

**Hedge Policy
for
Commodity Derivatives**

National Stock Exchange of India Ltd.

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Commodity Derivatives - Hedge Policy

1. Concept of Hedging:

1.1. Hedging

Hedging means reducing risk in the underlying market by taking offsetting position in the futures market. In relation to commodity market, hedging means taking a position in futures market that is opposite to a position in physical market or anticipated physical position, with the objective of reducing or limiting risk associated with price change in specific commodity. Similarly any position in futures market against export or import commitments, purchase or sales commitments & production with a view to minimize or limit the price risk associated with specific commodity would be considered hedging.

Futures and options contracts have been used as financial hedging instruments for more than a century to protect against the underlying market risk. Hedging acts as an insurance against price fluctuation for hedgers interested in reducing or limiting the risk of underlying exposure. A hedger is an entity involved in physical or underlying market and is exposed to the risk of price fluctuation in that market. With respect to commodities, hedger is an entity involved in the physical or underlying market at any stage of production (raw material to finish commodity), processing, refining, trading, and merchandising of commodity.

Example of hedging –

If any entity has an underlying physical stock of commodity and anticipates a fall in price, the entity can take an equal and opposite position by selling futures contracts of that commodity. The loss in the underlying market due to fall in prices can be offset by the profit made by selling futures. Hedging works because underlying price and futures price moves in tandem, converging as the futures contract reaches expiration.

1.2. Types of risks hedgers are exposed to

A hedger is exposed to many risks and hedging is the key tool used to mitigate or offset such risk. Some of the key risks a hedger is exposed to includes the following:

(a). Price Risk

The prices of underlying asset classes are never constant, whether it is equity share of a company, commodity or currency. There are different reason for changes in the underlying prices like demand, supply, fundamental news, change in tax rates, global factors, inflation etc. In order to efficiently eliminate such risk associated with the movement in price of underlying, market participants resort to hedging.

(b). Liquidity risk

The risk associated with not being able to exit the underlying position held by the hedger.

1.3. Benefits of Hedging

- Minimises or limits the price risk associated with commodities
- Locking of prices
- Survival in uncertain market period
- Facilitates long term price risk management through rolling over of contracts
- Safeguards profit margins

2. Hedge Limits permitted by Exchange

2.1. Hedge Limits

In commodity derivatives, exchanges provide hedge limits, over and above the permissible position limits as per regulatory guidelines, to genuine hedgers who have exposure to the underlying market. For this purpose a hedger can be the entity having underlying exposure and seeking hedger limits from the exchange e.g., hedger can be a member availing hedge limit for its proprietary account or the client availing hedge limit through the member.

An example of hedge limits permitted by exchange is provided below:

If a corporate entity A is importer of Gold and imports sizable amount of Gold from abroad. For the purpose of safeguarding against the price movement in gold, entity A does hedging on the exchange platform through its member.

Entity A's imports in a financial year : **20 MT Gold**

Permissible position limit as per regulatory guidelines : **5 MT or 5% of total open interest**

Applicable limit for Entity A : **5 MT Gold**

In this scenario, entity A will not be able hedge the entire commodity quantity (of 20 MT Gold) on exchange platform.

In order to give additional facility to such genuine hedger who may have huge underlying exposure, hedge limits permitted by the exchange are very useful. Exchanges permit additional hedge limits to the entities having considerable exposure to the underlying commodity thereby offering a hedging opportunity to such entities. In the above example, the entity A can avail such additional hedge limits offered by exchange by fulfilling all the exchange requisites through his member. Once all the required documentations and compliance requirements are met, the exchange can grant hedge limits. Thus after entity A has been sanctioned the hedge limits by the exchange, it can hedge the entire commodity quantity (i.e., 5 MT of applicable limit + 15 MT of hedge limit) on the exchange platform.

2.2. Eligible participants

Entities having below mentioned obligations are eligible for availing additional hedge limits

- Export obligations
- Import obligations

- Physical stock held
- Past track record of purchase or sale
- Past track record of production / processing capacity
- Any other factors that would establish validity of seeking hedge limit

2.3. Hedge Policy

The guidelines for seeking additional hedge limits from exchange are provided below:

- a) The hedge limit to be granted by the Exchange to the bona fide hedgers shall be in addition to the normal position limit allowed to it. Such hedge limit is non-transferrable and shall be utilized only by the hedger to whom the limit has been granted and not by anyone else.
- b) This hedge limit granted for a commodity derivative shall not be available for the near month contracts of the said commodity from the date of applicability of near month limit.
- c) Hedge limits for a commodity shall be determined on a case to case basis, depending on applicant's hedging requirement in the underlying physical market based upon his/its Export or import commitments/ Stocks held/ Past track record of Production or Purchase or Sales/ Processing capacity and other factors as the Exchange may deem appropriate.
- d) Exchange shall grant hedge limits to the applicant on verification of documentary evidence of the underlying exposure and ensuring that the hedge limit granted is genuine and does not have the potential to disturb the equilibrium of the market of that particular derivative contracts.
- e) The hedge limit may also be made available in respect of the short open position acquired by an entity for the purpose of hedging against the stocks of commodities owned by it and,
 - i. pledged with the Scheduled Commercial Banks/Co-operative Banks or
 - ii. lying in any Government Entity's warehouse/ WDRA Approved warehouses or
 - iii. lying in any other premises (warehouse, factory etc.), provided the premises is either owned by the hedger or taken on lease by the hedger in its name and exchange has ascertained that such premises are well equipped with the quality control safeguards for storage of the relevant commodity.

And shall be subject to the production of the relevant bank certificate/warehouse receipt, as the case may be, and also shall be subject to verification regarding ownership of the stocks etc., by the exchange in accordance with the procedure laid down by the exchange in this regards.

- f) At any point of time during the hedge period, hedging positions taken in derivatives contracts by hedger, across multiple Exchanges/ Contracts, shall not exceed his/its

actual/anticipated exposure in the physical market, even if there is a usable hedge limit available as per allocation made by the Exchanges to the hedger.

- g) If under any circumstances a hedger is found availing hedge limit in contrary to the guideline framed by the SEBI/Exchanges or submits false document or fails to inform the Exchange in a timely manner about reduction of underlying exposure based upon which it has been allocated hedge limit by Exchange, it shall be liable for expulsion from membership/prohibition from trading as the case may be. Such action shall be without prejudice to other disciplinary actions including penalties prescribed by the Exchange.
- h) A Hedger having availed of benefit of hedge limits, shall preserve relevant records for a period of minimum three years for inspection by SEBI/Exchange.
- i) The hedge limit approved by the Exchange shall be valid for a period as mentioned in the approval letter and such hedge limit shall stand cancelled automatically upon expiry of such period without any notice.
- j) The Exchange shall be disclosing on its website the hedge position allocated to various hedgers, indicating the period for which approval is valid, in an anonymous manner. The disclosure shall be made in the following format:

Sr.	Name of the commodity	Hedger	Long Hedge Limits	Short Hedge Limits	Date of making application	Application approval Date	Approval Start Date	Date till approval is valid
1		Hedger 1						
2		Hedger 2						

2.4. Guidelines

- a) A prospective hedger seeking hedge limits must be a client registered with the member of the exchange. A member can also be a prospective hedger for its proprietary account. All request for hedge limits submitted to the exchange shall be routed through the member who shall forward to the exchange, the complete set of forms, annexures and documentation along with hedger's documents as prescribed by the exchange, from time to time.
- b) The request form of prospect hedger will be considered only on receipt of complete set of prescribed documents from the member. Exchange reserves the right to reject any application or specify any other additional condition or seek more documentations / proofs before and / or after sanctioning hedge limit.
- c) The member requesting / availing hedge limit has a responsibility:
 - i. To ensure that the Hedger complies with all the hedge requirements.
 - ii. Not to put through any trade by a Hedger violating the limits or any of the terms and conditions on which hedge limits are sanctioned to the Hedger by the Exchange.
 - iii. To monitor the Hedger's position continuously, to ensure that it does not exceed the sanctioned limit or the terms and conditions of the sanction of the limits.

- iv. To ensure that the Hedger reduces the open interest positions in the near month contract within the normal limit for that contract.
 - v. To immediately inform the Exchange of any violation of limit or terms and conditions by a Hedger.
 - vi. To ensure that the client shall not churn the hedge positions during the hedge period and would ensure that the dynamic hedging facility is not misused.
- d) Hedge position provided against an underlying exposure is total position across all commodities exchanges. The member shall ensure that the same underlying position of a hedger is used for seeking additional hedge limit only once.
E.g., if client A has underlying exposure of 55MT of Gold which is used for taking hedge limit with Commodity Exchange1 then the same client should not take hedge position in any other exchange for the same underlying exposure. However in this example for the underlying exposure of 55MT of Gold, the client A can take hedge limit of 30MT in Commodity Exchange1 and 25 MT in Commodity Exchange2.
- e) A Hedger shall be sanctioned hedge limits either for Long positions or Short positions but not for both in the same commodity. Hence the applicant has to state clearly if the application is for Long or Short position. A fresh application has to be filed with the Exchange if the Hedger needs an opposite position in lieu of the existing sanctioned position. Once the hedge limit is sanctioned for opposite position the erstwhile limit already sanctioned will stand cancelled.
- f) The approved hedge limit will be valid from the date of sanction for a period as specified in the sanction letter. In case the hedger intends to avail the additional open position limits beyond the specified date, the hedger shall have to approach the Exchange through its member, furnish all the relevant documents as prescribed by the Exchange from time to time and also clearly state the reasons for such extension of hedge period, at least one month before expiry of the hedge limit sanctioned period, failing which the hedge limit will stand cancelled upon expiry. In such a case member concerned shall square off the additional limit acquired on or before the date of expiry. The Exchange may at its discretion, however, direct the parties concerned to liquidate the approved excess positions before expiry without assigning reasons thereto. All the members and their clients are advised to follow the guidelines while availing additional open position limits.
- g) Hedge limits would be valid till underlying exposure in physical market such as stocks held, Domestic/import/Export commitments, anticipated sales/purchases are open. Positions established under the hedge limits can be liquidated in an orderly manner in accordance with sound commercial practices.
- h) The initiation and unwinding of hedge positions should correspond to the underlying position in the physical markets. Though the hedge positions can be liquidated based on sound commercial reasons, the member shall ensure that the hedger shall not churn (frequent unwinding and reinitiating) the hedge positions during a hedge period for whatever reasons.

- i) The margins for any commodity prescribed by the Exchange for the other market participants shall also be applicable to the hedgers. As the hedge positions are typically larger than the normal client level limits, the member shall ensure that appropriate margins are collected upfront as risk mitigation. If in the assessment of the members, the risk profile of the hedger warrants margins in addition to the Exchange stipulated margins, the member shall collect such additional margins. The margins collected by the member at no time shall be less than those stipulated by the Exchange.
- j) For a member having normal clients and / or hedge clients, the aggregate open positions for normal clients will be restricted to member level open positions while there will be no limit on the aggregate open positions for the hedger clients. The proprietary positions of the member are treated as normal client positions and then aggregated for monitoring purposes. The position of the hedger shall not exceed the hedge limit as sanctioned by the Exchange to each such hedger.
- k) An exporter / importer or a trader, as the case may be, availing hedging limit on open position on account of his unfulfilled domestic/export/import contracts shall, in the event of his not being able to ship the goods during the contract period, either for reason of non-availability of freight or for any other reason, forthwith liquidate his equivalent open position exceeding the limit prescribed specifying reasons to the Exchange. Failure to do so would render him ineligible for availing hedging limit on open position in respect of his domestic / export / import contracts thereafter.
- l) The Hedger's sanctioned limit in a commodity should not be exceeded at any time and under any circumstances. If any violations (including intra-day violations for whatever reasons) are found, the Exchange may not permit taking of any further position by the Hedger and may reduce open interest position at market rate, which shall be binding on the Registering Member.
- m) If any hedger (member hedging on its proprietary account or its client) is found availing hedging limit in any manner without having stock of physical goods / export commitment or submits false document, availing hedging limit on the same stock at two different Exchanges, the member shall be liable to expulsion/ debarment and other severe disciplinary measures and penalties. Therefore, the member, while seeking limit for its proprietary account or on behalf of their clients, shall exercise due diligence on their part during the period of hedge.
- n) All parties to the limits sanctioned to a Hedger, i.e. the Hedger and the Registering Member shall abide by the Rules, Bye-laws and Regulations of the Exchange and directions of the Regulator, if any, apart from the terms and conditions under which the hedge limits are sanctioned. Any violation may result in cancellation of hedger status and appropriate action including penalties on the constituent and/or other parties concerned at the option of the Exchange.
- o) A Hedger shall furnish through its member, all information called for by the Exchange at any time and allow officials of Exchange or any person/s authorized by the Exchange or officials of regulatory authorities to inspect their records and account books as also

verification of physical stocks for the purpose of verification of information or documents, with or without prior intimation.

- p) Exchange reserves the right to amend / modify the terms and conditions for sanctioning additional open position at any time without any notice and the member / non-member client (hedger) shall accordingly be bound by them.

3. Application Process and Documentation for applying for hedge limits with Exchange

3.1. Documents to be submitted by member for sanction of Hedge limits

List of documents to be submitted by the member to the exchange for sanction of Hedge limits and the annexures for the prescribed formats for the same are provided below:

Sr.	Documents to be submitted by member	Annexure No.
a	Application Form from member requesting for hedge limits	1
b	Copy of Exchange-Member undertaking (executed one time and submitted to exchange at the time of member enablement)	2
c	Write up on Hedge rationale from client	3
d	A statement containing details of hedge positions taken in derivatives contracts by the hedger in other exchange / contracts for past 6 months or actual period as the case may be	4
e	Application Form from client to member requesting for hedge limits	5
f	Copy of Member-Client undertaking (executed one time and submitted to exchange at the time of client registration with the member)	6
g	Complete details of client seeking hedge limits along with copy of pan of all directors / partners / proprietor / trustee / Karta	7
h	In case hedge limit is based on physical stock, the following documents are required <ul style="list-style-type: none"> • A statement containing details of Physical stocks owned by the applicant along with warehouse address duly certified by a practising Chartered Accountant as prescribed in Annexure • Proof of ownership / stock of goods held in the warehouse • Copies of financial statement of last 2 years certified by a Chartered Accountant • Bank certificate in case stock of commodities is pledged with the scheduled commercial bank / co-operative banks. 	8
i	In case of export/import commitments, the following documents are required.	9

	<ul style="list-style-type: none"> • A statement containing summary of commodity details of outstanding export/import commitments duly certified by a practicing Chartered Accountant as prescribed in Annexure • Export/Import documents in the form of invoice or shipping / cargo bills. • Copies of financial statement of last 2 years certified by a Chartered Accountant 	
j	<p>In Case Hedge Limit is based on Past track record of Production / Purchase / Sales / Processing capacity.</p> <ul style="list-style-type: none"> • A statement showing details of installed capacity along with utilized capacity of all the plants during the past two years for the company. • A statement containing details of month wise actual sales for past two years • A statement showing month wise projected purchase / sales for a period of at least 12 months along with assumptions and methodology applied for such projection • Copies of financial statement of last 2 years certified by a Chartered Accountant 	-
k	PAN copy of the applicant client / member (hedger)	-

Notes:

1. In case the member is seeking hedge limit for its proprietary account then all the client documents as mentioned above are required to be submitted by the member and addressed to the Exchange.
2. If the prospective hedger entity is in existence for less than 3 years then the above mentioned documents / statements shall be applicable for the actual period.

3.2. Monthly documents required after sanction of hedge limits

Members shall be required to submit to the exchange following documents towards monthly compliance requirements post the sanction of hedge limits :

- A statement containing details of Physical stocks owned by the applicant along with warehouse address / proof duly certified by a practising Chartered Accountant in Annexure – 8
 - Bank certificate is also required to be submitted in case stock of commodities is pledged with the scheduled commercial bank / co-operative banks.
- A statement containing summary of commodity details of outstanding export/import commitments duly certified by a practicing Chartered Accountant in Annexure – 9
- Updating of any information provided in any annexures / applications submitted to the exchange

Abovementioned monthly documents as of last day of the calendar month, should reach the exchange not later than 10th of succeeding month. Any delay / violations in submission of the documents may be liable to disciplinary actions as may be specified by the exchange / regulatory authorities from time to time.

3.3. Documents to be submitted at the time of renewal

The list of documents to be submitted by the member for renewal of hedge limits is provided below:

- Application Form from member as per format prescribed in Annexure – 1
- Copy of Exchange-Member undertaking (executed one time and submitted to exchange at the time of member enablement) as per Annexure – 2
- Write up on Hedge rationale from client as prescribed in Annexure – 3
- PAN copy of the applicant client / member (hedger)
- Application Form from client as per format prescribed in Annexure – 5
- Copy of Member-Client undertaking (executed one time and submitted to exchange at the time of client registration with the member) as per Annexure – 6
- A statement containing details of Physical stocks owned by the applicant along with warehouse address / proof duly certified by a practising Chartered Accountant in Annexure – 8
 - Bank certificate is also required to be submitted in case stock of commodities is pledged with the scheduled commercial bank / co-operative banks.
- A statement containing summary of commodity details of outstanding export/import commitments duly certified by a practicing Chartered Accountant in Annexure – 9

3.4. Penal Actions

Penalties to be levied and other penal actions that would be initiated by the exchange for non-compliance of provisions governing hedge limits

Sr.	Nature of Violation	Amount of penalty
1	Violation of overall hedge limits as prescribed by the Exchange or violation by continuing to avail hedge limits even when there is no corresponding physical stock held by the hedger or when there is no import / export commitment.	The penalties as prescribed by the exchange from time to time for violation of client level open interest limits.
2	Submission of forged / fake documents for availing hedge limit.	Suspension / expulsion of membership together with financial penalty as deemed appropriate by the relevant authority of the exchange.
3	Procedural violation of terms and conditions of approval of Hedge limits as amended from time to time.	As may be decided on case to case basis by the Relevant Authority of the Exchange.

4

Any violation not covered above.

As may be decided on case to case basis
by the Relevant Authority of the
Exchange.

4. ANNEXURES

Annexure 1 - Application Form from Member requesting for hedge limits (On Letter Head of Trading Member – duly stamped and signed)

Date:

To,
Membership Service Department,
National Stock Exchange of India Limited,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

Sub: Request for sanction of hedge limits

Dear Sir / Madam,

We hereby submit the request for sanction of hedge limits under the Hedge Policy prescribed by the Exchange.

1. Name of Trading Member:
2. Trading Member Code allotted by NSE:
3. Name of Clearing Member (if Trading Member is different from Clearing Member) :
4. Clearing Member Code allotted by NSE:
5. Client Name applying for Hedge Limit:
6. Client Code Allotted:
7. Hedge Code:
8. PAN of the Client:
9. Status of the Client:
10. Details of other Client codes (if the Client is registered with any other Member)

Member Name and ID	Client code Allotted

11. Hedge Limit requirement details:

Commodity(ies) in which additional hedge limit is sought	Time Period for which hedge limit is required	Hedge Limit Sought	
		Long Open Position (QTY in Units)	Short Open Position (QTY in Units)

(Note: Limits may be sought either for Long or for Short position for particular commodity)

12. Hedge limit is sought against: (Tick the correct option)

- a. Physical Stocks
- b. Export obligation
- c. Import obligation
- d. Past track record of Production
- e. Past track record of Purchase
- f. Past track record of Sales
- g. Processing Capacity
- h. Others (Pls specify) : _____

I/We shall ensure that the hedger requesting for abovementioned hedge limit shall not trade using any other client code, other than assigned herein, through us and/or any other member / exchange using any other client code against the hedge limits assigned by you in this regard.

I/We undertake to inform you, the details of all our / hedger's positions taken in different capacities and which are required to be clubbed as per guidelines on Clubbing of Open Positions issued by SEBI / the Exchange from time to time.

I/We undertake that I/we and the hedger shall not violate the hedge limits as sanctioned by you.

I/We undertake that the documents provided are true to the best of our knowledge and I/we subject myself/ ourselves to any action, as prescribed by relevant authority from time to time, in the event of the above facts/ documents are found to be erroneous/ falsified.

I / We understand that the hedge limits as sanctioned by you shall be subject to the Hedge Policy prescribed by you and also the SEBI circular no. SEBI/HO/CDMRD/DMP/CIR/P/2016/71 dated August 19, 2016 on "Position Limits for Hedgers" or any other guidelines that may be issued in this regard from time to time.

For Member Name

Authorized Signatory

Name & contact number

Designation:

Annexure 2 - Member Undertaking

(On Stamp Paper of Rs.100 – one time undertaking to be executed by Trading Member and submitted to the Exchange at the time of enablement)

To,
Membership Service Department,
National Stock Exchange of India Limited,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

I / We M/s. _____ undertake trading activities under my / our proprietary account as well as for the clients registered under me / us. Accordingly during the course of business I / we may apply for hedge limits for our proprietary account or on behalf of our clients under the Hedge Policy prescribed by the Exchange.

I / We, _____ hereby declare that,

I / We shall not violate the hedge limits as sanctioned by the Exchange, and understand that the hedge limits shall not be available for near month contracts.

I/We undertake to inform the Exchange, the details of all our positions taken in different capacities and which are required to be clubbed as per guidelines of NSE.

The decision of the Exchange to permit or deny a hedge position, shall be final and binding on the Member / Hedger. I / We understand that the Exchange has the right to inspect the physical stock against which hedge position has been permitted with or without prior intimation and the hedge position limit is subject to review at any point of time during the specified period. We undertake to extend necessary cooperation to the Exchange in this regard.

The hedge limit sanctioned shall be utilized only by the Hedger and not by anyone else, including any subsidiary / associate company.

The hedge limit is not sought against the offsetting positions.

I / We undertake that no churning of positions shall be carried out.

I / We shall ensure that overall hedge limits as availed by the hedger for a particular commodity are within the import-export commitment / physical stocks / past track record of Production / Purchase / Sales of the hedger, as the case may be.

The hedge position permitted shall be for the period till which it is approved or revoked by the Exchange, whichever is earlier.

Permission for seeking extension of hedge limit is required from time to time and I / we undertake that if we fail to do so, we will square off the additional open position limit granted to the Hedger. I / We also understand that the Exchange has the necessary authority to square off the said positions on expiry of the approved period.

I / We shall abide by the terms and conditions, guidelines as mentioned in the Hedge Policy prescribed by the Exchange from time to time and / or such other guidelines under which the hedge limits are approved by the Exchange. We shall also abide by the Rules, Regulations, Bye-laws of the Exchange / Clearing Corporation. I / we undertake to inform the Exchange of any violation of limit or terms and conditions by the Hedger.

I / We shall furnish all information called for by the Exchange at any time. I / we hereby declare that the information given in this form and the information which shall be provided by me in the various documents required by the exchange for sanction of hedge limits shall be true and correct to the best of our knowledge. I / We shall intimate the Exchange any material change in the facts submitted to the Exchange, as soon as possible.

For Member Name

Authorized Signatory

(to be duly signed and stamped)

Name & contact number

Designation:

Date:

Annexure 3 - Hedge Rationale

(On Letter Head of Client seeking hedge limit – duly stamped and signed by member and client)

Date:

To,
Name and Address of the Trading member
(who shall seek hedge limit from exchange on behalf of client)

Sub: Hedge Rationale

Dear Sir / Madam

With reference to our request dated _____ submitted to you for seeking additional hedge limit, please find below the rationale for which hedge limit is required.

1. Commodity in which hedge limit is sought:
2. Hedge Limit Sought: Long / Short Position with QTY in units
3. Rationale for seeking additional Hedge Limits
4. Hedge Strategy:

For Client Name

For Member Name

Authorized Signatory

Authorized Signatory

Name & contact number:

Name & contact number:

Designation:

Designation:

Annexure 4 - Hedge Position Statement
(For commodity to be hedged – On Letter Head of Client)
(duly stamped and signed by member and client)

Date:

To,
Name and Address of the Trading member
(who shall seek hedge limit from exchange on behalf of client)

Sub: Statement of Hedge Position

Dear Sir / Madam

With reference to our request dated _____ submitted to you for seeking additional hedge limit, please find below the details of our hedge positions as on _____.

1. Client Name:
2. Client Code:
3. Hedge Code:
4. Commodity hedged:
5. Hedge Position Details:

Details	QTY Held (in Units)
Hedge Positions on other Indian Exchanges for past 6 months	
Hedge Positions on Foreign Exchanges	
Cross Hedging Positions	

I / We hereby declare that the information disclosed above is true and correct to the best of our knowledge.

For Client Name

For Member Name

Authorized Signatory

Authorized Signatory

Name & contact number:

Name & contact number:

Designation:

Designation:

**Annexure 5 – Application Form from Client requesting for Hedge Limits
(On Letter Head of Client seeking hedge limits)**

Date:

To,
Name and Address of the Trading member
(who shall seek hedge limit from exchange on behalf of client)

Sub: Request for sanction of hedge limits

Dear Sir / Madam,

We hereby submit the request for sanction of hedge limits under the Hedge Policy prescribed by the Exchange.

1. Name of Client:
2. Client Code:
3. Hedge Code:
4. PAN of Client:
5. Details to be filled in the table below:

Address of Business (Head Office)	
Contact Number	
Email	
FAX	

6. Brief Profile of business of hedger client:
7. Details of other Client codes (if the Client is registered with any other Member)

Member ID	Member Name	Client Code

8. Details of hedge limit required:

Commodity in which additional hedge limit is sought	Time Period for which hedge limit sought	Hedge Limit Sought	
		Long Open Position (QTY in Units)	Short Open Position (QTY in Units)

(Note: Limits may be sought either for Long or for Short position for particular commodity)

9. Rationale for availing Hedge Limits:

- a. Physical Stocks
- b. Export obligation
- c. Import obligation
- d. Past track record of Production
- e. Past track record of Purchase
- f. Past track record of Sales
- g. Processing Capacity
- h. Others (Pls specify) : _____

I/We shall ensure that we shall not trade through any other member / exchange using any other client code against the hedge limits assigned to us in this regard.

I/We undertake to inform you, the details of all our positions taken in different capacities and which are required to be clubbed as per guidelines on Clubbing of Open Positions issued by SEBI / Exchange from time to time.

I/We undertake that I/we shall not violate the hedge limits as sanctioned to us.

I / We understand that the hedge limits as sanctioned to us shall be subject to the Hedge Policy prescribed by the Exchange and also the SEBI circular no. SEBI/HO/CDMRD/DMP/CIR/P/2016/71 dated August 19, 2016 on "Position Limits for Hedgers" or any other guidelines that may be issued in this regard from time to time.

For Client Name

For Member Name

Authorized Signatory

Authorized Signatory

Name & contact number:

Name & contact number:

Designation:

Designation:

Annexure 6 - Client Undertaking

(On Stamp Paper of Rs.100 – one time undertaking to be executed by the Client and submitted to the Member at the time of client registration)

To,
Name and Address of the Trading member
(who shall seek hedge limit from exchange on behalf of client)

I / We, _____ hereby declare that,
I/We am/are a client trading through yourself _____ (*Name of the applying member*)
using the client codes _____.

I / We shall not violate the hedge limit sanctioned to us, and understand that the hedge limits shall not be available for near month contracts.

The decision of the Exchange to permit or deny a hedge position, shall be final and binding on me / us. I / We understand that the Exchange has the right to inspect the physical stock against which hedge position has been permitted with or without prior intimation and the hedge position limit is subject to review at any point of time during the specified period. We undertake to extend necessary cooperation to you and / or Exchange in this regard.

The hedge limit sanctioned shall be utilized only by the applying company, and not by anyone else, including my subsidiary / associate company.

The hedge limit is not sought against the offsetting positions.

I / We undertake that no churning of positions shall be carried out.

I / We shall ensure that overall hedge limits availed by me / us for a particular commodity are within my import-export commitment / physical stocks / past track record of Production / Purchase / Sales as the case may be.

The hedge position permitted shall be for the period till which it is approved or revoked by the Exchange, whichever is earlier.

Permission for seeking extension of hedge limit is required from time to time and I / we undertake that if we fail to do so, we will square off the additional open position limit granted to me / us. I / We also understand that the Exchange has the necessary authority to square off the said positions on expiry of the approved period.

I / We shall abide by the terms and conditions, guidelines as mentioned in the Hedge Policy prescribed by the Exchange from time to time and / or such other guidelines under which the hedge limits are approved by the Exchange. We shall also abide by the Rules, Regulations, Bye-laws of the Exchange / Clearing Corporation.

I / We hereby declare that the information given in this form and the information which shall be provided by me in the various documents required by the exchange for sanction of hedge

limits shall be true and correct to the best of our knowledge. I / We shall intimate the Exchange any material change in the facts submitted to the Exchange, as soon as possible.

For Client Name

Authorized Signatory

(to be duly signed and stamped)

Name & contact number

Designation:

Date:

Annexure 7 - Director's / Partner's Details

(On Letter Head of the client seeking hedge limits – duly signed and stamped)

Date:

To,
Name and Address of the Trading member
(who shall seek hedge limit from exchange on behalf of client)

Sub: Details of Director's / Partner's

1. Name of client applying for hedge limit:
2. Client Code:
3. Hedge Code:
4. Status of the Client:

a. Proprietorship / Individual

b. Partnership Firm

c. Private Limited Co.

d. Body Corporate

e. HUF

f. Trust

g. LLP

h. Others (Pls Specify): _____

5. Details of Director / Partner / Trustee / Karta (Details of all directors / partners etc would be required in the below format):

Name:

PAN:

Father's Name:

Address:

City:

State:

Pin Code:

Contact No. / Mobile No.:

6. Details of Firm/Companies/Trust/HUF where the Directors / Partners / Trustees / Karta hold positions (if applicable):

Name of the Entity:

PAN:

Address:

City:

State:

Pin Code:

Contact no. / Mobile No.:

I/We hereby confirm that the information given above is true and correct to the best of our knowledge.

For Client Name

Authorized Signatory

(to be duly signed and stamped)

Name & contact number

Designation:

Annexure 8 - Statement of Physical Stock owned by the Client
(To be certified by Chartered Accountant – to be duly signed and stamped)

Date:

To,
Membership Service Department,
National Stock Exchange of India Limited,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

Sub: Statement of Physical Stock owned for Client Name _____

Dear Sir / Madam,

We hereby certify that the below mentioned client, who has submitted an application for hedge limits with exchange _____, owns the physical stock for the commodity _____. The further details of commodity owned are as follows:

1. Name of client applying for hedge limit:
2. Client Code:
3. Hedge Code:
4. Details of the commodity position held:

Name of the Commodity	
Hedge Limit (Qty)	
Hedge Position (Long / Short)	
Month-end Physical Stock	
Location of Physical Stock	
Date as on which commodity position held	

Documents enclosed:

- a. Warehouse Proof where such stocks are held (CA Certified)
- b. Bank certificate for stock of commodities pledged

For Chartered Accountant

Authorized Signatory
Name & contact number
Designation:

Annexure 9 - Statement of Domestic / Import / Export Commitments
(To be certified by Chartered Accountant– to be duly signed and stamped)

Date:

To,
Membership Service Department,
National Stock Exchange of India Limited,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

Sub: Statement of Domestic / Import / Export Commitments for Client Name _____

Dear Sir / Madam,

We hereby certify that the below mentioned client, who has submitted an application for hedge limits with exchange _____, Domestic / Import / Export Commitments for the commodity _____. The further details of commodity are as follows:

1. Name of client applying for hedge limit:
2. Client Code:
3. Hedge Code:
4. Details of the commitments in the underlying commodity:

Name of the Commodity	Long Physical Positions			Short Physical Positions	
	Current Stock (in Units and Details of Warehouse*)	Import Commitments (in Units)	Total Long (in Units)	Export Commitments (in Units)	Domestic Commitments (in Units)

**Details of Warehouse where the commodity owned by the hedger is held to be mentioned.*

5. Statement of Hedge Requirements

Name of the Commodity to be hedged	Long Position (QTY in units)	Short Position (QTY in units)

I / We hereby declare that the information disclosed above is true and correct to the best of our knowledge.

Documents enclosed:

- a. In respect of Import & Export Commitments, a copy of the import / export order / form of invoice or shipping / cargo bills is attached

For Chartered Accountant

Authorized Signatory

Name & contact number

Designation: