securities market (NISM).

ix. The MCXCCL shall ensure that the WSP and its KMPs, shall not disseminate any information that is false or misleading or disclose any confidential information obtained during their dealings with the Clearing Corporation or their positions on the market or any information received during the course of performance of their duties.

b) Compliance officer: The WSP shall appoint a compliance officer who shall be responsible for monitoring the compliance with relevant Act, rules and regulations, notifications, guidelines and instructions issued by relevant authorities from time to time. The Compliance officer of the WSP shall ensure that all norms mentioned are followed by the WSP and should issue a declaration to that effect to the MCXCCL, at regular intervals as directed by the MCXCCL.

c) Standard Operating Procedure (SOP): The WSP shall have a SOP and the MCXCCL shall obtain a standard operating procedure in respect of all the concerned warehouses

from the WSP before granting accreditation to such warehouses. If WSP has centralized warehouse operation manual/ SOP, MCXCCL shall obtain the copy of the same every financial year or on its revision date whichever is early.

The SOP of a warehouse may cover the following but not restricted to:

i. Procedures for acceptance of goods to be deposited.

ii. Weigh bridge empanelment.

iii. Procedures for weighing, sampling of goods to be deposited as per industry standards, Procedure for verification of commodity and communication to depositors,

iv. Procedure for depositing and identifying the Exchange related goods,

v. Procedure for maintaining the quality of the goods stored as per the exchange contract specification,

vi. Procedure for Know your depositor requirements,

vii. Security policy for ensuring the safety of the goods from theft, burglary etc.,

viii. Procedure and guidelines for scientific storage of goods, including stacking etc.

ix. Procedure for losses caused due to theft, fire, burglary, fraud, negligence and force majeure events

x. Procedure for internal verification of stock,

xi. Preservations of Stock – maintenance of godown hygiene, maintenance of warehouse structure, aeration, periodical examination of goods, classification of presence of insects, pre-monsoon precautions etc.

xii. Selection of Location for offering warehousing services

xiii. Grievance redressal procedures

xiv. Role and responsibilities of employees (including outsourced employees)

xv. Model warehouse agreement format.

xvi. Maintenance of surroundings, infrastructure etc.

xvii. Business Continuity Plan (BCP) and process.

a) The WSP shall have good internal systems and controls which should meet the operating guidelines, if any, issued by the MCXCCL from time to time. The WSP shall have clear delegation of powers to meet operational requirement.

b) A WSP shall intimate / notify in writing to the MCXCCL, if there is any material change, prior to making such change.

c) WSP shall report to the MCXCCL within three business days of initiation of any civil and criminal proceedings by or against it and shall also intimate the MCXCCL if there is probability of any such legal proceedings being initiated involving it, as soon as the same comes to the knowledge of the WSP.

d) The MCXCCL shall ensure that, wherever assaying is carried out by WSPs, adequate samples of goods are collected/retained from the goods deposited and are sealed in the presence of the depositor or his authorized representative.

e) In order to resolve potential disputes arising with respect to the quality of goods, if any, it is advised that at least four samples are taken of which one sample is used for analysis, one is kept with the WSP for comparison purpose, one is given to the depositors while one is kept for record/lab reference purpose.

9. Know Your Depositor

MCXCCL Warehousing Operations team ensures that below norms/guidelines shall met by WSP.

a) The WSP shall comply with Know Your Depositor (KYD) Policy as prescribed by the MCXCCL from time to time.

b) The MCXCCL and WSP shall at any point of time be able to identify the depositor of the goods deposited in registered warehouses, the owner of the deposited goods (in case the depositor is an agent of the actual owner), and also the actual beneficiary (in case the depositor and the beneficiary are different) of the deposited/stored commodities.

10. PAN requirement

The MCXCCL shall ensure that the WSPs are under obligation to provide to the MCXCCL the details including PAN numbers of its Promoters, Promoter group entities, its holding/ subsidiaries/ associates and other related entities, persons 'acting in concert', Whole Time Directors, Key Management Personnel at the time of accreditation and update the same on periodical basis as mandated by the MCXCCL and whenever any change is noted by WSP, in this regard. MCXCCL ensures the above norms/guidelines shall met by WSP by way of taking Monthly declaration from WSP.

11. Facilities & Infrastructure Requirement for WSP

MCXCCL ensures the below norms/guidelines shall met by WSP by way of doing pre-inspection of office and warehouses of WSP.

The MCXCCL shall ensure that the WSPs to be eligible for empanelment have reasonable facility and infrastructure for proper handling and storage of Agri Commodity & Base metals such as:

a. All its warehouses are well connected with rail and/or road networks and have sufficient space for parking and movement of loading/unloading vehicle.

b. The warehouses are physically and operationally suitable for the proper storage of Commodities and:

   i. are of sound construction and in a state of good repair. The walls, the floor and the roof do not permit water seepage or are source of any insect infestation.

   ii. have adequate equipment, installed and maintained in good working order, as may be prescribed by the MCXCCL, for the movement of commodities into, out of and

within the warehouse. Further, the employees employed at the warehouses shall undergo training in fire safety and use of firefighting equipment.

iii. have adequate firefighting equipment installed within its premises and have fire escapes and fire hydrant (In case of goods which are Inflammable) points clearly marked.

iv. have required ventilation, installed and maintained in good working order, as may be prescribed by the MCXCCL, for the proper storage and preservation of quality of goods.

v. have adequate lighting arrangement as may be prescribed by the MCXCCL.

vi. are free from materials and substances that may adversely affect the quality of stored commodities.

vii. have a safe work environment.

viii. have ensured adequate security as prescribed by the MCXCCL for protection of stored or handled commodities to prevent from tampering or adulteration.

ix. have facilities for storing the deliverable commodities of futures contracts which need to be and piled properly in a separate storage area as specified by the MCXCCL thereby providing clear-cut demarcation between Exchange / non-Exchange commodities.

x. **Additionally, for Base metals** the storage facilities must have a fully fenced perimeter/boundary. Loading and unloading shall always take place within the perimeter/boundary of the warehouse and not in a public area.

- All its storage facilities are of sound construction and in a state of good repair and floor properly levelled and can bear the load of the weight of the stored metals. The walls, the floor and the roof do not permit water seepage.
- The MCXCCL shall ensure that the ferrous metals are stored by WSP in a manner so as to prevent distortion, corrosion, scaling and rusting. They shall be stacked/piled adequately above the ground level.
- The MCXCCL shall ensure that the WSP undertakes to have assaying/testing facilities for the commodities it intends to offer warehousing facility or shall undertake to be associated with an assaying/testing agency which may preferably be certified by one or more national/ international agencies as specified by the Clearing Corporation.

c. WSP shall take utmost care in storing commodities for futures contract in accordance with the climatic conditions and the nature of commodity stored.

d. WSP shall have adequate security personnel for each of its registered warehouse with required facilities to immediately communicate any unlawful entry, burglary, theft or damage or potential loss to the deposited goods to the WSP.

e. Each warehouse of an accredited WSP shall assign a special place to store the samples

used for inspection and testing for purpose of further examination and testing.

f. WSPs shall take utmost care on daily basis for keeping surroundings for their respective warehouses under vegetation control and for disposal of waste which can otherwise create a favorable habitat for rodents and other pests. WSP should regularly inspect and verify whether rodent control structures in the warehouse are sound and whether there are any pools of water around the facility, which can increase the danger of water seepage into it and take appropriate remedial steps.

g. The MCXCCL shall ensure that the warehouses provided by the WSPs are under absolute control of the WSPs. In case a warehouse is a leased property it should be ensured that no third party including the owner/ lessor of the warehouse has any role to play in the operations and managing the concerned warehouses operated by the WSP.

h. The MCXCCL has defined the WSP operational Guidelines with respect to the maintenance, preservation and retrieval of data/records/books of accounts which shall be uniformly adopted by each of their accredited WSP/warehouse. It is mandatory for WSP to follow the MCXCCL guidelines for deposits, storage, testing, rejection and delivery of goods as per the circulars issued by MCXCCL from time to time.

i. WSP shall always give priority to commodities meant for futures contracts delivery while receiving, storing and dispatching goods. It should have internal process that enable the MCXCCL to physically verify by deputing its officials or through any agencies / experts engaged by it, the goods deposited, the facilities available in such warehouse, or to inspect the level of compliance of the warehousing norms stipulated by the MCXCCL /regulator from time to time.

j. The WSP shall undertake to have assaying/testing facilities for the commodities it intends to render warehousing facility or shall undertake to be associated with an assaying/testing agency which may preferably be certified by one or more national/international agencies like NABL (National Accreditation Board for calibration and testing Laboratories), BIS etc., as specified by the MCXCCL.

k. The WSP shall provide for accurate and efficient weighing, sampling, inspection and grading of the Commodities deposited in its warehouses. The MCXCCL shall ensure that the WSP has deployed Personnel who have knowledge and experience in sampling, weighing, inspecting and/or grading of commodities.

l. The WSP shall have its own or access to fumigation facilities/agencies for pest control activities.

m. MCXCCL shall ensure that the WSPs have in place, necessary policies, control and system in place for dealing with the risk that may be arising due to the warehouses being used for purposes other than commodity derivatives market.

n. WSP shall be responsible to accept the goods/commodities in warehouses which meets the quantity and quality parameters as per the exchange contract specifications. The WSP shall take necessary steps to maintain the quality and quantity of goods stored in the warehouse, in accordance with the conditions/parameters (for maintaining the quality) as laid down by the MCXCCL for each of such commodity.

o. The WSP shall share warehouse wise/commodity wise detail of the space available, goods deposited and held in transit, particulars of rejection of the goods etc, with MCXCCL on a daily basis. MCX CCL will display consolidated report on its website on daily basis.

p. The WSP shall not disseminate any information that is false or misleading or disclose any confidential information obtained during the course of their dealings with the MCXCCL or their positions on the market or as a result of their position or during the course of performance of their duties.

12. Accreditation of assayers:

a. The MCXCCL shall follow a transparent process for accreditation of assayers by issue of open advertisement in leading newspapers and/or by putting up the same on the MCXCCL website. The process being followed for such accreditation shall be displayed on the website of the MCXCCL in advance. The accreditation shall be done with the approval of the Member Committee of the Board of Directors of the MCXCCL.

b. The MCXCCL shall conduct independent pre-empanelment due diligence of Assayers by visiting the laboratories and assessing the testing and certification facilities. The MCXCCL shall give preference to the government assayers or to those Assayers who are having testing and certification facilities at various locations across India. In addition to the empanelment of assayers for deployment by the WSPs at their warehouses, the MCXCCL shall also identify and empanel separate independent assayer(s) at each such delivery location where the market participants can independently get their goods/commodities assayed, at the time of depositing into or withdrawing such commodities/goods from a warehouse. However, if the original empaneled assayers engaged by WSP at a delivery centre happened to be Government assayer, then the need for empaneling an additional independent assayer may be dispended with.

c. The MCXCCL shall ensure that the empaneled assayers work independently, and their operations are governed by prescribed Standard Operating Procedures (SOPs). The assayers shall be preferably certified by one or more national/international agencies like NABL (National Accreditation Board for calibration and testing Laboratories), BIS etc., and shall have the facilities as laid down by the MCXCCL from time to time. MCXCCL ensures the above norms/guidelines shall met by WSP by way of monthly check on NABL certification validity through NABL website.

13. Accreditation of Warehouses/ Cold Storages

a. Based on the business requirements for new warehouses and depending upon storage capacity utilization of already accredited warehouses, the WSP shall initiate the process of identifying suitable warehouse in that particular location.

b. WSP shall identify suitable warehouse (approved by WDRA for commodities notified by WDRA) and communicate the warehouse related details in the “Warehouse inspection format” as specified by the MCXCCL. The WSP shall be required to submit details of the warehouse along with a warehouse survey report and a few photographs as may be specified by the MCXCCL.

c. Based on the submitted proposal, the Warehouse Operations Department of the

MCXCCL shall review warehouse details and documents submitted by WSP followed by a warehouse visit.

d. On completion of warehouse visit, observations, if any, shall be reported to the WSP for its feedback/ response and further course of action.

e. On compliance by the WSP or on undertaking that the observations shall be completed within a finite timeframe, the warehouse shall be accredited by the MCXCCL by way of issue of circular to the market participants.

f. The said warehouse shall be made part and parcel of the Master Service Agreement executed with the WSP by making an addendum to the Master Service Agreement and simultaneously the WSP shall be required to include the warehouse in the Insurance policy.

g. The WSP shall ensure that all the warehouses accredited by the MCXCCL are compliant with the compliances of Warehousing Development and Regulation Authority (WDRA) or other state laws, as may be relevant and applicable from time to time. A storage facility of a WSP may be utilized by more than one Clearing Corporation with proper segregation, demarcation and putting in place appropriate risk management procedures. However, WSP shall ensure that same warehouse may not be shared by more than one Clearing corporation for same commodity. All the related costs with regard to the above will be on account of the WSP.

h. The MCXCCL shall have at least one warehouse at each of the delivery centres (as specified in the contract specification) at the time of launch of contract itself and address of such warehouses shall be disclosed along with the contract specifications by the Clearing Corporation on their website / by issuance of relevant Circular to market participants.

i. The MCXCCL may accredit warehouses of a WSP within 100 kms radius of the delivery centres depending on the feasibility and requirements, in respect of all commodities.

14. Insurance:

The MCXCCL shall ensure that its WSPs, whether presently registered with the WDRA or not, comply with the insurance guidelines/norms issued by the WDRA. "WDRA circular WDRA/2015/1-2(12)/Tech-II/615 dated June 03, 2022 for insurance policy shall be taken for warehouse".

15. Monitoring of warehouses by MCXCCL:

The MCXCCL shall be responsible for the monitoring the warehouses of their empanelled WSPs. In this regard :

i. Norms relating to the monitoring of warehouses shall be placed in public domain.

ii. A deliberation on the continuous functioning, monitoring and compliance of norms by WSPs, warehouse and assayers shall be a mandatory agenda item in all Board meetings as well as the Risk management committee meeting of the MCXCCL.

iii. The MCXCCL and WSPs shall ensure that the goods whose final expiry date is

over, are removed from the concerned warehouse immediately, but not later than 3 months from the date of the final expiry date.

iv. To further strengthen the process of monitoring, the s shall mandate their WSPs to submit the report of the inspections carried out by the statutory authorities like WDRA to the Clearing Corporations within 2 weeks from the receipt of report by WSPs of such inspection along with their comments.

16. Physical reconciliation of goods

MCXCCL ensures the below norms/guidelines shall met by WSP

a. The MCXCCL has put in place adequate procedures to ensure that the physical counting of goods and their reconciliation with the corresponding electronic records is done on fortnightly basis by its WSPs.

b. The MCXCCL shall submit report to SEBI of details of discrepancy observed during the physical reconciliation of goods along with reasons and action taken thereof on a quarterly basis. Only in extreme cases, in the judgement of the Clearing Corporation, SEBI may be informed of the discrepancy observed on immediate basis.

17. Policy for depositors for rejection of goods

The MCXCCL has issued commodity wise procedure on deposit, testing withdrawal & rejection of goods in MCXCCL accredited warehouses. It is mandatory for the WSPs to follow the procedure and related circulars issued by MCXCCL from time to time.

18. Monthly Information System (MIS)

a) It is desirable that there should be electronic record of information at the WSP and a MIS system with an arrangement for flow of real time information from the storage facility location to the central MIS and onwards to the Clearing Corporations electronically. The MIS should have the capability to capture and disseminate information regarding goods being held either storage facility -wise or location-wise, or the availability of space in the storage facilities.

b) The MCXCCL shall display on its website, the list of accredited warehouses for the deposit of goods for delivery on the exchange platform along with the policy for deposit of such goods. The market participants willing to deposit goods in accredited warehouses shall submit a request to the WSP in accordance with the policy put in place by the MCXCCL for deposit of goods. The WSP shall intimate the depositing participant about the logistic details such as the time, place and storage facility where the goods can be deposited by them. The WSP shall accept the goods for deposits for all such confirmed deposit requests in accordance with the policy put in place by the Clearing Corporation for deposit of goods.

19. Surrender and cancellation of empanelment of WSP

A. Surrender/ Withdrawal of WSP

Any WSP that applies for surrender of its empanelment shall submit its application for Surrender to the MCXCCL for evaluation and approval. The WSP shall specify the reason in writing to the MCXCCL.

The MCXCCL will consider the request subject to

a) There being no exchange deliverable stock in the Warehouse;

b) The final expiry date of the commodity stored;

c) Alternative arrangement for the existing stock.

In case no alternative arrangements are finalized, the request for De-accreditation shall be considered subject to the final expiry date of the commodity stored in the warehouses of the WSP.

A WSP that surrenders its empanelment, or its empanelment is cancelled, shall attend to the following matters urgently:

- Shall stop accepting fresh deposit of goods for storage and delivery on Exchange futures.

- All commodities for futures contract delivery shall be dispatched out of the warehouse or converted to physical commodities/Professional stock in accordance with MCXCCL guidelines on storage of professional stock in MCXCCL accredited warehouse.

-The WSP shall move the valid stock to nearest/alternate MCXCCL approved warehouse at its own cost with the approval of the stockholder. The WSP shall be liable for any transit loss arising during movement of goods to the other warehouse.

- All liabilities and debts vis-a-vis the MCXCCL and Exchange (MCX), Member and Clients shall be settled;

- There shall be no pending obligation on its part to deliver goods to the clients pertaining to their trades on the Exchange platform, and

- No customer complaints pertaining to any of its registered warehouses shall be pending for redressal.

Security deposit (SD) already collected from the WSP shall not be released until six months after approval of surrender or cancellation of the empanelment of the WSP or until after satisfaction of every claim against the deposit, whichever is later. Financial Security Deposit (FSD) collected as per SEBI directives shall be returned, keeping aside 10% of such deposits with the MCXCCL, which shall not be released until six months after cancellation or surrender of accreditation of the WSP or until satisfaction of all claims against the deposits made in its warehouses, whichever is later.

A WSP which surrenders its empanelment with the MCXCCL shall not be eligible to provide its services to the MCXCCL for a period of 3 years. Once the accreditation of a WSP is cancelled or WSP is expelled by an exchange then it shall not be eligible to provide its services to any commodity derivatives exchanges for 3 years.

Adequate notice intimation to general public/ clients shall be given through widely published newspapers, website and through issuance of circular for the market participants before accepting the surrender of WSP or cancellation/ expulsion of the WSP.

B. Cancellation / Expulsion of WSP

The MCXCCL may cancel the accreditation of a WSP if it fails to comply with the provisions of the rules/ regulations/ policies and guidelines specified by it or any of the agreement provisions, the MCXCCL shall intimate the same to the market participants through circular.

In such case, the WSP shall be instructed to stop accepting fresh deposit of goods for storage and delivery on Exchange platform.

MCXCCL shall make best possible efforts to undertake shifting of the stocks from the warehouses of the WSP to warehouses of other WSP. In case no alternative arrangements are finalized, expulsion or cancellation of accreditation of a WSP shall be effective from the next date of the last Final expiry date of the goods under storage.

The Member Committee((MC) of the MCXCCL shall offer the WSP concerned an opportunity of being heard and take a decision on cancellation after considering the explanation of the WSP.

20. Actions against WSPs:

To rectify/ correct their misconduct or misconduct on the part of any of WSPs and its approved warehouses used for storing goods for delivery on Exchange platform, MCXCCL shall take action against the WSPs/warehouse. The MCXCCL shall also direct the WSPs to indemnify an entity aggrieved by the delivery process of its warehouse or, in serious cases of misconduct/ malfeasance, revoke the accreditation of the concerned warehouse or/ and hold the WSP accountable for any legal liabilities, if the concerned erring WSP/ warehouse engages in any of the following offences:

- refuses to accept delivery without any bonafide reasons or, issues a falsified certificate of delivery;
- violates any of the MCXCCL rules or limits the movement of a deliverable commodity into or out of the warehouse;
- discloses any confidential business information relating to a buyer or seller or a futures contract;
- provide inaccurate or incomplete information, conceal the truth of the facts;
- engages in the futures trading activities in commodities for which they are WSP; or
- engages in any other behavior in breach of the MCXCCL rules; or
- any other offence not listed above.

However, the above actions may be initiated only after taking due approval from the Member Committee.

Also, the accredited WSP shall be liable for any losses resulting from any action or inaction on its part or on the part of its warehouses that prevents the buyer or seller from exercising their rights, in whole or in part. The MCXCCL shall compensate the aggrieved client for any such losses that have been appropriately established by debiting the FSD of WSP held with the MCXCCL, and WSP shall within 7 days replenish the FSD as required.

21. Warehouse de-accreditation request

In case the WSP desires de-accreditation of any warehouse for any reason, the WSP shall specify the reason in writing to the MCXCCL.

The MCXCCL may consider the request subject to

a) There being no exchange deliverable stock in the Warehouse.

b) The final expiry date of the commodity stored.

c) Alternative arrangement for the existing stock.

Based on the above, after suitable due diligence, the MCXCCL shall arrange to issue a circular for the market participants.

In case no alternative arrangements are finalized, the request for warehouse de-accreditation of a WSP shall be effective from the next date of the last Final expiry date of the goods under storage.

22. Periodic Review and Status Report on WSPs / Warehouses

The MCXCCL shall review and appraise operational performance of each WSP every year. Based on the operational review the MCXCCL may adjust the allotment of commodities and the limit of deliveries at various warehouses of the concerned WSP in accordance with the results of such evaluation and appraisal.

Warehousing Operations department shall monitor and undertake performance evaluation of existing WSPs and shall submit the same to the Member Committee and to the Board of DIrectors on a quarterly basis. Such review shall be based on performance areas such as level of compliance to various requirements, storage facilities, the performance on closure of audit observations, business capabilities and performance, accounting, the satisfaction level of members/clients, redressal of client grievances, and other factors for its review. Norms relating to the WSP accreditation shall also be compared under such review and the same shall be made available at the meeting.

Warehousing department shall mention the short comings of each WSP, if any, along with remedial action taken/ proposed to be taken against each of them.

As per regulatory requirements, Audit reports submitted by Independent Audit Agency shall be published on MCXCCL website. The reports shall be filed with Member Committee as and when required for noting.

23. Waivers & Breaches

It is clearly understood that the provisions of this policy are mandatory to ensure the outcomes envisaged by MCXCCL and expectations mandated by the regulators. Waivers and Breaches

are not expected, albeit for circumstances known to the regulator and MCXCCL management, when the remediation is allowed under the process or under exceptional circumstances.

Any deviation to this policy needs to be approved by Member Committee .

24. Payment of Administrative charges

a. Administrative charges calculation shall be completed by CCL by 10th of every month subsequently invoices shall be issued on WSPs. Invoices shall be generated within 15 working days from the end date of billing period.

b. Admin charges to be paid within 45 days to MCXCCL from the date of invoice.

c. Additional period of 15 days shall be provided after initial 45 days from date of invoice which shall attract 1.5% of Interest per Month. Any further delay beyond 60 days shall lead to utilisation of excess FSD available with MCXCCL for recovery of the outstanding administrative charges/Penalty for Non-Compliance.

d. If excess FSD is not available, in such cases Interest shall continue to be levied @1.5% per Month for beyond 60 days.

25. Review & Continual Improvement

The WSP Policy shall be updated due to occurrence of one of the following:

- Change in regulatory requirements.
- Annual Periodic review

The Head – Warehousing Operations is authorized to approve the changes/ modifications to this policy.

The MCXCCL has put in place necessary arrangements for ensuring compliance with the provisions of the Regulation 43A of SECC Regulations regarding guarantee for settlement of trades including good delivery. Further, the MCXCCL has necessary arrangements to ensure that in the event of bankruptcy or insolvency of the WSP or other such contingency, there must be no restrictions placed upon owners/depositors of the commodity wishing to take possession of their individually identified commodity and remove it from the accredited Warehouse(s) post payment of outstanding dues of WSP.

Annexure - I

Abbreviation

Abbreviation	Explanation
WOT	Warehousing Operations Team
WSP	Warehouse Service Provider
MCXCCL	Multi Commodity Exchange Clearing Corporation Limited
Warehouses	Warehouses shall include dry warehouses & cold storages etc.
HOD	Head of Department (Warehousing Operations)
SD	Security Deposit
FSD	Financial Security Deposit
MSA	Master Service Agreement
MoA	Memorandum of Association
AoA	Articles of Association
P&L A/C	Profit & Loss Account
B/S	Balance Sheet
SEBI	Securities And Exchange Board of India
SOP	Standard Operating Procedure
KMP	Key Management Personnel