

SEBI CIRCULAR – REVIEW OF COVERAGE OF SETTLEMENT GUARANTEE FUND FOR COMMODITY DERIVATIVES SEGMENT

SEBI Circular No. HO/47/16/14(1)2026-MRD-POD1/I/7115/2026 dated March 16, 2026

The Securities and Exchange Board of India (SEBI) issued this circular addressed to all recognised Clearing Corporations having a commodity derivatives segment. The circular seeks to revise the norms relating to the coverage of the Core Settlement Guarantee Fund (SGF) as prescribed under the SEBI Master Circular for Commodity Derivatives Segment dated August 04, 2023.

The objective of this circular is to rationalise the stress testing framework for SGF coverage, based on stakeholder representations, recommendations of the Risk Management Review Committee (RMRC), and public consultation, while also promoting ease of doing business.

Existing Framework for SGF Coverage

Under the extant provisions contained in paragraph 22 of Annexure O of the SEBI Master Circular for Commodity Derivatives Segment dated Aug 04, 2023 (SEBI/HO/MRD/MRD-PoD-1/P/CIR/2023/136) , clearing corporations were required to determine SGF adequacy based on standardized stress testing scenarios. Specifically, the coverage requirement included:

First, the credit exposure arising from the simultaneous default of at least two clearing members (including their associates) that would result in the highest exposure.

Second, 50% of the credit exposure arising from the simultaneous default of all clearing members.

This dual requirement was aimed at ensuring that the SGF remains sufficiently robust to withstand extreme but plausible market stress scenarios.

Revised Framework for SGF Coverage

Pursuant to the present circular, SEBI has modified the provisions relating to SGF coverage. Under the revised framework, clearing corporations are now required to calculate the credit exposure based on the simultaneous default of at least three clearing members (including their associates) that would result in the highest credit exposure.

This change replaces the earlier dual-condition requirement and simplifies the methodology for determining SGF adequacy. At the same time, it enhances the stress scenario by increasing the number of defaulting members considered, thereby strengthening the resilience of the risk management framework.

Insertion of New Provision – Relaxation by SEBI

The circular also introduces a new clause after paragraph 22 of Annexure O SEBI Master Circular for Commodity Derivatives Segment dated Aug 04, 2023 , providing SEBI with the power to grant exemptions or relaxations from strict enforcement of SGF provisions.

Such relaxations may be granted on a case-to-case basis after due deliberation, taking into account factors such as prevailing market conditions, adequacy of the existing risk management framework, and the overarching objective of investor protection.

This provision introduces regulatory flexibility, enabling SEBI to respond dynamically to evolving market situations without compromising systemic stability.

Effective Date and Regulatory Authority

The circular has come into force with immediate effect from the date of its issuance, i.e., March 16, 2026.

It has been issued under the powers conferred upon SEBI under Section 11(1) of the SEBI Act, 1992, read with Regulation 51 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, with the objective of protecting investor interests and ensuring orderly development of the securities market.

Conclusion

Overall, the circular revises the methodology for determining SGF coverage in the commodity derivatives segment by introducing a more streamlined yet robust stress testing approach. The increase in the number of defaulting clearing members considered enhances systemic resilience, while the removal of the earlier dual-condition requirement simplifies compliance.

Additionally, the introduction of a relaxation mechanism provides SEBI with the necessary flexibility to address exceptional circumstances. These measures collectively aim to strengthen the risk management framework of clearing corporations while supporting ease of doing business in the commodity derivatives market.