

## **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This policy shall come into effect immediately and shall remain in force unless modified or rescinded by the Exchange or the SEBI, as the case may be.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 Exchange and those that would be empanelled/approved henceforth.

The Exchange 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 Exchange for providing warehousing service, in case such material breach is not remedied by a WSP who has been issued a notice by the Exchange 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 Exchange 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 Exchange may issue notice to an empanelled WSP of the Exchange 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 Exchange from time to time.
3. Upon any material breach committed by WSP under the Warehousing Agreement executed with the Exchange.

4. Non-adherence to the Rules, Regulations and Bye-laws of the Exchange including circulars and directives issued by the Exchange
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 Exchange.
9. Upon indication of financial weaknesses of WSP or information on significant default by WSP to other vendors / creditors

**Procedure before Cancellation:**

1. The Exchange 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 Exchange within such time as may be allowed by the Exchange.
3. The Exchange may also require WSP to conduct an external due diligence audit or any other investigation as may be considered appropriate by the Exchange.
4. In case of failure of the WSP to remedy the non-compliance(s) and deficiencies within the stipulated time or in case the Exchange finds the conduct of the WSP as unsatisfactory or activities of the WSP is prejudicial to the interest of Commodity Derivatives Market, the Exchange may cancel services of the WSP.
5. The Exchange shall inform the market participants about the cancellation of the service of a WSP.
6. The Exchange 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.