

**Commodity Derivatives Segment**

December 06, 2018

**Circular No. : MCCIL/COM/1181/2018****Sub: Policy for Depositors of commodities having high percentage of rejection**

In terms of provisions of the Rules, Bye-Laws and Regulations of the Metropolitan Clearing Corporation of India Limited (MCCIL), Members are hereby notified as under:

This is with reference to MCCIL Circular No. MCCIL/COM/1119/2018, dated September 28, 2018 and MCCIL/COM/1135/2018, dated October 25, 2018. It has been observed that there are instances of high rejections on account of substandard quality for deposits by selected depositors. In order to ensure that such depositors are discouraged to bring in commodities which do not meet the quality specifications and to encourage a sanity check prior to deposit of the commodities in the warehouses, MCCIL shall identify the depositors repetitively depositing goods that are substandard, in the following manner:

- a) This analysis would be done for a particular Financial Year.
- b) MCCIL will decide the minimum quantity threshold for each commodity beyond which the rejections would be monitored at the beginning of each month for the previous month. Beyond the threshold, the rejections shall be compared with the market average rejection percentage for the month.
- c) Where the depositor's rejection is more than 1.25 times of the market rejections for the particular month, the depositor shall be subject to the following actions:
  - (i) On the first instance, a depositor name appears based on above criteria, the concerned depositor shall be issued a Caution letter and the same shall be shared with all the WSPs.
  - (ii) Upon a second instance, the depositor shall be issued a Warning letter inter-alia notifying that any further repeat instances would warrant suspension of deposits.
  - (iii) In case of a third instance, the depositor shall not be allowed to deposit any commodity in any of the approved warehouses for a period of one month after due notice and all the WSPs shall be advised accordingly.

**Metropolitan Clearing Corporation of India Limited**

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(iv) In case of further repeated instances in the same financial year, action as per '(iii)' above shall be taken. E.g.

Depositor	Total Lots	Deposit	Total Lots	Rejection	Rejection %
A		700		20	2.86
B		560		25	4.46
C		800		22	2.75
D		1200		40	3.33
E		900		18	2.00
<b>Total</b>		<b>4160</b>		<b>125</b>	<b>3.00</b>

Average Market Rejection per depositor % (Total Rejection Lots / Total Deposit Lots) 3.00, i.e.,

1.25 times Market Rejection% of 3.75.

In the above example, Depositor B will qualify for First Alert and so on

Note: The above given figures are hypothetical figures for purpose of explanation.

Members are advised to take note of the above.

Kindly contact C&S Department on 022-40381540/42/43 or send an E-mail at [clearing\\_com@mclear.in](mailto:clearing_com@mclear.in) for any assistance.

For and on behalf of

**Metropolitan Clearing Corporation of India Limited**

**Authorized Signatory**

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