

Circular No.: NSDL/POLICY/2024/0088

June 25, 2024

**Subject: SEBI Circular on Master Circular for Electronic Gold Receipts (EGRs)**

Attention of Participants is invited to SEBI Circular No. **SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/87** dated June 24, 2024 regarding Master Circular for Electronic Gold Receipts (EGRs) (**Copy enclosed**).

Participants are requested to take note of the above.

**For and on behalf of  
National Securities Depository Limited**

**Arockiaraj  
Manager**

<b>FORTHCOMING COMPLIANCE</b>			
<b>Particulars</b>	<b>Deadline</b>	<b>Manner of sending</b>	<b>Reference</b>
Investor Grievance Report (Monthly)	By 10 <sup>th</sup> of the following month	Through e-PASS	Para 22 of 'Grievance Redressal' chapter and Para 28 of 'Internal Controls/Reporting to NSDL/SEBI' chapter of NSDL Master Circular for Participants.
Artificial Intelligence /Machine Learning Reporting Form (Annually)	Within three months of the end of the financial year	Through e-PASS	Para 10 of 'Internal Controls/Reporting to NSDL/SEBI' chapter of NSDL Master Circular for Participants.
Annual System Audit Report (Yearly)	June 30 <sup>th</sup>	Through e-PASS	Para 20.5 of 'Internal Controls/Reporting to NSDL/SEBI' chapter of NSDL Master Circular for Participants.

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**MASTER CIRCULAR**

SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/87

June 24, 2024

1. All Recognised Stock Exchanges and Clearing Corporations having Electronic Gold Receipt Segment
2. All Depositories
3. All registered Vault Managers

Dear Sir / Madam,

**Sub: Master Circular for Electronic Gold Receipts (EGRs)**

1. Securities and Exchange Board of India (SEBI) has been issuing various Circulars from time to time for specifying the framework of EGRs, its risk management, Standard Operating Guidelines for Vault Managers & Depositories, etc. In order to enable the stakeholders to have access to all the provisions mentioned in these circulars at one place, the provisions of the said circulars are incorporated in this Master Circular for EGRs.
2. SEBI Master Circular No. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2023/82 dated June 1, 2023 on Electronic Gold Receipts (EGR) was a compilation of relevant circulars issued by SEBI till March 31, 2023. This Master Circular incorporates all subsequent circulars issued on EGRs till May 31, 2024 and supersedes the Master Circular dated June 1, 2023 on EGRs.
3. This Master Circular shall come into force from the date of its issue. The circulars mentioned in [Annexure - C](#) of this Master Circular shall stand rescinded with the issuance of the Master Circular.
4. Notwithstanding such rescission,
  - 4.1. anything done or any action taken or purported to have been done or taken under the rescinded circulars, including registrations or approvals granted fees collected, registration suspended or cancelled, any inspection or investigation or enquiry or adjudication commenced or show-cause notice issued prior to such rescission, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular,



- 4.2. any application made to SEBI under the rescinded circulars, prior to such rescission, and pending before it shall be deemed to have been made under the corresponding provisions of this Master Circular,
- 4.3. the previous operation of the rescinded circulars or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the rescinded circulars, any penalty, incurred in respect of any violation committed against the rescinded circulars, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded circulars have never been rescinded.
5. This Master Circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
6. The circular is issued with approval of the competent authority.
7. This circular is available on SEBI Website at [www.sebi.gov.in](http://www.sebi.gov.in) under the category "Master Circulars" and "Electronic Gold Receipts."

**Yours faithfully,**

**Naveen Sharma**  
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**Market Regulation Department**  
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**Provisions pertaining to Electronic Gold Receipts**

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## Chapter 1. Framework for operationalizing trading of Electronic Gold Receipts

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- 1.1. SEBI Board in its meeting held on September 28, 2021 approved the framework for Gold Exchange (or EGR segment) and Securities and Exchange Board of India (Vault Managers) Regulations, 2021 (“**VM Regulations**”).
- 1.2. Government of India vide Gazette notification S.O. 5401 (E) dated December 24, 2021, has declared “electronic gold receipts” as ‘securities’ under Section 2(h)(ia) of the Securities Contracts (Regulation) Act 1956 (“**SCRA**”), and vide Gazette notification dated December 31, 2021, the VM Regulations have been notified, paving the way for operationalizing of Gold Exchange or EGR segment. The framework for the same is listed below.
- 1.3. The stock exchange/s desirous of trading in electronic gold receipts (EGRs) may apply to SEBI for approval of trading of EGRs in new segment.
- 1.4. Instrument: The instrument for trading in Gold Exchange (or EGR segment) shall be referred to as ‘Electronic Gold Receipts’ (EGR) which has been notified as ‘securities’ under Section 2(h)(ia) of the Securities Contracts (Regulation) Act 1956.
- 1.5. New and existing recognized stock exchanges may launch and deal in EGRs, in a new segment.
- 1.6. **Structure of the transactions:** The entire transaction has been divided into following three tranches:
  - 1.6.1. First Tranche: Creation of EGR
  - 1.6.2. Second Tranche: Trading of EGR on stock exchange/s
  - 1.6.3. Third Tranche: Conversion of EGR into Physical Gold
- 1.7. **Details of transactions in first tranche are as follows:**
  - 1.7.1. Creation of Common Interface: A common interface shall be developed by Depositories, which shall be made accessible to all the entities i.e., Vault Managers, Depositories, Stock Exchanges and Clearing Corporations.

1.7.2. Supply of the physical gold:

1.7.2.1. The supply of the physical gold, to be converted into EGR, shall be the fresh deposit of gold, coming into the vaults, either through imports or through stock exchange/s accredited domestic refineries.

1.7.2.2. The existing deposit of gold lying in the vaults, which meets the aforesaid criteria and has never been out of the vaulting infrastructure, can be considered for conversion into EGR.

1.7.2.3. Vault managers shall ensure that 'gold' to be converted into EGR meets the aforementioned criteria.

1.7.3. Standard of gold: The 'gold' which complies either with LBMA Good Delivery Standard or with the India Good Delivery Standard, or any other standard specified by SEBI, shall be eligible under this framework.

1.7.4. **First Tranche** → Creation of EGR:

1.7.4.1. The Vault Manager on receipt of physical gold shall record the relevant information in the common interface and create the EGR. The EGR shall be created at the behest of the depositor (or owner of the gold) intending to convert physical gold into EGR.

1.7.4.2. The Vault Manager shall ensure that no EGR is created without the presence of corresponding physical gold in its vaults.

1.7.4.3. The EGR shall reflect in the demat account of the beneficial owner maintained with the Depository Participant.

1.7.4.4. The Depositories shall take necessary action to make EGR/s tradeable on the stock exchange/s.

1.7.4.5. The Vault Manager and the Depositories shall regularly reconcile the data of EGR's created and the corresponding physical gold lying in the vaults. Additionally, the Depositories shall inspect the physical gold deposited in the vault/s at periodic intervals. The details of aforementioned periodicity shall be issued by SEBI in due course.

1.8. **Second Tranche** → Trading of EGR on stock exchange/s are as follows:

- 1.8.1. The stock exchanges shall allow trading of the EGR's on continuous basis. Further, the Depositories shall share information pertaining to the creation of EGR/s, with the stock exchanges and clearing corporations on a periodic basis. The details of such periodicity shall be issued by SEBI in due course.
- 1.8.2. The Clearing Corporation shall settle the trades executed on the stock exchange/s, by way of transferring EGR/s and cash to the buyer and seller of EGR/s, respectively.

1.9. **Third Tranche** → Conversion of EGR into Physical Gold are as follows:

- 1.9.1. Beneficial owner of EGR intending to obtain physical gold against the EGR/s shall request the Depository for the same. The Depository, in turn shall forward such request/s to the Vault Manager. The Vault Manager after delivering the gold to the beneficial owner and simultaneously extinguishing such EGR/s, shall share the required data with the Depository for reconciliation.
  - 1.9.2. The Depositories, in turn, shall send the information about the extinguished EGR/s, to the stock exchange/s and clearing corporation/s to carry out necessary revision in the records.
  - 1.9.3. If there are any disputes, related to quality of physical gold, at the time of withdrawal of physical gold, the same would be dealt with by obtaining quality report from empanelled assayer. However, once the physical gold is outside the vaulting infrastructure, no dispute related to quality of gold shall be entertained / resolved under this framework.
- 1.10. **Product denomination:** Stock exchanges may launch contracts with different denomination for trading and /or conversion of EGR into gold.
- 1.11. **Trading Features:** EGRs shall have same trading features as available to “securities” defined under SCRA, 1956.

**1.12. Fungibility and Inter-operability between the Vault Managers:**

1.12.1. Fungibility means, the EGR's created by the Vault Manager/s, shall not be linked with the unique bar reference number of the physical gold, i.e., gold deposited against EGR1 can be delivered against conversion of EGR2 into gold (for the same contract specifications).

1.12.2. "Inter-operability between Vault Managers" means the physical gold deposited at one location of a Vault Manager, can be withdrawn from different location of same or different Vault Manager (depending on the availability of physical gold).

1.12.3. The aforementioned provisions would allow the Depositories to facilitate withdrawal of physical gold from the preferred vault location of the buyer, to the extent possible, and possibly, save upon the cost of withdrawal of gold from the vaults.

1.13. **Withdrawal Center:** To increase the reach of Gold Exchange (or EGR segment), all existing branches of vault managers may be allowed as 'collection and/or withdrawal center', which meets the safety standards, as specified by the SEBI. The details of withdrawal centers shall be available on the websites of Depositories and vault managers.

1.14. **Storage (vaulting) and Withdrawal Charges:** The storage and withdrawal charges shall be levied by the vault managers and be collected by the Depositories from the beneficial owner of EGR's, for onward payment to the Vault Managers. The charges shall be disclosed by the Vault Managers upfront to the public at large.

1.15. **Empanelment of assaying agencies:** Clearing Corporations shall empanel / accredit assaying agencies for checking the purity of gold, if required by the beneficial owner of the EGR at the time of withdrawal of gold from the vaults. However, the charges towards assaying, transportation and assaying charges, shall be borne by such beneficial owner. Such assaying charges shall be disclosed upfront to the public at large.

1.16. **Logistic service providers:** Investors are encouraged to utilize their own trusted means of transportation for movement of gold from vaults to their preferred location. To facilitate the same, Vault Managers, at their discretion, may provide a list of logistic service providers on their website with relevant contact details. However, SEBI or Vault Manager shall not be responsible for any dispute/s arising from transportation / movement of gold, irrespective of the choice of logistic service provider.



## Chapter 2. Trading features

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### 2.1. Trade Timings

#### 2.1.1. Trading hours:

2.1.1.1. Trading in EGR segment shall be permitted from Monday to Friday.

2.1.1.2. Stock exchanges can set their trading hours within the time limit of 9:00AM to 11:30PM / 11:55PM (as per US day light savings in Spring/ Fall Season).

2.1.2. Regarding Muhurat Trading on Diwali (Lakshmi Poojan) day, all stock exchanges shall jointly decide the common trade timing and notify the same, well in advance, to the market under prior intimation to SEBI.

2.1.3. Stock exchanges shall ensure that they have necessary risk management system and infrastructure in place commensurate to their trading hours.

#### 2.1.4. Trading Holidays

2.1.4.1. All stock exchanges shall jointly decide upon the common holiday list within the broad framework of the Negotiable Instruments Act, 1881 and also taking into consideration Central/State/Local holidays and notify the same, well in advance, to the market under prior intimation to SEBI.

2.1.4.2. On such trading holidays, stock exchanges may permit trading in evening session i.e. post 5:00 PM, in case corresponding internationally referenceable markets are open.

2.1.4.3. While finalizing trading holidays list, stock exchanges shall suitably consider the views of market participants. Frequent changes in holiday List shall be avoided i.e. once decided, same holidays should be followed every year irrespective of the holidays falling on a working day or a non-working day in that year. The holiday list for EGR should be in line with holiday list for derivatives markets to provide efficient hedging support.

## 2.2. Transaction charges by the stock exchanges

- 2.2.1. The stock exchanges shall ensure that transaction charges on the trades executed for EGR on their trading platform, must be equitable and in the interest of investors, as specified for cash segment in SEBI circular no. SEBI/HO/MRD2/MRD2\_DCAP/P/CIR/2021/0000000591 dated July 5, 2021 and subsequent amendment or supersession thereto through any circular or master circular issued from time to time.

## 2.3. Framework for Call Auction in Pre-open session

### 2.3.1. Duration:

- 2.3.1.1. The pre-open session shall be for a duration of 15 minutes i.e. from 8:45 AM to 9:00 AM, out of which 8 minutes shall be allowed for order entry, order modification and order cancellation, 4 minutes for order matching and trade confirmation and the remaining 3 minutes shall be the buffer period to facilitate the transition from pre-open session to the normal market.
- 2.3.1.2. The session shall close randomly during last one minute of order entry i.e. anytime between 7th and 8th minute of the order entry. Such random closure shall be system driven.

### 2.3.2. Reference Price:

- 2.3.2.1. Only for first day of trading of EGRs, the stock exchanges, shall discover and disclose a reference price for EGRs in the pre-open session. This reference price would be discovered using the 'spot price polling mechanism' as laid down in SEBI Circular no. SEBI/HO/CDMRD/DMP/CIR/P/2016/78 dated September 02, 2016 and subsequent amendment or supersession thereto through any circular or master circular issued from time to time. Such spot polling would be done, one working day prior to the launch of EGRs on an exchange.
- 2.3.2.2. If EGRs are already trading on any other stock exchange, the reference price during pre-open session on first day of trading of EGRs on such exchange which is launching trading in EGRs for the first time, shall be closing price of previous day's EGR on any other exchange where EGRs are trading.

- 2.3.2.3. Subsequently, the reference price during pre-open session in EGR segment shall be previous day closing price.
- 2.3.3. **Price Limit:** A Price range of +/- 5% from reference price shall be applicable on EGRs during pre-open session.
- 2.3.4. **Type of Orders:** Limit orders and Market orders shall be entered during the pre-open session
- 2.3.5. **Equilibrium Price:**
- 2.3.5.1. Both Limit orders and Market orders shall be reckoned for computation of equilibrium price. No iceberg order shall be allowed i.e. orders shall be disclosed in full quantity.
- 2.3.5.2. The equilibrium price shall be the price at which the maximum volume is executable. In case more than one price meets the said criteria, the equilibrium price shall be the price at which there is minimum order imbalance quantity (unmatched order quantity). The absolute value of the minimum order imbalance quantity shall be taken into consideration.
- Further, in case more than one price has same minimum order imbalance quantity, the equilibrium price shall be the price closest to the previous day's closing price. In case the previous day's closing price is the mid-value of a pair of prices which are closest to it, then the previous day's closing price itself shall be taken as the equilibrium price.
- 2.3.5.3. If equilibrium price is not discovered in pre-open session, then the orders entered in the pre-open session will be shifted to the order book of the normal market following time priority. The price of the first trade in the normal market shall be the opening price.
- 2.3.6. **Order Execution:** Pursuant to the discovery of price in the pre-open session, at the time of order execution, limit orders shall be given priority over market orders. The sequence for executing orders is given below:
- 2.3.6.1. Eligible Limit orders shall be matched with eligible limit orders.
- 2.3.6.2. Residual eligible limit orders shall be matched with market orders.
- 2.3.6.3. Market orders to be matched with market orders.

2.3.7. **Pending Orders:**

2.3.7.1. In case of pending unmatched orders in pre-open session, they shall be shifted to the order book of the normal market following time priority.

2.3.7.2. Unmatched market orders will shift to the normal market order book as limit orders at a price as discovered in the pre-open session.

2.3.8. **Risk Management:** The current risk management system for EGR segment shall be applicable to pre-open session.

2.3.9. The following information shall be disseminated during pre-open session:

2.3.9.1. Indicative equilibrium price of EGR

2.3.9.2. Indicative cumulative buy and sell quantity of EGR

2.4. **Framework for Block Deals in EGR Segment**

2.4.1. **Duration:** Considering EGR is a new security class, and it may take time to build liquidity in this segment, it has been decided to allow one block deal window. The window shall operate between 03:05 PM to 3:20 PM.

2.4.2. **Reference Price:** The reference price for block deals shall be the volume weighted average market price (VWAP) of the trades executed in the EGR segment between 02:45 PM to 03:00 PM. Between the period 03:00 PM to 03:05 PM, the stock exchanges shall calculate and disseminate necessary information regarding the VWAP applicable for the execution of block deals.

2.4.3. **Price Limit:** The orders placed shall be within  $\pm 1\%$  of the reference price.

2.4.4. **Minimum order size:** The minimum order size for execution of trades shall be Rs.10 Crore.

2.4.5. Every trade executed in the block deal window must result in delivery and shall not be squared off or reversed.

**2.4.6. Disclosure:**

2.4.6.1. The brokers shall disclose to the stock exchange the name of the contract, name of the client, quantity of EGR/s bought/sold and the traded price.

2.4.6.2. The disclosure shall be made by the brokers immediately upon execution of the trade.

2.4.6.3. The stock exchanges shall disseminate the aforesaid information to the general public on the same day, after the market hours.

2.4.7. The stock exchanges shall ensure that all appropriate trading and settlement practices as well as surveillance and risk containment measures, etc., as applicable to the normal trading segment are made applicable and implemented in respect of block deal window also.

**2.5. Framework for Bulk Deals in EGR Segment**

2.5.1. **Market-wide limit:** The Stock exchange shall calculate and disclose market-wide limit to be used for calculating bulk deals. For the purpose of this Circular, market-wide limit means summation of underlying gold, on which EGRs have been issued and outstanding, across all contracts floated by the stock exchanges.

**For example:** There are 60 EGRs issued with 1kg each of underlying gold and 6000 EGRs issued with 100grams each of underlying gold. This means there is 660 kg of underlying gold in total for the EGR segment.

2.5.2. **Bulk Deals:** EGRs bought / sold representing 5% of the market-wide limit shall constitute bulk deal.

**2.5.3. Disclosure:**

2.5.3.1. The brokers shall disclose to the stock exchange the name of the contract, name of the client, quantity of EGR/s bought/sold and the traded price.

2.5.3.2. The disclosure shall be made by the brokers immediately upon execution of the trade.

2.5.3.3. The Stock exchange shall disclose aforesaid information on the same day after market hours to the general public.

2.5.4. While calculating such bulk deals, stock exchanges may take suitable measures for clubbing such bulk deal positions of clients / members who

may be acting in concert to circumvent these provisions. The broad guidelines for clubbing such bulk deal positions are given below.

**Illustrations indicating guidelines for Clubbing of Bulk Deals: -**

2.5.4.1. When a person is a partner in one or more partnership firms and /or is a director in one or more companies and/or is a manager (karta) of a Hindu Undivided Family (HUF), the total executed orders of

2.5.4.1.1. the person as an individual operator,

2.5.4.1.2. the firm or firms in which he is a partner;

2.5.4.1.3. the Company or companies in which he is a director; and

2.5.4.1.4. the HUF of which he is a manager(karta)

shall be taken together for calculating bulk deals.

2.5.4.2. Where two or more persons are partners in a partnership firm or firms and where two or more persons are director in a company or companies and where two or more persons are Kartas of HUFs, the total executed orders held by

2.5.4.2.1. all the partners of partnership firm or firms;

2.5.4.2.2. the concerned partnership firm or firms;

2.5.4.2.3. all the directors of the company or companies;

2.5.4.2.4. the concerned company or companies;

2.5.4.2.5. all the Kartas of the HUFs; and

2.5.4.2.6. the concerned HUFs

shall be taken together for calculating bulk deals.

2.5.4.3. Where a person or persons operating as individuals and /or being partners in one or more partnership firms and/or being directors in one or more companies and/or being kartas of HUFs are also trustees in one or more trusts, the total executed orders of

2.5.4.3.1. the person as individual operator,

2.5.4.3.2. the firm or firms in which they are partners;

2.5.4.3.3. the company or companies in which they are directors;

2.5.4.3.4. the HUFs in which they are Kartas; and

2.5.4.3.5. the trust or trusts in which they are trustees,

shall be taken together for calculating bulk deals.

2.5.4.4. **Exemptions from Clubbing:** As a practice of good corporate governance, the companies now have independent directors on

their Board with no financial interest in the company. Similarly, companies also have Government / Financial Institutions nominated Directors without any financial interest in the company. In such cases, when the Directors do not have any financial interest in the company, the position of such companies/corporates may not be clubbed just because they have common directors.

- 2.5.4.5. The above stated guidelines/ illustrations are indicative only. The Exchanges shall take suitable measures for clubbing of bulk deals on the basis of the criteria laid down above and also include other criteria such as PAN, patterns such as 'acting in concert' through common ownership and control structures, layering of transactions and any other relevant criteria to club open positions that may be observed during the course of regular monitoring and surveillance which may appear to compromise market integrity.

## **2.6. Price bands**

- 2.6.1. With the view to ensuring orderly trading and protect market integrity, Stock exchanges shall implement a mechanism of price bands in the EGR segment to prevent acceptance of orders for execution that are placed beyond the price limit set by the stock exchanges.
- 2.6.2. The initial price limit for the price band shall be set at 10% of the previous closing price.
- 2.6.3. In the event of a market trend in either direction, the dynamic price bands shall be relaxed by the stock exchanges in increments of 5%. Stock exchanges shall frame suitable rules with mutual consultation for such relaxation of dynamic price bands and shall make it known to the market.
- 2.6.4. Stock exchanges shall take into consideration the price movement in international market while relaxing the price band. In the event of exceptional circumstances, where there is extreme price movement beyond the initial price limit in the international markets, during trading hours or after the closure of trading on domestic exchanges, the stock exchanges can relax the price band directly by the required level, by giving appropriate notice to the market.

## **2.7. Investor Protection Fund (IPF) & Investor Service Fund (ISF)**

- 2.7.1. In line with the prevailing norms and consultation with stakeholders, IPF and ISF being maintained by the respective stock exchanges can be utilized for the purpose of settling investor claims and investor awareness pertaining to EGR segment.

## 2.8. Unique Client Code (UCC)

- 2.8.1. For transactions in EGR segment, it shall be mandatory for the members to have Unique Client Code (UCC) for all their clients transacting on the stock exchanges. The stock exchanges shall not allow execution of trades without uploading of the UCC details by the members of the exchange. For this purpose, members shall collect after verifying the authenticity and maintain in their back office the copies of Permanent Account Number (PAN) issued by the Income Tax Department, for all their clients.
- 2.8.2. However, in case of e-PAN, members shall verify the authenticity of e-PAN with the details on the website of IT Department and maintain the soft copy of PAN in their records.
- 2.8.3. Since EGR is notified as “securities” under SCRA, the provisions related to UCC i.e. updation of UCC, modification of client codes, penalty structure and waiver of penalty corpus will be similar as specified for cash segment in SEBI circular no. SEBI/HO/MRD2/MRD2\_DCAP/P/CIR/2021/591 dated July 5, 2021 and subsequent amendment or supersession thereto through any circular or master circular issued from time to time.



## Chapter 3. Standard Operating Guidelines and modalities for the Vault Managers and Depositories

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### A. Standard Operating Guidelines for Vault Managers and Depositories

#### 3.1. Financial Security Deposit (FSD)

##### 3.1.1. Quantum

- 3.1.1.1. The Vault Manager shall furnish FSD of Rs. 10 lakhs to any one of the two Depositories (viz. NSDL or CDSL) before obtaining a certificate of registration from SEBI. This is the minimum amount of FSD which has to be maintained with the Depository at all points of time.
- 3.1.1.2. The FSD shall be either in the form of cash, bank fixed deposits or bank guarantees or any combination thereof, without applying any haircut.

##### 3.1.2. Use of FSD

- 3.1.2.1. The Depositories shall put in place a procedure to utilize the FSD for compensating the aggrieved client, in the following situations:
  - 3.1.2.1.1. for any such losses caused to a client that have been appropriately established by the Depositories against the Vault Manager;
  - 3.1.2.1.2. in case of loss arising from any action or inaction of the Vault Manager that prevents the client from exercising, in whole or in part, their rights while availing vaulting services.
- 3.1.2.2. In case of utilization of FSD by the Depositories, in part or full, the Vault Manager shall replenish the FSD within seven working days.
- 3.1.2.3. The FSD maintained by a particular Vault Manager shall be used by the Depositories to settle claims against that Vault Manager only.
- 3.1.2.4. The FSD maintained with a particular Depository by the Vault Manager shall also be made available to the other Depository for settlement of claims.

- 3.1.2.5. The settlement of claims shall be done by the Depositories on a pro-rata basis.

For example: If a Depository has established loss to its client equivalent to Rs 12 lakhs against a Vault Manager and the other Depository has established loss to its client equivalent to Rs. 8 lakhs against the same Vault Manager, then the FSD shall be utilized for settling claims of both the Depositories on proportional basis i.e. Rs 6 lakhs and Rs 4 lakhs respectively.

- 3.1.2.6. Any discrepancy noted/ claim received from a client by any of the Depositories shall be brought to the notice of other Depository as and when such claim is received or discrepancy is noted or also through a mutually agreed report format mentioning therein the details of discrepancies/claims received, on a quarterly basis, irrespective of invocation of the FSD during the said quarter.
- 3.1.2.7. Upon surrender of registration by the Vault Manager to SEBI, the FSD can be released after six months from the date of cancellation of registration or upon settlement of all claims, to the satisfaction of the Depository, whichever is later. In case the claims, if any, outstanding against a Vault Manager are settled before the completion of six month/s period (from the date of cancellation of registration), FSD may be released as per the discretion of the Depository.

## 3.2 Corporate Governance

- 3.2.1 The Vault Manager shall designate one of its employees as a Compliance Officer who would be responsible for monitoring the compliance with relevant Acts, rules and regulations, notifications, guidelines and circulars issued by relevant authorities from time to time. The Compliance Officer would also be responsible for ensuring that all applicable norms are followed by the Vault Manager and should issue a declaration to that effect to the Depositories for every quarter, within seven working days from the end of the quarter.

### 3.3 Infrastructure/safekeeping features

3.3.1 The Vault Manager shall ensure the following with respect to the recognized vaults:

3.3.1.1 The recognized vaults shall be under the absolute control of the Vault Manager. In case of a leased property, the Vault Manager shall hold a direct lease for at least three years and it shall be ensured that no third party including the owner/lessor of the recognized vault has any role to play in the operations of the said recognized vault.

3.3.1.2 The recognized vaults are well connected with rail and/or road networks and have sufficient space for parking and movement of loading/ unloading vehicles. The vaults must be accessible by armoured vehicles.

3.3.1.3 The recognized vaults shall have strong rooms of adequate usable size for storage and handling of gold. The strong rooms must be of adequate strength to ensure protection from possible threats, such as, fire, theft, burglary, etc.

3.3.1.4 The gold deposited for creation of EGRs shall be stored in separate racks providing clear-cut demarcation of EGR business from its other businesses. The storage area within the recognized vault shall be free from materials which may adversely affect the quantity or quality of gold.

3.3.1.5 There must be an electronic balance or any other similar balance in each recognized vault for weighing the gold.

3.3.1.6 The recognized vaults shall have communication link with the nearest police station.

3.3.2 The Vault Manager shall ensure that the recognized vaults are physically and operationally suitable for proper storage of gold and have the following minimum safety and security features:

3.3.2.1 CCTV (Close Circuit Tele Vision) monitors

3.3.2.2 Indoor and Outdoor IR (Infra-Red) Cameras

3.3.2.3 Sensors: Vibration, Smoke, Movement etc.

3.3.2.4 Panic Switches and Alarm Systems

- 3.3.2.5 Recoding systems such as DVR (Digital Video Recording) System and have DVR located in a secured place/ area (pre-vault Area/Packing Area) under lock and key.
  - 3.3.2.6 Interlocking doors in the premises to reach the strong rooms - Mantrap
  - 3.3.2.7 Interlocking Panel for steel doors
  - 3.3.2.8 Electromagnetic locks for steel doors
  - 3.3.2.9 Control Panel with auto dialer
  - 3.3.2.10 Video Door Phone/ Biometric Sensor
  - 3.3.2.11 Metal detector
  - 3.3.2.12 Steel Fabricated Strong Room (SFSR) or Additional RCC wall, roof and floor of adequate thickness
  - 3.3.2.13 HSD (High Security Door) with Grill Gate with combination, mechanical and timer locks (Steel Door with 2 mechanical locks may be used in low risk areas) used to Control Access to Vault
  - 3.3.2.14 Doors feature with high security locking mechanism and equipped with a spring or hydraulic automatic door closure
  - 3.3.2.15 Adequate number of armed and unarmed security personnel at the vaulting premises. The armed guard shall have an active and a valid gun license.
  - 3.3.2.16 Fire-fighting equipments installed within the premises, fire escapes and fire hydrant points clearly marked.
  - 3.3.2.17 Non-functioning items reported to Security and repaired /replaced immediately or as earliest as possible.
- 3.3.3 The Vault Manager shall put in place, necessary policies, control and system for dealing with the risks that may arise due to its businesses, other than EGR related business.
- 3.3.4 The Vault Manager shall have systems for real time tracking of gold, underlying EGR, starting from the time of deposits till the time of withdrawal of the underlying gold from the recognized vault.
- 3.3.5 The Vault Manager shall have systems for recovery and backup of data to prevent loss of electronic data.
- 3.3.6 The abovementioned norms are the minimum requirements which the Vault Managers are required to ensure for compliance by the recognized vaults. The Vault Manager may have additional requirements in place for running their operations related to EGR, without diluting the above minimum requirements.

### 3.4 Insurance

- 3.4.1 The Vault Manager shall take insurance, to fully cover the value of the gold stored in the recognized vaults, against all potential perils relevant to gold for which insurance cover is available.
- 3.4.2 The Vault Manager shall take insurance to cover the risk from theft, fire, burglary, fraud, negligence and force majeure events. They shall also take Fidelity Guarantee and Crime Insurance and Professional Indemnity Cover to cover all potential losses.
- 3.4.3 The Vault Manager shall undertake to buy insurance cover against terrorism, for recognized vaults located in areas which are notified under the Armed Forces Special Powers Act, 1958 (AFSPA).
- 3.4.4 The value of gold to be insured should be marked to market on replacement value on an ongoing basis.

### 3.5 Reconciliation between Depositories and Vault Manager

- 3.5.1 The Depositories and the Vault Manager shall devise procedures for carrying out reconciliation between the stock of physical gold deposited with the recognized vaults and the corresponding electronic record of EGRs in the Depository system. The reconciliation should be done at the end of day on a daily basis.
- 3.5.2 In case the reconciliation is not confirmed by the recognized vault at the end of day, the Depositories shall not allow requests for fresh deposits into or withdrawal from the concerned vault.
- 3.5.3 In case of any discrepancy between the stock of physical gold and the electronic record of EGRs, the Depositories, in coordination with the Vault Manager, shall identify and resolve such discrepancies at the level of the recognized vault. The Depositories and the concerned vault shall strive to resolve such discrepancies before the start of the next trading day. However, in case of any delay in resolution, the Depositories shall disallow any fresh deposit of gold into or withdrawals from the concerned vault. If one Depository disallows fresh deposit into or withdrawal of gold from a particular recognized vault, the other Depository should also take similar action for that particular recognized vault.

3.5.4 The Depositories shall report to SEBI the details of discrepancies and action taken there on to resolve such discrepancies on an immediate basis.

3.5.5 In case of any technical issues involved or observed in the process of reconciliation, the Depositories and the Vault Manager shall ensure reconciliation via email or any other similar means recognized under Information Technology Act, 2000 or rules framed thereunder.

### **3.6 Storage and other related charges**

#### **3.6.1 Levy**

3.6.1.1 The Vault Managers shall determine storage charges, delivery charges and other related charges and disclose them on their website. The information about the same shall also be made available on the website of the Depositories.

3.6.1.2 In case the Vault Manager decides to revise any of its charges, it shall inform the market participants about the same before fifteen working days of the effective date of such revise charge. The Depositories, after receiving information regarding revision in charges from a Vault Manager, shall also intimate the revised charges of the said Vault Manager to all the existing clients.

#### **3.6.2 Collection**

3.6.2.1 The Vault Manager shall raise the invoice and collect the storage charges on a monthly basis from the Depositories. The Depositories shall, in turn, collect the storage charges from the beneficial owner at the end of the month or on sale of EGR or on withdrawal of gold by the beneficial owner, whichever is earlier. In case of inter-Depository transfer of EGRs due to sale of EGR, the storage charges shall be settled between the two Depositories on mutual understanding. The charges collected by the Depositories for each month shall be credited to the account of the concerned Vault Manager within seven working days of the succeeding month.

3.6.2.2 The Depositories shall deposit and maintain the storage charges received by it pertaining to the Vault Managers in a separate account.

3.6.2.3 In case of any request for withdrawal of gold from the vault is received from the Beneficial Owner (BO) in the depository system,

the Depositories shall not process the request until the storage charges due from the BO are fully received by the Depositories.

- 3.6.2.4 The deposit, delivery and other related charges shall be collected by the Vault Manager directly from the depositor/beneficial owner during the deposit and physical withdrawal of gold.

### **3.7 Procedure in case of Default in payment of storage charges**

- 3.7.1 In case of default in payment of storage charges by the depositor/BO, the procedure, as may be specified by the Depositories, shall be followed.

### **3.8 Procedure for ensuring safety of the gold from fire, theft, burglary etc.**

#### **3.8.1 Risk management**

- 3.8.1.1 The Vault Manager must have processes to periodically inspect the physical systems of its recognized vaults with a view to preserve the gold against which it has issued EGRs.
- 3.8.1.2 Inspection staff must be independent of the employees/ staff deputed at the vault which is being inspected.
- 3.8.1.3 The Vault Manager shall ensure to maintain records of all persons entering into and exiting from the vault premises.
- 3.8.1.4 There must be a central system of recording the names of employees and staff who are in custody of the locks and keys of recognized vaults.
- 3.8.1.5 The Vault Manager must have processes to ensure that the gold against which EGRs have been issued, is never moved outside the vaulting system, except for the purpose of withdrawal of gold from the recognized vault.

#### **3.8.2 Security Management**

- 3.8.2.1 The Vault Manager shall ensure that the recognized vaults have adequate security personnel and shall maintain a roster of security personnel deputed at the vaults.

- 3.8.2.2 The Vault Manager shall clearly lay down the responsibilities of the security personnel deputed at its recognized vaults.
- 3.8.2.3 The Vault Manager shall clearly lay down the processes that security personnel must follow in the event of any unlawful entry, burglary, theft or damage or potential loss of the gold deposited.
- 3.8.2.4 The Vault Manager shall ensure daily check of Security and Surveillance system and maintain records in this regard. In case of any adverse observations, it shall be rectified expeditiously.

### 3.8.3 Procedure for fire control

- 3.8.3.1 The Vault Manager shall ensure that its facilities and the deposits are well protected from losses due to fire hazards.
- 3.8.3.2 The Vault Manager shall ensure that addresses and telephone numbers of fire station, police station and designated officials of the Vault Manager are displayed at conspicuous places so that in case of emergency, the concerned authorities may be contacted without any delay.
- 3.8.3.3 To avoid any outbreak of fire in the premises, the Vault Manager shall ensure the following:
  - 3.8.3.3.1 Smoking or lighting match-stick inside the vaults shall be strictly prohibited.
  - 3.8.3.3.2 'NO SMOKING' boards shall be prominently displayed.
  - 3.8.3.3.3 Warehouse security shall ensure that no person entering in its premises carry any match box, gas lighter, chemicals and inflammable items which can cause fire.
  - 3.8.3.3.4 The lighting and other arrangements in the vault premises shall be satisfactory and their periodical check-up shall be made to ensure that no electric line is defective.
  - 3.8.3.3.5 Adequate fire extinguishers shall be there at the premises and the employees shall be familiar with the use of such fire extinguishers.
  - 3.8.3.3.6 The Vaults shall have fire alarms.
  - 3.8.3.3.7 All the firefighting equipment and devices installed in the premises are in good working condition at all times.
- 3.8.3.4 In the event of fire, the concerned vault manager shall immediately contact the fire brigade office. Efforts shall be made to douse the fire



with equipment available at the vault. The vault manager shall immediately intimate the Depositories about the incident.

#### **3.8.4 Procedure in the event of theft/ burglary**

3.8.4.1 The Vault Manager shall have processes for action to be taken in the event of burglary, theft, break-ins, etc.

3.8.4.2 The Vault Manager shall ensure that the officials of the vaults intimate the local and nearest police station and the designated officials of the Vault Manager and Depositories on immediate basis.

3.8.4.3 A copy of the FIR shall be obtained and the necessary process should be initiated to make claim from the insurance company.

#### **3.9 Indemnification in case of loss/damage**

3.9.1 In case of loss/damage of the gold either due to unavoidable circumstances or otherwise, such as negligence of the Vault Manager, the Vault Manager shall be liable to indemnify for the loss/damage.

3.9.2 To deal with such scenarios, the Vault Manager shall have a procedure in place to replenish the lost/damaged gold in such a manner that:

3.9.2.1 the replenished gold is of purity and weight equivalent to the lost/damaged gold,

3.9.2.2 the replenished gold is as per LBMA or India good delivery standard,

3.9.2.3 the gold can be traced back to nominated agencies or accredited refineries, and

3.9.2.4 the gold is accompanied by proper documentation.

3.9.3 The Vault Manager shall keep the Depositories informed and the Depositories shall ensure that the requirements mentioned in para 3.9.2 are met.

3.9.4 The Depositories shall ensure that the gold is replenished by the Vault Manager within 24 hours of identification/crystallization of the lost/damaged gold failing which appropriate action shall be taken by the Depositories.

3.9.5 The Depositories shall not allow any fresh deposits and withdrawals from the said vault till the restoration of infrastructure and systems in the concerned vault.

3.9.6 In case the recognized vault receives any deposit or withdrawal request in the intervening period, the vault shall not dismiss the request and provide services to the client at its own expense.

3.9.7 The Vault Manager shall submit a detailed report of the incident of loss/damage of the gold deposits with it against EGRs, to the Depositories.

### **3.10 Maintenance of records**

3.10.1 The Vault Manager shall maintain the following records:

- 3.10.1.1 Documents for traceability of gold
- 3.10.1.2 Know your depositor (KYD) details
- 3.10.1.3 Certificate of indemnity from refiner/depositor and purity certificate.
- 3.10.1.4 Acknowledgment slip issued and received during the deposit and withdrawal respectively.
- 3.10.1.5 Purity, quantity and weight of deposited gold
- 3.10.1.6 Details of Creation and extinguishment of Electronic Gold Receipts
- 3.10.1.7 Details of the gold withdrawn
- 3.10.1.8 Details of movement of gold between recognized vaults or Vault Managers
- 3.10.1.9 All communications received or sent to the depositor/ authorized representative/beneficial owners
- 3.10.1.10 Details of complaints received and action taken thereof
- 3.10.1.11 Reports submitted to the Board.
- 3.10.1.12 Other documents related to transactions pertaining to EGR

3.10.2 The records shall be maintained in physical and/or electronic form for a minimum period of five financial years.

### **3.11 Inspection/ physical verification by the Depositories**

3.11.1 The Depositories, in coordination with each other, shall ensure that physical verification of the gold stored in recognized vaults belonging to the Vault Manager, is carried out at least once in a fortnight.

3.11.2 A full inspection of the Vault Manger and its recognized vaults shall be carried out by the Depositories on an annual basis, as per the schedule mutually agreed upon between the Depositories and the Vault Manager.

3.11.3 The Depositories shall employ experienced and knowledgeable personnel for carrying out the inspection/physical verification of the Vault Managers/recognized vaults and the same shall not be outsourced.

3.11.4 The Depositories shall carry out surprise inspections of Vault Managers or/and its recognized vaults as and when such exigencies arise.

3.11.5 The Depositories shall have a detailed manual for carrying out the inspections/physical verification in the recognized vaults and their Vault Managers.

3.11.6 The Depositories shall forward to SEBI any adverse findings in the inspection report of the Vault Manager/recognized vaults along with corrective measures taken by the Vault Manager/recognized vault, in response to those adverse findings.

### 3.12 Grievance Redressal

3.12.1 The Vault Managers and Depositories shall put in place an Investor charter including a grievance redressal mechanism to handle investor complaints.

3.12.2 The Vault Managers are required to redress all the complaints related to deposit, storage and withdrawal of gold, creation and extinguishment of EGR and quantity/purity related complaints.

3.12.3 The Depositories are required to redress complaints pertaining to EGR transactions handled by them and by the Depository Participants (DPs).

3.12.4 Different types of complaints shall be redressed in the manner as given below:

#### 3.12.4.1 Quantity/weight related complaints

3.12.4.1.1 The complaints related to quantity or weight of gold shall be resolved by the Vault Manager within one working day of receipt of complaint failing which, the operations of the EGR segment of the concerned recognized vault shall be ceased, till the complaint is resolved.

#### 3.12.4.2 Quality related complaints

3.12.4.2.1 The complaints pertaining to the quality/purity of gold (deposited by accredited refinery) shall be taken up by the investor with the accredited assayer, empanelled with the Clearing Corporation.

3.12.4.2.2 In such scenario where the gold is assayed, the Vault Manager shall ensure that the gold has not moved out of the vaulting system and may facilitate to the extent of transporting the gold to and fro the laboratory of the assayer accredited with the Clearing Corporation.

3.12.4.2.3 All the expenses related to assaying shall be incurred by the beneficial owner on whose complaint the assaying is being done.

3.12.4.2.4 If the report of the assayer certifies that the gold is not as per the specified quality, the stock exchange shall ensure that the concerned accredited refinery makes good for the loss to the beneficial owner.

### 3.12.4.3 **Other complaints**

3.12.4.3.1 All other complaints related to the operations of the Vault Manager shall be resolved by the Vault Manager within seven working days

3.12.4.3.2 The complaints related to the operations of the Depositories and DPs shall be resolved by the Depositories within seven working days.

3.12.5 The Vault Managers and Depositories shall ensure that the quality and quantity related complaints be redressed only if the gold has not moved out of the vaulting system.

3.12.6 In case of any grievance against the Vault Managers, the investors can file complaints at <https://scores.gov.in>.

3.12.7 The Vault Managers shall disclose on their websites, the data on complaints received against them and redressal thereof, latest by 7<sup>th</sup> of succeeding month, as per the format placed in [Annexure A](#).

### 3.13 Disclosures by the Vault Manager and Depositories

3.13.1 The Vault Manager shall disclose the following information on their website:

- 3.13.1.1 Details about the recognized vaults including location, contact details of designated officials, etc.
- 3.13.1.2 Charges related to Storage, deposit and withdrawal
- 3.13.1.3 Any other charges
- 3.13.1.4 Any other information as considered by the Vault Manager

3.13.2 The Depositories shall disclose the following information on their website:

- 3.13.2.1 List of registered Vault Managers and their corresponding recognized vaults providing vaulting services to the EGR segment.
- 3.13.2.2 Contact details of the designated officials of the Vault Managers
- 3.13.2.3 Details about the storage and other charges of Vault Managers
- 3.13.2.4 Any other information as considered relevant by the Depositories.

### **B. Modalities for Vault Managers and Depositories**

3.14 In terms of the VM Regulations, the Vault Managers are mandated for creation and extinguishment of EGR. The modalities for deposit of gold, creation of EGR, withdrawal of gold and extinguishment of EGR are as follows:

#### 3.15 Common Interface:

- 3.15.1 The Depositories shall create and manage a common interface accessible to all the stakeholders in the Gold Exchange (or EGR segment) ecosystem viz. Vault Managers, Depositories, Stock Exchanges, Clearing Corporations and clients/investors.
- 3.15.2 The entities shall have limited access to the interface on need to know or user rights basis.
- 3.15.3 The Depositories shall have a Business Continuity Plan (BCP) and Disaster Recovery (DR) policy in place as defined in SEBI circular no. [SEBI/HO/MRD1/DTCS/CIR/P/2021/33](#) dated March 22, 2021 and subsequent amendment or supersession thereto through any circular or master circular issued from time to time so as to maintain data and transaction integrity and prevent data loss pertaining to the operation of the interface/EGR segment.

**Vault Managers:**

3.15.4 The Depositories shall provide interface to the Vault Managers, registered with SEBI, by entering into an agreement with them defining their rights and obligations. The interface shall be accessed by the Vault Managers for creation and extinguishment of EGR, reconciliation of records and other related activities as defined by the Depositories.

3.15.5 The Vault Managers shall ensure that each of the recognized vaults has identified designated persons to access the interface to carry out the activities related to EGR.

3.15.6 The information of the identified designated persons shall be made accessible to the Depositories as and when required.

**Depositor/Beneficial Owner of EGR:**

3.15.7 The Depositories shall provide user access, in the interface, to the depositors/clients for placing a request for deposit of gold (for creation of EGR) and for withdrawal of gold.

3.15.8 The Depositories shall ensure display of outstanding storage and other charges to the depositor/beneficial owner of EGR.

**Stock Exchanges and Clearing Corporations:**

3.15.9 The Depositories shall provide user access, in the interface, to the Stock exchanges (SEs) and Clearing Corporations (CCs) and ensure that the following information is available to SEs and CCs for ease of reconciliation between Depositories, SEs and CCs:

- 3.15.9.1 Number of EGRs in the system - total and ISIN-wise
- 3.15.9.2 New EGRs created for trading - total and ISIN-wise
- 3.15.9.3 EGRs extinguished on the trading day- total & ISIN-wise
- 3.15.9.4 Any other information required by the entities

**Depository:**

3.15.10 Each Depository shall display relevant information related to EGRs to the other Depository in the interface for ease of reconciliation.

### 3.16 Deposit of Gold and creation of EGR

#### 3.16.1 Procedure

- 3.16.1.1 The Depositories shall allow the depositor to place deposit request in the interface by selecting the details such as Vault Manager, recognized vault, quantity to be deposited, the purity and weight of the gold to be deposited and details of authorized representative. The Depositories may specify additional details to be entered by the depositor in the system.
- 3.16.1.2 Once a deposit request is placed, a deposit request letter containing the details entered by the depositor shall be generated by the system. The deposit request shall remain active for three working days.
- 3.16.1.3 The deposit request along with the details of the depositor and/or his authorized representative will also be reflected to the concerned Vault Manager and the recognized vault in the system.
- 3.16.1.4 Before accepting the gold for deposit, the Vault manager shall verify the following documents and keep electronic and physical record of the same:
- 3.16.1.4.1 Proof of Identity (POI) and Proof of Address (POA) of the depositor
  - 3.16.1.4.2 Proof of Identity (POI) and Proof of Address (POA) of the authorized representative including the authority letter
  - 3.16.1.4.3 Valid mobile number and email id of the depositor and authorized representative
  - 3.16.1.4.4 PAN number of depositor
  - 3.16.1.4.5 Deposit request letter
  - 3.16.1.4.6 Packing list
  - 3.16.1.4.7 Customs clearance documents
  - 3.16.1.4.8 Letter of indemnity from the refinery/depositor specifying that they are responsible for the quality of the gold deposited by them.
- 3.16.1.5 During the deposit, the Vault Manager shall necessarily weigh the gold bars and verify/match the details of each of the gold bar, against the deposit request, with the packing list.

3.16.1.6 The Vault Manager shall accept deposits coming only through accredited refineries or nominated agencies as defined in the Vault Managers regulations.

3.16.1.7 On acceptance of the gold, the Vault Manager shall furnish a physical or electronic receipt to the depositor and/or its authorized representative.

3.16.1.8 Upon acceptance of the gold, the Vault Manager shall record the following details and create EGR from the interface:

3.16.1.8.1 Name of the Depository having account of Beneficial Owner;

3.16.1.8.2 Details of Depository Participant;

3.16.1.8.3 Name and address of the beneficial owner;

3.16.1.8.4 Valid mobile number and email id of the beneficial owner

3.16.1.8.5 PAN number of the Beneficial Owner

3.16.1.8.6 Demat Account details of the beneficial owner

3.16.1.8.7 Registration number of the Vault Manager and date up to which such registration is valid;

3.16.1.8.8 Name of the vault and its complete postal address;

3.16.1.8.9 Date of creation of Electronic Gold Receipt;

3.16.1.8.10 Deposit/Withdrawal unit

3.16.1.8.11 Trading unit

3.16.1.8.12 Purity

3.16.1.8.13 Bar number;

3.16.1.8.14 Rates of storage charges and other related charges, if any;  
and

3.16.1.8.15 Name of the refiner.

3.16.1.9 The Vault Manager shall also upload a copy of the purity certificate in the interface during creation of EGR.

### 3.16.2 Cut-off time

3.16.2.1 The Vault Manager shall accept deposit of gold from 10:00 AM to 03:00 PM.

3.16.2.2 For all the gold deposited till 03:00 PM, EGR shall be created on the same working day but made available for trading by the investor on the start of the next trading day.



3.16.2.3 For the gold deposited after 03:00 PM, EGR shall be made available for trading on the second working day of such deposit.

### 3.16.3 Procedure to deal with errors in recording data

3.16.3.1 In the case of any inconsistency/error in recording data in the system committed by the Vault Manager during creation of EGR, the Vault Manager shall ensure that such errors are detected before or during reconciliation at the end of the day. As a corrective measure, the Vault manager shall immediately make a representation to the Depositories for rectification. The concerned Depository shall immediately initiate correction in the system and update the portal before the EGRs are made available for trading.

3.16.3.2 The concerned Depository shall inform the other Depository about such incorrect / wrongful entry and the corrective action taken thereon to rectify such errors in the EGR.

## 3.17 Recording of EGRs created by the Vault Manager

### 3.17.1 Creation of ISIN

3.17.1.1 The Depositories shall create an International Securities Identification Number (ISIN) as per Association of National Numbering Agencies (ANNA) guidelines.

3.17.1.2 ISIN shall comprise of the following characteristics:

#### **G + Purity**

Where: G= Gold

Purity= measure of fineness of gold as prescribed by the stock exchanges, for example 999, 995 etc.

3.17.1.3 The Depositories shall assign appropriate ISIN to the EGRs created by the Vault Managers in the system and record the EGRs.

3.17.1.4 Whenever the EGRs are created and made available for trading by the investor, the Depositories shall share the information about the availability of such EGRs for trading, with the stock exchanges.

- 3.17.1.5 Depositories shall verify the documents submitted by the Beneficial Owner to the Vault Manager before crediting the EGR in the demat account of the concerned Beneficial Owner.

### **3.18 Withdrawal of Gold and Extinguishment of EGR**

#### **3.18.1 Procedure**

- 3.18.1.1 The Depositories shall allow the investor to place withdrawal request in the interface by selecting the choice of vault manager, recognized vault, quantity, ISIN and any other detail as specified by it.
- 3.18.1.2 The Depositories shall approve the withdrawal request after satisfying the following:
- 3.18.1.2.1 The beneficial owner has the number of EGRs of the specified ISIN in his demat account representing the quantity of gold he desires to withdraw
  - 3.18.1.2.2 The selected vault location has the quantity and withdrawable unit of gold requested for withdrawal
  - 3.18.1.2.3 The beneficial owner has paid all the dues and charges
- 3.18.1.3 The Depositories, after approving the withdrawal request, shall freeze the EGRs in the demat account of the BO against which withdrawal request has been placed and generate a withdrawal request letter.
- 3.18.1.4 The withdrawal request shall be active for three working days after which it would be deemed cancelled.
- 3.18.1.5 The withdrawal request along with the details of the beneficial owner and/or his authorized representative, the quantity requested for withdrawal and the unit of withdrawal shall be immediately transmitted to the concerned Vault Manager and the recognized vault in the system.
- 3.18.1.6 While servicing the withdrawal request, the Vault Manager shall verify and keep record of the following documents:
- 3.18.1.6.1 Proof of Identity (POI) and Proof of Address (POA) of the beneficial owner

3.18.1.6.2 Proof of Identity (POI) and Proof of Address (POA) of the authorized representative including the authority letter

3.18.1.6.3 Withdrawal request letter

3.18.1.7 After verification of documents, the Vault Manager shall release the gold as intimated in the system and record the details of the gold released for withdrawal in the system.

3.18.1.8 The Vault Manager shall take an acknowledgment receipt from the BO/authorized representative and simultaneously extinguish the EGR corresponding to the gold.

3.18.1.9 The Vault Manager shall intimate the extinguishment of EGR to the Depositories to carry out extinguishment of such EGR from the demat account of the Beneficial Owner.

### 3.18.2 **Cut-off time**

3.18.2.1 The Vault Manager shall allow withdrawal of gold from 10:00 AM to 03:00 PM.

3.18.2.2 The requests for withdrawal of gold made into the recognized vault during the specified time shall be processed by the Vault Manager on the same working day.

### 3.19 **Procedure for seeking prior approval for change in control of Vault Managers<sup>1</sup>**

3.19.1 The procedure for obtaining prior approval in case of change in control of Vault Managers is specified as under:

3.19.1.1 An application shall be made by the Vault Managers to SEBI for prior approval through the SEBI Intermediary Portal ('**SI Portal**')(<https://siportal.sebi.gov.in>).

3.19.1.2 The application shall be accompanied by the following information/declaration about itself, the acquirer(s)/the person(s) who shall have the control and their directors / partners:

3.19.1.2.1 Present and proposed shareholding pattern of the applicant

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<sup>1</sup> Circular no. [SEBI/HO/MRD/MRD-PoD-1/P/CIR/2023/59](#) dated April 21, 2023



- 3.19.1.2.2 Whether any application was made in the past to SEBI by the acquirer/persons who shall have control seeking registration in any capacity but was not granted? If yes, details thereof.
- 3.19.1.2.3 Whether any action has been initiated/ taken for violation of the provisions of Securities Contracts (Regulation) Act, 1956 / Securities and Exchange Board of India Act, 1992 / Depositories Act, 1996 or rules and regulations made thereunder? If yes, the status thereof along with the corrective action taken to avoid such violations in the future. The acquirer/ the person who shall have the control needs to confirm that it shall honour all past liabilities / obligations of the applicant, if any.
- 3.19.1.2.4 Whether any investor complaint is pending? If yes, steps taken for resolution and confirmation that the acquirer/ the person who shall have the control shall resolve the same.
- 3.19.1.2.5 Details of litigation(s), if any.
- 3.19.1.2.6 Declaration of the applicant and the acquirer/ the person who shall have the control (in a format at [Annexure B](#)), duly signed by their authorized signatories that the 'fit and proper person' criteria as specified in Schedule II of SEBI (Intermediaries) Regulations, 2008 are complied.
- 3.19.1.3 Upon receipt of the information/declaration at Para 3.19.1.2 above, SEBI would process the application for granting prior approval for change in control.
- 3.19.1.4 The prior approval granted by SEBI shall be valid for a period of six months from the date of such approval.
- 3.19.1.5 Applications for fresh registration pursuant to change in control shall be made to SEBI within six months from the date of prior approval.
- 3.19.1.6 Upon receipt of prior approval from SEBI for change in control and prior to effecting such change in control, the Vault Manager shall communicate to its existing EGR investors about the proposed change in control and an option to relocate the physical gold stored in its vault(s) to any other Vault Manager within a period of not less than 30 calendar days from the date of such communication.

- 3.19.1.7 The matters which involve scheme(s) of arrangement and need sanction of the National Company Law Tribunal (“NCLT”) in terms of the provisions of the Companies Act, 2013, the Vault Manager shall ensure the following:
- 3.19.1.7.1 The application seeking approval for the proposed change in control shall be filed with SEBI prior to filing the application with NCLT;
  - 3.19.1.7.2 Upon receipt of the information/declaration at Para 3.19.1.2 above, SEBI would process the application for granting in principle approval for change in control;
  - 3.19.1.7.3 The validity of such in-principle approval shall be three months from the date of such approval, within which the relevant application shall be made to NCLT;
  - 3.19.1.7.4 Within 15 days from the date of order of NCLT, Vault Manager shall submit the following documents to SEBI for final approval:
    - 3.19.1.7.4.1 Copy of the NCLT Order approving the scheme;
    - 3.19.1.7.4.2 Copy of the approved scheme;
    - 3.19.1.7.4.3 Statement explaining modifications, if any, in the approved scheme vis-à-vis the draft scheme and the reasons for the same; and
    - 3.19.1.7.4.4 Details of compliance with the conditions/observations mentioned in the in-principle approval provided by SEBI.
  - 3.19.1.7.5 All other provisions mentioned at paragraph 3.19.1.4 to 3.19.1.6 of this Circular regarding the procedure for seeking prior approval for change in control of Vault Managers, shall also apply.

## Chapter 4. Product Specifications

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4.1 The stock exchanges may launch products / contracts subject to complying with the following guidelines:

- 4.1.1 Any person desirous of dealing in EGR on the stock exchange shall deposit the gold with the registered Vault Managers, in the 'deposit unit', which shall be specified by the stock exchanges.
- 4.1.2 The trading of EGR shall take place on stock exchanges, in the 'trading unit', which shall be specified by the stock exchanges. The stock exchanges shall ensure that trading unit is not smaller than 10th part of the corresponding deposit unit. For example: On deposit of 100gm gold bar, 1 EGR may be created of 100 gm trading unit or 10 EGRs may be created of 10gm each trading unit.
- 4.1.3 The 'settlement unit' of EGR shall be same as 'trading unit', which shall be specified by the stock exchanges.
- 4.1.4 Beneficial owner of EGR intending to obtain physical gold against the EGR/s, shall follow the procedure as stated in Chapter 1 of this Master Circular. The 'withdrawal unit' of EGR shall be same as 'deposit unit', which shall be specified by the stock exchanges.
- 4.1.5 In addition to ISIN norms specified in [Chapter 3](#) of this Master Circular the ISINs of EGRs shall also contain details of deposit unit and trading unit, for the purpose of easy identification by the investors.
- 4.1.6 The stock exchanges shall disseminate adequate information to investors, especially for EGRs with different deposit and trading unit.
- 4.1.7 The details of deposit unit / withdrawal unit and trading unit / delivery unit shall be clearly spelt out in the contract specifications of the exchange.

4.2 At the time of creation of EGR, the beneficial owner of gold shall specify the trading unit of EGR, to the Vault Manager.

## Chapter 5. Comprehensive Risk Management Framework

### MARGINS

#### 5.1 Overview

The core of the risk management system is the liquid assets deposited by members with the Clearing Corporation (CC). These liquid assets shall cover the following requirements:

- 5.1.1 MTM (Mark to Market) Losses: Mark to market losses on outstanding settlement obligations of the member.
- 5.1.2 VaR Margins: Value at risk margins to cover potential losses for 99.9% of the days.
- 5.1.3 Extreme Loss Margins: Margins to cover the expected loss in situations that lie outside the coverage of the VaR margins.
- 5.1.4 Any other margins as may be specified

The liquid assets of the member shall, at all times, be adequate to cover all the above requirements.

#### 5.2 Liquid Assets

The type of liquid assets, applicable haircuts and concentration limits are listed below:

<i>Item</i>	<i>Minimum Haircut (Note 'k')</i>	<i>Limits</i>
<b>Cash Equivalents</b>		
Cash	0	No limit
Bank fixed deposits	0	No limit (Note i)
Bank guarantees	0	Limit on Stock Exchange's exposure to a single bank. (Note 'b')
Securities of the Central Government	2%/5%/10% (Note 'k')	No limit

<b>Item</b>	<b>Minimum Haircut (Note 'k')</b>	<b>Limits</b>
Units of liquid mutual funds or government securities mutual funds (by whatever name called which invest in government securities)	10%	No limit
<b>Other Liquid Assets</b>		
Liquid (Group-I) Equity Shares (Note 'd')	Same as the VaR margin for the respective shares (Note 'd')	Limit on Stock Exchange's exposure to a single issuer (Note 'e')
Mutual fund units other than those listed under cash equivalents	Same as the VaR margin for the units computed using the traded price on Stock Exchange, if available, or else, using the NAV of the unit treating it as a liquid security	
Corporate Bonds having rating of AA or above (or with similar rating nomenclature) by recognized credit rating agencies	Fixed percentage based or VaR based Haircut. A higher haircut may be considered to cover the expected time frame for liquidation. To begin with the haircut shall be a minimum of 10%	Not to exceed 10% of the total liquid assets of the clearing member. (Note 'e')
Gold ETF /Bullion (Note 'j')	20%	Gold ETF/Bullions as collateral for any clearing member shall not exceed 30% of the total liquid assets of the clearing member (Note 'f')
EGR	20%	No limit





**Notes:**

- a. *The valuation of the liquid assets shall be done on a daily basis after applying applicable haircuts.*
- b. *The Stock Exchange shall lay down exposure limits either in rupee terms or as percentage of the total Liquid Assets that can be exposed to a single bank directly or indirectly. The total exposure towards any bank would include Bank Guarantees issued by the bank as well as debt or equity securities of the bank which have been deposited by members towards total liquid assets. Not more than 1% of the total liquid assets deposited with the Stock Exchange, shall be exposed to any single bank which has a net worth of less than INR 500 crores and is not rated P1 (or P1+) or equivalent, by a recognized credit rating agency or by a reputed foreign credit rating agency, and not more than 10% of the total liquid assets deposited with the Stock Exchange shall be exposed to all such banks put together.*
- c. *Cash equivalents shall be at least 50% of liquid assets. This would imply that Other Liquid Assets in excess of the total Cash Equivalents would not be regarded as part of member's liquid assets as well as total liquid assets.*
- d. *For determination of which equity shares are falling in Group-I and what would be the appropriate VaR margin for these securities, data disseminated by Stock Exchanges having equity platform shall be referred.*
- e. *Stock Exchanges shall adequately diversify their collateral so as to avoid any concentration of exposure towards any single entity and the same shall be within the limits as may be specified by SEBI from time to time.*
- f. *Bullion to be accepted as collateral should be of same quality specification which is deliverable under the contract specification of commodity derivatives being traded on the Stock Exchange.*
- g. *Stock Exchanges shall accept liquid assets as collateral only as per the list of liquid assets specified in the table above. However, Stock Exchanges may decide not to accept certain type of liquid assets specified in the above list based on their risk perception, capability to hold and arrangements for timely liquidation. Stock Exchanges may stipulate concentration limits at member level / across all members as may be necessary.*
- h. *Stock Exchanges shall make necessary arrangements to enable timely liquidation of collaterals accepted by them.*

- i. *Stock Exchanges shall not accept Fixed Deposit Receipts (FDRs)/ Bank Guarantees (BGs) from trading/clearing members as collateral, which are issued by the trading/clearing member themselves or banks who are associate of trading/ clearing member.*

*Explanation –for this purpose, 'associate' shall have the same meaning as defined under SECC Regulations.*

- j. *Gold on which EGR has not been issued*  
k. *Haircuts as per Circular No.: [SEBI/HO/MRD/DRMNP/CIR/P/2019/33](#) Dated Feb 21, 2019 and subsequent amendment or supersession thereto through any circular or master circular issued from time to time.*

### 5.3 **Mark to Market Losses**

Mark to Market Losses shall be collected in the following manner:

- 5.3.1 The Stock Exchanges shall collect/adjust mark to market losses (MTM) from the member/broker before the start of the trading of the next day.
- 5.3.2 The MTM losses shall be collected/adjusted from/against the cash/cash equivalent component of the collateral deposited with the stock exchange.
- 5.3.3 The MTM losses shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions for all the clients of a member including his proprietary position. For this purpose, the positions of all the clients of a broker would be grossed. Further, there would be no netting across two different settlements.
- 5.3.4 There would be no netting off the positions and setoff against MTM profits across 2 rolling settlements i.e. T day and T-1 day. However, for computation of MTM profits/losses for the day, netting or setoff against MTM profits would be permitted.
- 5.3.5 The MTM losses so collected shall be released along with the pay-in, including early pay-in of EGR.

## 5.4 **VaR Margin**

### 5.4.1 Computation of VaR Margin

The VaR Margin is a margin intended to cover the highest loss that can be encountered on 99.9% of the days (99.9% Value at Risk). The VaR Margin would be based on  $6\sigma$ , subject to minimum initial margin of 9%.

### 5.4.2 Collection of VaR Margin

5.4.2.1 The VaR margin shall be collected on an upfront basis by adjusting against the total liquid assets of the member at the time of trade.

5.4.2.2 The VaR margin shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including his proprietary position.

5.4.2.3 For this purpose, there would be no netting of positions across different settlements.

5.4.2.4 The value of  $\lambda$ , the parameter which determines how rapidly volatility estimation changes in the Exponentially Weighted Moving Average (EWMA) method shall be considered at 0.995.

5.4.2.5 The VaR margin so collected shall be released along with the pay-in, including early pay-in of EGR.

### 5.4.3 Updation of VaR Margin rate

The applicable VaR margin rate shall be updated at least at beginning of day, end of day and interval of not later than two hours, during the trading period.

## 5.5 **Extreme Loss Margin**

It covers the expected loss in situations that go beyond those envisaged in the 99.9% value at risk estimates used in the VaR margin.

5.5.1 The Extreme Loss Margin shall be minimum of 1 %.

5.5.2 The Extreme Loss Margin shall be collected/ adjusted against the total liquid assets of the member on a real time basis.

5.5.3 The Extreme Loss Margin shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including his proprietary position.

- 5.5.4 For this purpose, there would be no netting of positions across different settlements.
- 5.5.5 The Extreme Loss Margin so collected shall be released along with the pay-in including early pay-in of EGR.

#### **5.6 Any other Margins**

Clearing Corporations shall have the right to impose additional risk containment measures over and above the risk containment system mandated by SEBI. However, the Clearing Corporations should keep the following factors in mind while taking such action:

- 5.6.1 Additional risk management measures (like ad-hoc margins) would normally be required only to deal with circumstances that cannot be anticipated or were not anticipated while designing the risk management system. If ad-hoc margins are imposed with any degree of regularity, Clearing Corporations should examine whether the circumstances that give rise to such margins can be reasonably anticipated and can therefore be incorporated into the risk management system mandated by SEBI. Clearing Corporations are encouraged to analyse these situations and bring the matter to the attention of SEBI for further action.
- 5.6.2 Any additional margins that the Clearing Corporations may impose shall be based on objective criteria and shall not discriminate between members on the basis of subjective criteria.

#### **5.7 Margin provisions for intra-day crystallised losses**

- 5.7.1 The intra-day crystallised losses shall be monitored and blocked by Clearing Corporations from the free collateral on a real-time basis only for those transactions which are subject to upfront margining. For this purpose, crystallised losses can be offset against crystallised profits at a client level, if any.
- 5.7.2 If crystallised losses and applicable margins (as defined above) exceed 90% of the free collateral available with the Clearing Corporation, then the entity shall be put into risk reduction mode as given under para 5.17.
- 5.7.3 Crystallised losses shall be calculated based on weighted average prices of trades executed.

- 5.7.4 Adjustment of intraday crystallised losses shall not be done from exposure free deposit of the clearing member.

#### **5.8 Provision of Early Pay-in**

- 5.8.1 Necessary systems shall be put in place to enable early pay-in of funds/EGR. In cases where early pay-in of funds/EGR is made by the members, the outstanding position to that extent of early pay-in shall not be considered for computing the margin obligations.
- 5.8.2 Necessary systems shall be put in place so as to enable adjustment of the pay-in obligations of the members from the cash component of the liquid assets deposited by them.

### **REPORTING AND VERIFICATION OF MARGINS**

#### **5.9 Collection and reporting of margins by Trading Member (TM) /Clearing Member (CM)**

- 5.9.1 The 'margins' for this purpose shall mean VaR margin, Extreme Loss Margin (ELM), Mark to Market losses (MTM) or any other margin as specified by the Clearing Corporation/ SEBI to be collected by TM/CM from their clients.
- 5.9.2 The TMs/CMs are required to mandatorily collect upfront VaR margins and ELM from their clients. The TMs/CMs shall have time till 'T+1' working days to collect margins (except VaR margins and ELM) from their clients. (The clients must ensure that the VaR margins and ELM are paid in advance of trade and other margins are paid as soon as margin calls are made by the TMs/CMs.)
- 5.9.3 The TM/CM shall be exempted from collecting upfront margins from the institutional investors and in cases where early pay-in of securities is made by the clients.
- 5.9.4 The TMs/CMs shall report to the CC on T+5 day the actual short-collection/ non-collection of all margins from clients.

#### 5.10 **Framework to Enable Verification of Upfront Collection of Margins**

5.10.1 The provisions related to framework to enable verification of upfront collection of margins shall be same as specified for equity cash segment in SEBI circular no. [SEBI/HO/MRD2/DCAP/CIR/P/2020/127](#) dated July 20, 2020 and subsequent amendment or supersession thereto through any circular or master circular issued from time to time.

#### 5.11 **Short-collection/Non-collection of client margins**

5.11.1 Clearing Corporations shall levy following penalty on TM/CM for short-collection/non-collection of margins:

For each member	
'a'	Per day penalty as %age of 'a'
(<Rs 1 lakh) And (< 10% of applicable margin)	0.5
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.0

Where a = Short-collection/non-collection of margins per client per segment per day

5.11.2 If short/non-collection of margins for a client continues for more than 3 consecutive days, then penalty of 5% of the shortfall amount shall be levied for each day of continued shortfall beyond the 3rd day of shortfall.

5.11.3 If short/non-collection of margins for a client takes place for more than 5 days in a month, then penalty of 5% of the shortfall amount shall be levied for each day, during the month, beyond the 5th day of shortfall.

5.11.4 All instances of non-reporting shall amount to 100% short collection and the penalty as applicable shall be charged on these instances in respect of short collection.

5.11.5 The penalty shall be collected by the Clearing Corporation within five days of the last working day of the trading month and credited to its SGF.

5.11.6 The margin statement which is forwarded on a daily basis by the broker to the clients shall include a column stating the margin charged by the Stock Exchange/Clearing Corporation.

- 5.11.7 When penalty is being collected by a broker for short collection/ non-collection other than upfront margins from a client, then the broker shall provide the relevant supporting documents to the client.
- 5.11.8 If TM/ CM collects minimum 10% upfront margin in lieu of VaR and ELM from the client, then penalty for short-collection/ non-collection of margin shall not be applicable. However, it is reiterated that CC shall continue to collect the upfront margin from the TM/ CM based on VaR and ELM.
- 5.11.9 In respect of penalty for non-collection of “other margins” (other than VaR and ELM) on or before T+1 days from clients by TM/ CM, following is clarified:
- 5.11.9.1 If pay-in (both funds and EGR) is made by T+1 working days, the other margins would have deemed to have been collected and penalty for short/ non collection of other margins shall not arise.
- 5.11.9.2 If Early Pay-In of EGR has been made to the Clearing Corporation (CC), then all margins would be deemed to have been collected and penalty or short/ non-collection of margin including other margins shall not arise.
- 5.11.9.3 If client fails to make pay-in by T+1 working days and TM/ CM do not collect other margins from the client by T+1 working days, the same shall also result in levy of penalty as applicable.
- 5.12 Rationalization of imposition of fines for false/incorrect reporting of margins by TM/CM**
- 5.12.1 For instances where a member has reported falsely the margin collected from clients and the same is found out during inspections:
- 5.12.1.1 The Stock Exchanges and Clearing Corporations, in all segments, in consultation with one another, shall devise a standard framework for imposition of fine on the TM/CM for incorrect/false reporting of margin collected from the clients.
- 5.12.1.2 Considering the principle of ‘proportionality’, the fine shall be charged to the member based on the materiality of non-compliance done by the member which may include factors such as number of instances, repeated violations, etc. The amount of fine to be charged upon the member may extend to 100% of such false/incorrectly amount of margin and/or suspension of trading for appropriate number of days.

### 5.13 ***Margining of Institutional Trades in EGR segment***

5.13.1 Margining of institutional trades shall be as per provisions of equity cash segment for stocks under T+1 settlement.

### 5.14 ***Shortfall of Margins/ Pay-in of funds by Members***

5.14.1 Margin shortfall: In case of any shortfall in Margin, the terminals of the broker shall be immediately deactivated for fresh positions and shall only be allowed to square-off existing positions.

5.14.2 Pay-in shortfall:

5.14.2.1 In cases where the amount of shortage in a settlement for a clearing member is in excess of the deposit specified as per Table 2 of Clause 7 in Schedule VI of Securities and Exchange Board of India (Stock Brokers) Regulations, 1992, the clearing facility of the member shall be withdrawn and the EGR pay-out due to the member shall be withheld.

5.14.2.2 In cases where the amount of shortage exceeds 20% of the deposit but less than the deposit on six occasions within a period of three months, then also the clearing facility of the member shall be withdrawn and the EGR pay-out due to the member shall be withheld.

5.14.2.3 Upon recovery of the complete shortages, the member shall be permitted to provide clearing facility subject to his providing a deposit equivalent to his cumulative funds shortage as the 'funds shortage collateral'. Such deposit shall be kept with the Clearing Corporation for a period of ten rolling settlements and shall be released thereafter. Such deposit shall not be available for adjustment against margin liabilities and also not earn any interest. The deposit may be by way of cash, fixed deposit receipts or bank guarantee.

5.14.2.4 Clearing Corporations would have discretion to prescribe stricter criteria for these provisions.

### 5.15 ***Collateral deposited by Clients with brokers***

5.15.1 Provisions related to deposit, segregation and monitoring of collaterals of clients by brokers shall be as per [SEBI Circular No. MRD/DoP/SE/Cir-11/2008](#) dated April 17, 2008 and SEBI circular No [SEBI/HO/MRD2\\_DCAP/CIR/2021/0598](#) dated July 20, 2021 and subsequent amendment or supersession thereto through any circular or master circular issued from time to time.



**5.16 EGR as margin obligation to be given by way of pledge/re-pledge in the depository system**

5.16.1 Provisions related to use of EGR as margin obligation to be given by way of pledge/re-pledge in the depository system shall be as per SEBI Circular No. [SEBI/HO/MIRSD/DOP/CIR/P/2020/28](#) dated February 25, 2020 and SEBI Circular No. [SEBI/HO/MIRSD/DOP/CIR/P/2020/143](#) dated July 29, 2020 and subsequent amendment or supersession thereto through any circular or master circular issued from time to time.

**5.17 Risk Reduction Mode**

5.17.1 Clearing Corporation shall ensure that the stock brokers and clearing members are mandatorily put in risk-reduction mode when 90% of the member's collateral available for adjustment against margins gets utilized on account of trades that fall under a margin system including crystallized losses. Such risk reduction mode shall include the following:

5.17.1.1 All unexecuted orders shall be cancelled once stock broker/clearing member breaches 90% collateral utilization level.

5.17.1.2 Only orders with Immediate or Cancel attribute shall be permitted in this mode.

5.17.1.3 All new orders shall be checked for sufficiency of margins.

5.17.1.4 Non-margined orders shall not be accepted from the stock broker/clearing member in risk reduction mode.

5.17.1.5 The stock broker/clearing member shall be moved back to the normal risk management mode as and when the collateral of the stock broker/clearing member is lower than 85% utilization level.

5.17.2 Clearing Corporations may prescribe more stringent norms based on their assessment, if desired.

## ACTIVITY SCHEDULE

### 5.18 *Rolling settlement*

Settlement of EGR shall be on T+1 rolling basis. Transactions shall be settled on gross basis at the clearing member level. Netting shall be done at client level. The funds shall be settled on gross basis at member level.

### 5.19 *Activity Schedule for T+1 Rolling Settlement*

The activity schedule is as under:

Sr. No.	Day	Time	Description of activity
1	T		Trade Day
		By 2.00 AM	Completion of process and download provisional obligation files to stock brokers/ custodians by the Clearing Corporation.
2	T+1	By 2.00 PM	Funds and EGR pay-in
		By 4.30 PM	Funds and EGR pay-out

Custodian confirmations shall happen before beginning of T+1.

### 5.20 *Settlement of Funds*

5.20.1 Clearing Corporation shall empanel clearing banks based on various financial and operational criteria. Clearing members shall open single settlement account with any of the clearing banks.

5.20.2 The paying member shall have clear funds in settlement account on settlement day. The Clearing Bank shall debit the paying members' account. in accordance with electronic instructions received from Clearing Corporation. The Clearing Bank shall credit the receiving members' settlement account in accordance with the pay-out instructions received electronically from the Clearing Corporation on the settlement day.

### 5.21 *Settlement of EGR*

5.21.1 Members shall be required to maintain account with depositories including a pool account.

- 5.21.2 Members shall provide specific delivery instructions in favour of the clearing corporation on the settlement day. The delivering member shall complete delivery instructions for transfer of EGR to Clearing Pool Account on settlement day by the specified pay-in time.
- 5.21.3 The depositories shall credit the receiving members' pool account/ clients beneficiary account in accordance with the pay-out instructions received electronically from Clearing Corporation on the settlement day by the specified pay-out time.
- 5.21.4 Depositories/Clearing Corporation shall provide following facilities as under:
- 5.21.4.1 Facility for early pay-in
  - 5.21.4.2 Auto delivery out and
  - 5.21.4.3 Client direct pay-out

## **5.22 Settlement of Transaction in case of Holidays**

- 5.22.1 The Clearing Corporation shall clear and settle the trades on a sequential basis i.e., the pay-in and the pay-out of the first settlement shall be completed before the commencement of the pay-in and pay-out of the subsequent settlement(s).
- 5.22.2 The cash/EGR pay out from the first settlement shall be made available to the member for meeting his pay-in obligations for the subsequent settlement(s).
- 5.22.3 The Stock Exchanges/Clearing Corporations shall follow a strict time schedule to ensure that the settlements are completed on the same day.
- 5.22.4 The Clearing Corporation shall execute Auto DO facility for all the settlements together, so as to make the funds and the EGR available with the member on the same day for all the settlements, thereby enabling the availability of the funds/EGR at the client level by the end of the same day.
- 5.22.5 If the settlement holiday is unscheduled (on account of strike etc.) the clubbing of settlement at the last minute may not be possible and the provision of SEBI letter (ref. No. SMD/Policy/25249/2001 dated March 19, 2001 to Stock Exchanges) shall be applicable.

## EGR PAY-IN SHORTAGES

### 5.23 Activity schedule for Auction Session

#### 5.23.1 Rolling settlement for T day trade

Sr. No.	Day	Description of activity
1	T	Trade Day
2	T+1	Pay-in/Pay-out of EGR and funds

#### Auction settlement for T day trade

3	By T+1	Auction session
4	By T+2	Pay-in/pay-out and close-out of auction

5.23.2 In case of bank holidays, when multiple settlements (say S1 and S2) are conducted on the same day (say T<sub>m</sub>), on the working day immediately following the day(s) of the closure, the auction session shall be as under:

5.23.2.1 The auction of first settlement (S1) shall be conducted on the same day (T<sub>m</sub>) and settled by next day (T<sub>m</sub>+1).

5.23.2.2 The auction for the second settlement (S2) shall be conducted on the next day (T<sub>m</sub>+1) along with the shortages/auction of that day. The settlement of the same shall happen by the subsequent day (T<sub>m</sub>+2).

### 5.24 Close-out Procedure

5.24.1 The Close-out Procedure shall be as below:

"The close out Price shall be the highest price recorded in that EGR on the Stock Exchange from the date of trading and up to the date of auction/close out

OR

3% above the latest available closing price at the exchange on the day on which auction offers are called for

WHICHEVER IS HIGHER

### 5.25 Proceeds from Auction/ Close-out

5.25.1 The proceeds from Auction/ Close-out shall be used to settle the claim of the aggrieved party. Any amount remaining thereof shall be credited to the Core Settlement Guarantee Fund instead of crediting it to the defaulting party's account.

**5.26 Settlement Guarantee Fund, Default Waterfall and Stress Testing**

5.26.1 Clearing Corporations shall maintain a separate core settlement guarantee fund (Core SGF) for EGR segment. Clearing Corporations shall comply with SEBI circular No. CIR/MRD/DRMNP/25/2014 dated August 27, 2014 for norms related Core SGF, Stress Testing and Default Waterfall in EGR segment. (as applicable for equity cash segment) and subsequent amendment or supersession thereto through any circular or master circular issued from time to time. For computation of stress loss, loss on EGR pay-in failure, shall be calculated as minimum margin plus close out rate in EGR segment.

5.26.2 Clearing Corporations shall have a minimum corpus of SGF of INR 10 crores.

\*\*\*\*\*

**Annexure A- Format for disclosure of Complaint received and Redressal thereof by Vault Manager**

**Data for the month ending**

S.No	Received from	Carried forward from previous month	Received during the month	Total complaints	Resolved during the month	Pending at the end of the month**		Average Resolution Time^
						Pending for less than 3 months	Pending for more than 3 months	
1	2	3	4	5	6	7		8
1	Directly from Investors							
2	SEBI(Scores)							
3	Other Sources (if any)							
	Grand total							

\*Should include complaints of previous months resolved in the current month, if any.

\*\*Should include total complaints pending as on the last day of the month, if any.

^ Average resolution time is the sum total of time taken to resolve each complaint in the current month divided by total number of complaints resolved in the current month.

**Month wise data for the financial year**

S.no	Month	Carried forward from previous month	Received	Resolved	Pending
1	2	3	4	5	6
1	April				
2	May				
3					
	Grand Total				

**Annexure B – Declaration-Cum-Undertaking for change in control of Vault Managers**

We M/s. (Name of the intermediary/the acquirer/person who shall have the control) hereby declare and undertake the following with respect to the application for prior approval for change in control of (name of the intermediary along with the SEBI registration no.):

1. The applicant/intermediary (Name) and its principal officer, the directors or managing partners, the compliance officer and the key management persons and the promoters or persons holding controlling interest or persons exercising control over the applicant, directly or indirectly (in case of an unlisted applicant or intermediary, any person holding twenty percent or more voting rights, irrespective of whether they hold controlling interest or exercise control, shall be required to fulfil the 'fit and proper person' criteria) are fit and proper person in terms of Schedule II of SEBI (Intermediaries) Regulations, 2008.
2. We bear integrity, honesty, ethical behaviour, reputation, fairness and character.
3. We do not incur following disqualifications mentioned in Clause 3(b) of Schedule II of SEBI (Intermediaries) Regulations, 2008 i.e.
  - (i) No criminal complaint or information under section 154 of the Code of Criminal Procedure, 1973 (2 of 1974) has been filed against us by the Board and which is pending.
  - (ii) No charge sheet has been filed against us by any enforcement agency in matters concerning economic offences and is pending.
  - (iii) No order of restraint, prohibition or debarment has been passed against us by the Board or any other regulatory authority or enforcement agency in any matter concerning securities laws or financial markets and such order is in force.
  - (iv) No recovery proceedings have been initiated by the Board against us and are pending.

- (v) No order of conviction has been passed against us by a court for any offence involving moral turpitude.
  - (vi) No winding up proceedings have been initiated or an order for winding up has been passed against us.
  - (vii) We have not been declared insolvent.
  - (viii) We have not been found to be of unsound mind by a court of competent jurisdiction and no such finding is in force.
  - (ix) We have not been categorized as a wilful defaulter.
  - (x) We have not been declared a fugitive economic offender.
4. We have not been declared as not 'fit and proper person' by an order of the Board.
  5. No notice to show cause has been issued for proceedings under SEBI (Intermediaries) Regulations, 2008 or under section 11(4) or section 11B of the SEBI Act during last one year against us.
  6. It is hereby declared that we and each of our promoters, directors, principal officer, compliance officer and key managerial persons are not associated with vanishing companies.
  7. We hereby undertake that there will not be any change in the Board of Directors of incumbent, till the time prior approval is granted.
  8. We hereby undertake that pursuant to grant of prior approval by SEBI, the incumbent shall inform all the existing investors/ clients about the proposed change prior to effecting the same, in order to enable them to take informed decision regarding their continuance or otherwise with the new management.

The said information is true to our knowledge.

(stamped and signed by the Authorised Signatories of Intermediary and Acquirer)



**Annexure C - List of Circulars rescinded**

<b>S.no.</b>	<b>Date</b>	<b>Title</b>
1	Jan 10, 2022	Framework for operationalizing the Gold Exchange in India
2	Feb 14, 2022	Trading features pertaining to the Electronic Gold Receipts (EGR) segment
3	Feb 14, 2022	Standard Operating Guidelines for the Vault Managers and Depositories
4	March 28, 2022	Product Specifications pertaining to EGR Segment in India
5	April 11, 2022	Comprehensive Risk Management Framework for Electronic Gold Receipts (EGR) segment
6	April 21, 2023	Procedure for seeking prior approval for change in control of Vault Managers