



Position Limits And Penalty Framework For Commodity Derivatives

Circular No. HO/47/16/13(5)2026-MRD-POD1/I/20735/2026 dated 9 September 2026 | Immediate effect

The circular revises Paragraphs 3.4.3 and 3.5.2 of the Master Circular for the Commodity Derivatives Segment dated 4 August 2023.

Penalty for breach of client-level position limits

Extent of breach	Penalty (payable by trading member)	Daily cap
Up to 2% of the limit	$2\% \times \text{excess quantity} \times \text{closing price} \times \text{days of violation}$	₹10,000 per day
Above 2% of the limit	$2\% \times \text{excess quantity} \times \text{closing price} \times \text{days of violation}$	₹2,00,000 per day

- The breach must be cured by the next trading day. If it is not, the exchange squares off the excess position without notice.
- Repeat breaches (more than three in a calendar month for the same commodity) attract an additional penalty equal to the original. For breaches above 2%, the member is also placed in square-off mode for one day. Penalties are credited to the exchange's Investor Protection Fund.

Agricultural commodities: classification and limits

- **Broad commodity:** not a sensitive commodity, and a five-year average deliverable supply of at least 10 lakh MT or ₹5,000 crore.
- **Client-level limits:** 2% (broad), 1% (narrow) and 0.5% (sensitive) of deliverable supply.
- **Transition:** commodities reclassified from narrow to broad keep the 1% limit for one year. The exchange may then raise it to 2% after review.

Our view

Capping penalties ends disproportionate exposure for minor, short-lived breaches. Tighter repeat-breach consequences keep the framework disciplined. Trading members should update their risk management systems and client communication.

Source: [SEBI Circular dated 9 September 2026 – Position limits and penalty provisions, commodity derivatives](#)