

## **Cancellation Policy for Warehouse Service Providers**

### **1. Objective:**

In pursuance to the directives as contained SEBI Circular no. SEBI/HO/CDMRD/DMP/P/CIR/2021/551 dated April 16, 2021, these norms lay down cancellation policy for Warehouse Service Providers (WSPs) by the Indian Clearing Corporation Ltd. (ICCL).

### **2. Applicability:**

This Policy shall be applicable to all the existing empaneled/approved Warehouse Service Providers (WSP) of the ICCL and those that would be empaneled/approved henceforth.

ICCL 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 ICCL for providing warehousing service, in case such material breach is not remedied by a WSP who has been issued a notice by the ICCL 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 ICCL 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 ICCL may consider issuance notice to a WSP:**

ICCL may issue notice to an empaneled WSP of the Clearing Corporation for cancellation of the services in the following conditions, but not limited to:

- I. Non-Compliance or violation of the provisions of 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 issued by SEBI.
- II. Non-Compliance or violation of the provisions of Warehousing Norms and Additional Norms/Guidelines above SEBI norms issued by the Exchange/ ICCL from time to time.
- III. Upon any material breach committed by WSP under the Warehousing Agreement executed with the ICCL.
- IV. Non-adherence to the Rules, Regulations and Bye-laws of the Clearing Corporation/Exchange including circulars and directives issued by the Clearing Corporation/Exchange
- V. Upon any regulatory directive from the State/Central Government or by an order or direction of any court of law or a tribunal.
- VI. Non-adherence to the provisions of the various central and state laws applicable and in force from time to time.
- VII. Fraudulent and unlawful activities done by the WSP
- VIII. Repeated violation observed in following the Code of Conduct prescribed by the ICCL.
- IX. Upon indication of financial weaknesses of WSP or information on significant default by WSP to other vendors / creditors

**4. Procedure before Cancellation:**

- I. ICCL shall serve a notice to the WSP notifying the WSP of the violations and breaches observed by the ICCL and seek explanation from the WSP within such period as may be specified in the notices.

- II. The WSP shall reply to the notice and remedy the deficiencies as directed by the ICCL within such time as may be allowed by the ICCL.
  - III. ICCL may also require WSP to conduct an external due diligence audit or any other investigation as may be considered appropriate by the ICCL.
  - IV. In case of failure of the WSP to remedy the non-compliance(s) and deficiencies within the stipulated time or in case the ICCL /Exchange finds the conduct of the WSP as unsatisfactory or activities of the WSP is prejudicial to the interest of Commodity Derivatives Market, ICCL may cancel services of the WSP.
  - V. ICCL shall inform the market participants about the cancellation of the service of a WSP.
  - VI. ICCL 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.
  - VII. 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.
5. In case of cancellation of accreditation of WSP by the ICCL, WSP shall attend to the following matters urgently:
- WSP shall not accept the stock in its warehouse for trading on the Exchange platform.
  - All commodities for delivery towards settlement of derivatives contract shall be dispatched out of the warehouse.
  - All liabilities and debts vis-a-vis the Exchange/ Clearing Corporation, 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 client/customer complaints pertaining to any of its registered warehouses shall be pending for redressal
  
- 6. Once the accreditation of a WSP is cancelled by the ICCL, then it shall not be eligible to provide its services to any other clearing corporations for 3 years.
  
- 7. Security deposit (SD) collected from the WSP shall not be released until six months after approval of cancellation of the accreditation of the WSP or until satisfaction of every claim against the deposit, whichever is later. Financial Security Deposit (FSD) collected shall be returned, keeping aside 10% of such deposits with the Clearing Corporation, 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.