



CIRCULAR

SEBI/HO/CDMRD/DMP/P/CIR/2022/18

February 14, 2022

**The Managing Directors / Chief Executive Officers
All Recognized Stock Exchanges and Clearing Corporations
All Registered Depositories
All Registered Vault Managers**

Dear Sir / Madam,

Sub: Trading features pertaining to the Electronic Gold Receipts (EGR) segment

1. SEBI Board in its meeting held on September 28, 2021 approved the framework for Gold Exchange and SEBI (Vault Managers) Regulations, 2021.
2. Government of India vide Gazette notification S.O. 5401 (E) dated December 24, 2021, has notified “electronic gold receipts” as ‘securities’ under Section 2(h)(ia) of the Securities Contracts (Regulation) Act 1956, and vide Gazette notification dated December 31, 2021, SEBI (Vault Managers) Regulations, 2021, have been notified, paving the way for operationalization of Gold Exchange. Pursuant to the said notifications, a circular dated January 10, 2022 was issued specifying the framework for operationalizing the Gold Exchange in India.
3. In continuation of the aforesaid circular and with a view to specifying the details of various aspects of the trading of EGR on the recognized stock exchange/s, guidelines covering the following subjects are prescribed in the Annexures to this circular.
 - (i) **Trade Timings – Annexure A**
 - (ii) **Transaction charges by stock exchanges – Annexure B**
 - (iii) **Call Auction in Pre-open session – Annexure C**
 - (iv) **Block and Bulk Deal – Annexure D**
 - (v) **Price Bands – Annexure E**
 - (vi) **Investor Protection Fund (IPF) & Investor Service Fund (ISF) – Annexure F**
 - (vii) **Unique Client Code (UCC) – Annexure G**
4. This Circular shall come into force with immediate effect.



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

5. The Exchanges shall:
 - 5.1. take steps to make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the same,
 - 5.2. bring the provisions of this circular to the notice of the members of the Exchange and also to disseminate the same on their website,
 - 5.3. communicate to SEBI, the status of the implementation of the provisions of this Circular.
6. This 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.
7. This circular is issued with the approval of competent authority.
8. This Circular is available on SEBI website www.sebi.gov.in under the category “Circulars” and “Info for Electronic Gold Receipts”.

Yours faithfully,

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Trade timings

1. Trading hours:

- 1.1. Trading in EGR segment shall be permitted from Monday to Friday.
- 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. 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.
3. Stock exchanges shall ensure that they have necessary risk management system and infrastructure in place commensurate to their trading hours.

4. Trading Holidays

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



Transaction charges by the stock exchanges

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/2021/000000591 dated July 5, 2021.



Framework for Call Auction in Pre-open session

1. Duration:

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.

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. Reference Price:

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. Such spot polling would be done, one working day prior to the launch of EGRs on an exchange.

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. Subsequently, the reference price during pre-open session in EGR segment shall be previous day closing price.

3. Price Limit: A Price range of +/- 5% from reference price shall be applicable on EGRs during pre-open session.

4. Type of Orders: Limit orders and Market orders shall be entered during the pre-open session

5. Equilibrium Price:

5.1. Both Limit orders and Market orders shall be reckoned for computation of equilibrium price. No iceberg order will be allowed i.e. orders shall be disclosed in full quantity.



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.

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.

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:

- 6.1. Eligible Limit orders shall be matched with eligible limit orders.
- 6.2. Residual eligible limit orders shall be matched with market orders.
- 6.3. Market orders to be matched with market orders.

7. **Pending Orders:**

- 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.
- 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.

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

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

- 9.1. Indicative equilibrium price of EGR
- 9.2. Indicative cumulative buy and sell quantity of EGR



Framework for Block Deals in EGR Segment

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. **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.
3. **Price Limit:** The orders placed shall be within $\pm 1\%$ of the reference price.
4. **Minimum order size:** The minimum order size for execution of trades shall be Rs.10 Crore.
5. Every trade executed in the block deal window must result in delivery and shall not be squared off or reversed.
6. **Disclosure:**
 - 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.
 - 6.2. The disclosure shall be made by the brokers immediately upon execution of the trade.
 - 6.3. The stock exchanges shall disseminate the aforesaid information to the general public on the same day, after the market hours.
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.



Framework for Bulk Deals in EGR Segment

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

- 3. Disclosure:**

- 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.

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

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

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:-

- 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

- 4.1.1 the person as an individual operator,

- 4.1.2 the firm or firms in which he is a partner;

- 4.1.3 the Company or companies in which he is a director; and

- 4.1.4 the HUF of which he is a manager(karta)

- shall be taken together for calculating bulk deals.



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

- 4.2.1 all the partners of partnership firm or firms;
- 4.2.2 the concerned partnership firm or firms;
- 4.2.3 all the directors of the company or companies;
- 4.2.4 the concerned company or companies;
- 4.2.5 all the Kartas of the HUFs; and
- 4.2.6 the concerned HUFs

shall be taken together for calculating bulk deals.

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

- 4.3.1 the person as individual operator,
- 4.3.2 the firm or firms in which they are partners;
- 4.3.3 the company or companies in which they are directors;
- 4.3.4 the HUFs in which they are Kartas; and
- 4.3.5 the trust or trusts in which they are trustees,

shall be taken together for calculating bulk deals.

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 don't have any financial interest in the company, the position of such companies/corporates may not be clubbed just because they have common directors.

4.5 The above stated guidelines/ illustrations are indicative only. The Exchanges are 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.



Price bands

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. The initial price limit for the price band shall be set at 10% of the previous closing price.
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.
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.



Investor Protection Fund (IPF) & Investor Service Fund (ISF)

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.



Unique Client Code (UCC)

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. 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.
3. Since EGR is notified as “securities” under SCRA, 1956, 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/2021/0000000591 dated July 5, 2021 and its subsequent amendments, as carried out from time to time.