

Business Standard



NCDEX strengthens rules for warehouse service providers

Fixes minimum networth criteria, WSPs say the norm will help settle default, if any

Dilip Kumar Jha | Mumbai
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The National Commodity and Derivatives Exchange (NCDEX) has strengthened the risk management system for **warehouse** service providers empanelled on the futures platform.

Following guidelines set out by the Securities and Exchange Board of India (Sebi), the **NCDEX** has set a minimum net worth of Rs 25 crore for single warehouses and Rs 50 crore for multiple warehouses for empanelment. The exchange has also mandated Rs 0.5 crore as the minimum security deposit in cash as a part of the overall security deposit requirement.

Sebi had announced its minimum net worth criterion for **warehouse** service providers in September while empowering exchanges to levy additional requirements if they saw fit.

"The exchange has put in place comprehensive guidelines for **warehouse** service providers aimed at strengthening the risk management framework. The exchange has nine **warehouse** service providers and all are compliant with the minimum net worth criterion of the exchange," said an **NCDEX** spokesperson.

"The net worth was prescribed for **warehouse** service providers earlier too, but that was only at the exchange level. Now **Sebi** has introduced net worth guidelines. We had asked for Rs 100 crore net worth for multi-location **warehouse** service providers as the value of deposited

goods surpasses Rs 1,000 crore at peak volume in just two or three large warehouses," said Sanjay Kaul, managing director and chief executive officer of National Collateral Management Services.

"This move will ensure there is a sufficient financial stake of **warehouse** service providers. It will also add strength to the system," said Anil Choudhary, managing director and chief executive officer of National Bulk Handling Corporation.

Warehouse service providers have diversified into collateral management, financing to farmers and weather stations because of plummeting turnover in the agri futures business. Most **warehouse** service providers fund farmers through their own financing arms and also deal in the spot market on behalf of their clients.

"This move will strengthen the delivery mechanism of the markets," said Sandeep Sabharwal, group chief executive officer, Sohan Lal Commodity Management.

The **NCDEX** has also withdrawn the additional margin of 5 per cent on both the long and short sides on all running contracts and yet-to-be-launched contracts in guar seed and guar gum. It has levied 5 per cent additional margin on wheat effective November 4.

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