

Naymat Collateral Management Company Limited
Standard Operating Procedures

Introduction

The Securities and Exchange Commission of Pakistan (SECP) has notified the Collateral Management Companies Regulations, 2019 (“Regulations”). The Regulations require a registered Collateral Management Company (“CMC”) to develop and issue Standard Operating Procedures, to be followed by warehouses accredited by the CMC as well as other stakeholders to the Electronic Warehouse Receipts (EWR) and Accredited Warehouse Regime.

The requirements prescribed in these Standard Operating Procedures are the requirements for compliance by accredited Warehouses in respect of the matters referred to in these Standard Operating Procedures and are in addition to those laid down in the Warehousing Guidelines.

These Standard Operating Procedures and Warehousing Guidelines supplement and are not intended to supersede the express obligations under the stipulated contractual framework including, *inter alia*, that of a warehouse under the Warehouse Operator’s Accreditation Agreement with its CMC, the Warehouse Storage Agreement between a Warehouse Operator and a Depositor, the EWR System Usage Agreement between the CMC and Participants, or the legal or contractual obligations under Electronic Warehouse Receipts.

Defined Terms

1. Defined Terms:- Capitalised terms herein shall have the meanings defined below or in the Regulations unless the context requires otherwise:
 - 1.1. ‘Act’ means the Companies Act, 2017 (XIX of 2017);
 - 1.2. ‘Collateral Management Company’ or ‘CMC’, shall mean Naymat Collateral Management Company Limited, a company registered as a collateral management company by the Securities & Exchange Commission of Pakistan under the Regulations;
 - 1.3. ‘Commission’ or ‘SECP’ means the Securities & Exchange Commission of Pakistan;
 - 1.4. ‘Depositor of Produce’ means a person who delivers Produce with the Warehouse Operator for storage or transfer of ownership and such term shall, as the context may require, include the legal heirs, assignees, and any other successor-in-interest of such a person;
 - 1.5. ‘Electronic Warehouse Receipt’ or ‘EWR’ means a system generated warehouse receipt issued by accredited Warehouse Operator and shall also be deemed, where applicable, as a proof of storage of Produce;
 - 1.6. ‘EWR System’ means a centralized electronic system as maintained by the CMC for registration of possession and ownership of Produce stored in an accredited warehouse and its transfer and matters incidental thereto;
 - 1.7. ‘Goods Receiving Note’ or ‘GRN’ means a non-transferable and non-assignable document in substantially the form attached in Annexure III hereto issued by the Warehouse Operator to a Depositor confirming the receipt of the Produce described therein for the account of such Depositor.
 - 1.8. ‘Information Copy’ means the non-transferable physical print-out of the EWR provided to a qualified inquiring party setting out the current details of the EWR, the Produce stored under it, the present Holder, as well as any outstanding pledges recorded in respect of the EWR in substantially the form attached in Annexure III hereto.
 - 1.9. ‘Holder’ means a person to whom a Warehouse Receipt has been assigned, sold, pledged or otherwise transferred by the Depositor of Produce or any subsequent Holder;
 - 1.10. ‘Pledge-Holder’ means a lender holding a pledge against an EWR registered in the EWR System;
 - 1.11. ‘Produce’ shall have the same meaning as assigned to it in clause (b) of sub-section 1 of section 457 of the Act;
 - 1.12. ‘Regulations’ means the Collateral Management Companies Regulations 2019, as may be amended or replaced from time to time;
 - 1.13. “Warehouse” means the Operator’s premises accredited by the CMC to be used for the custody of Produce deposited by a Depositor of Produce;
 - 1.14. ‘Warehouse Operator’ or ‘Operator’, when used in this Agreement, refers specifically to person operating and managing it.
 - 1.15. ‘Participant’ means a person who is registered with and maintains an account with the CMC under the EWR System Usage Agreement, including the Depositor of Produce, Holder of the EWR, Financial Institution, Brokers on the Futures Exchange, any participant in the trading of EWR, etc.
 - 1.16. ‘Standard Operating Procedures’ or ‘SOPs’ means these Procedures issued by the Collateral Management Company and approved by the SECP pursuant to the Regulations, as may be amended from time to time.

- 1.17. 'System Usage Agreement' means the agreement entered into between the CMC and each participant having access to the EWR System including accredited Warehouse Operators, Depositors of Produce/Holders, and financial institutions seeking to be designated as Pledge-Holders in substantially the form annexed hereto as Annexure IV
- 1.18. 'Warehouse Accreditation Agreement' means an agreement between the Warehouse Operator and the CMC for a warehouse, setting forth the undertakings of the Operator to the CMC and to the Depositor of Produce and Holder in respect of Produce deposited with the Warehouse Operator and covered by Warehouse Receipts in substantially the form annexed hereto as Annexure II.
- 1.19. 'Warehousing Guidelines' means the operational guidelines for warehousing and storage required to be followed by every accredited Warehouse, which is attached as Annexure VI hereto.
- 1.20. 'Warehouse Storage Agreement' means an agreement between the Warehouse Operator and each Depositor in substantially the form annexed hereto as Annexure I describing the rights and obligations of the Warehouse Operator and Depositor and subsequent transferees of the EWR issued under the Storage Agreement.
- 1.21. Words & definitions used but not defined in these SOPs shall have the same meaning as assigned to them in the Act, Futures Market Act 2016, the Regulations or any rules or regulations made thereunder.

Accreditation of Warehouses

2. Accreditation of Warehouses:-

- 2.1. Any person/entity commencing or carrying on warehousing business that wishes to participate in the Electronic Warehouse Receipts regime, shall be required to obtain accreditation for each specific facility by a Collateral Management Company pursuant to the Regulations and to enter into a Warehouse Accreditation Agreement. As part of the accreditation process the Warehouse Operator shall undertake to comply with the Regulations, the Standard Operating Procedures, and the Warehousing Guidelines in the conduct of its activities concerning the Warehouse, and to enter into the contracts in the form stipulated herein.
- 2.2. The CMC may assess the following criteria in determining whether or not to grant or continue accreditation:
 - 2.2.1. The Warehouse shall have all necessary permissions and meet the requisite standards in accordance with applicable laws, within the jurisdiction the Warehouse is situated, for carrying out the business of warehousing. An undertaking to this effect along with a copy of each relevant document must be submitted by the Warehouse Operator to the CMC.
 - 2.2.2. The CMC may lay down processes and define guidelines, from time to time, to assess the financial soundness of the Warehouse Operator. The Warehouse Operator shall comply with the documentation and disclosure requirements therein.
 - 2.2.3. The Warehouse Operator must present for inspection the registered title documents entitling the proposed Warehouse Operator to ownership and possession of the Warehouse, the terms and conditions of which, permit the carrying on of the proposed business on the premises, and an attested copy of the

same must be deposited with the CMC. In addition, in the case of a registered indenture of lease or sub-lease, the Warehouse Operator must provide such an NOC from the ultimate owner of the property in the form set out in Schedule C hereinabove, or in such other form as the CMC may stipulate.

- 2.2.4. The Warehouse has adequate infrastructure, policies, procedures, systems and controls to effectively and efficiently discharge its responsibilities as an accredited warehouse and it is suitable with respect to the kind of Produce being stored.
 - 2.2.5. Warehouse is equipped with all the necessary equipment and apparatus including but not limited to drying, weighing, handling, firefighting, circulation of stock, alternative power source, internet connectivity and insect/pest management or any other equipment and apparatus prescribed by the CMC and as more particularly described in the Warehousing Guidelines.
 - 2.2.6. Warehouse has adequate arrangements in place for carrying out sampling, grading and testing of Produce stored therein including but not limited to third party assessment as more particularly described in the Warehousing Guidelines.
 - 2.2.7. Warehouse Operator has financial capability and adequately trained staff with expertise and knowledge for the storage of Produce in the Warehouse.
 - 2.2.8. Warehouse has an efficient system for loading or unloading of Produce including proper mechanism for segregation of different kinds or quality of Produce as more particularly described in the Warehousing Guidelines.
 - 2.2.9. Warehouse has adequate security arrangements and is located in a place which is accessible and is not excessively prone to natural disasters.
 - 2.2.10. The Produce stored is comprehensively insured/covered for incidents including but not limited to natural disaster, fire, theft, flood, burglary, fidelity and misappropriation, and special perils covering riots, strikes and terrorism or any other condition as are provided in Clause 2.6;
 - 2.2.11. Warehouse Operator shall have adequate bank guarantees and/or security deposit and insurance listed in section 2.7.1 to the Warehouse and Produce as required by these SOPs and the Regulations or as determined by the CMC from time to time;
 - 2.2.12. Warehouse Operator has not been declared insolvent by the court of law and in the case of the management of the Warehouse Operator have not been convicted of an offence involving moral turpitude;
 - 2.2.13. Warehouse is electronically connected with the CMC in accordance with the terms of the Accreditation Agreement and the EWR System Usage Agreement, and is capable of being connected with the Futures Exchange;
 - 2.2.14. Geographical location of the Warehouse & its access to the transportation infrastructure (roads, railways, seaports, etc.) are suitable to provide effective and useful service to actual and potential customers; and
 - 2.2.15. The CMCs assessment of the potential storage capacity (MT) & type of storage (flat or vertical / bins, or a combination of both).
- 2.3. The following procedure shall be adopted for purposes of accreditation
- 2.3.1. An Applicant seeking a Certificate of Accreditation shall apply in the prescribed Application Form of the CMC, along with the prescribed accreditation application fee, paid to the CMC.
 - 2.3.2. The CMC will provide the Applicant with a proposed Fee Schedule based upon the volume of anticipated issuance of EWRs and estimated costs of regular inspections approved by the Commission. The Warehouse applying for

accreditation with the CMC will be required to pay the non-refundable application fee prior to the initiation of the application review.

- 2.3.3. Upon satisfaction that the application is complete, the CMC will conduct a physical inspection (either by itself or through its appointed assayer/agent) of the warehouse to verify and assess the Warehouse's compliance with these Standard Operating Procedures and the Warehousing Guidelines.
 - 2.3.4. Once the physical inspection establishes the compliance with the Regulations, the SOPs and the Warehousing Guidelines and other requirements specified by the CMC, the Applicant shall be required to furnish the Security Deposits/bank guarantees/insurance policies as specified by the CMC.
 - 2.3.5. If approved for accreditation, the Warehouse Operator will sign and deliver to the CMC the Warehouse Accreditation Agreement in the form as stipulated in the Annexures hereto, with such appropriate modifications as required by the CMC (subject, in the case of material modifications, to the approval of the Commission), and shall pay the accreditation fee for the initial year.
 - 2.3.6. The CMC will call for submission for a Security Deposit/bank guarantee to be furnished within fifteen (15) days or such other time frame as may be prescribed. If the applicant fails to submit the bank guarantee and Security Deposit within the period specified as above, the application shall be deemed to have been rejected, provided that the CMC may, if it is satisfied that the applicant was prevented by sufficient cause from submitting the bank guarantee and security deposit within the said period of [15] days, allow it to submit the bank guarantee and security deposit within such extended time as may be decided by the CMC. Once these are submitted, the Certificate of Accreditation will be issued.
 - 2.3.7. The Certificate of Accreditation shall stipulate the location of the warehouse, the name and registered address of the Warehouse Operator, the kind of produce the warehouse is suitable for storing, and the capacity of produce which it may store. Upon executing and issuing the same, a copy of the Certificate of Accreditation shall be forwarded to the SECP for its records, and shall be published on the CMC's website.
 - 2.3.8. The Certificate of Accreditation will be issued for a period of two years. The Warehouse will be required to ensure that the information contained in the application is kept current throughout the period and that the eligibility criteria are maintained.
 - 2.3.9. At least two months prior to expiry of the Certificate of Accreditation, the Warehouse Operator may apply for another two-year renewal of accreditation, upon satisfying the same criteria and procedure as set out above.
 - 2.3.10. The CMC shall ensure that accreditation details for each Warehouse are prominently published on its website, and are regularly maintained.
- 2.4. Documents and information to be provided with the Application: The Applicant may be required to fill and submit the designated forms, as required by the CMC for this purpose, along with the recommended documentation (title documents, company records, insurance policies, financial statements, tax returns, other information referred to in Section 2.1, etc). Details of information and documents required are found in Section 9 of these Standard Operating Procedures.

2.5. Terms of Accreditation:-

- 2.5.1. Immediately upon the receipt of its Accreditation Certificate, the Warehouse Operator shall display the same in the visitor area or a prominent place in the Warehouse, until suspended or revoked.
- 2.5.2. The Certificate of Accreditation shall not be transferable and will be valid only for the specific location.
- 2.5.3. The CMC or its authorized representative or third party authorized by the CMC may inspect or examine the accredited Warehouse in accordance with the requirements of the Regulations, SOPs and Warehousing Guidelines, at any time without giving prior notice including the stocks, books, records, papers and accounts, etc., relating thereto.
- 2.6. Requirement of Bank Guarantee and Security Deposit for accreditation of warehouse(s) with the CMC:-
- 2.6.1. Prior to the issuance of the Accreditation Certificate an applicant seeking accreditation of their warehouse(s) shall submit an unconditional and irrevocable bank guarantee payable on demand in an amount as required by the CMC from an acceptable bank and in a form and format which is acceptable to CMC.
- 2.6.2. The value of the bank guarantee required to be submitted by the Warehouse Operator shall be such that the guaranteed amount, along with any insurance policy obtained in respect of fraud/fidelity and professional negligence, equals up to thirty per cent of the approximate value of the produce proposed to be stored at the warehouse in question, but the value may be varied on a case to case basis and from time to time depending on the financial strength and reputability of the Warehouse and its Operator, past and pending claims against them, the CMC's inspection reports and other external factors. The bank guarantee shall be an on-demand guarantee from an A-rated bank.
- 2.6.3. The applicant shall, in addition to the above, also submit and maintain a cash Security Deposit with the CMC as per the table below.

Amount of Produce Proposed to be Stored at the Warehouse	Amount of Security Deposit Required To be Submitted
0-12,000 tons	Rs.500,000/-
12,001-25,000 tons	Rs.750,000/-
More than 25,000 tons	Rs.1,000,000/-

- 2.6.4. The bank guarantee and Security Deposit shall be valid for a period of three months after the expiry of the accreditation period, shall be maintained and kept valid for that entire period, irrespective of whether or not the certificate is cancelled or revoked prior to that date.
- 2.6.5. The terms and conditions of the Security Deposit shall be determined by the CMC on a case-by-case basis.
- 2.6.6. The bank guarantee and Security Deposit shall not be released until three months after expiry, cancellation or surrender of the accreditation of the warehouse or until after satisfaction of every claim against the bank guarantee and

Security Deposit, whichever is later. In case the guarantee may expire or be invalidated during the coverage period, the CMC shall be entitled to call on the same as a pre-emptive measure, unless an acceptable replacement Bank Guarantee is provided.

2.6.7. The CMC shall return/refund the bank guarantee and Security Deposit in respect of a warehouse, if:

2.6.7.1. an application for renewal of accreditation of the warehouse has been rejected and if the CMC is satisfied that the Warehouse Operator has discharged his obligations as per the requirements of the CMC Regulations and the Warehouse Accreditation Agreement and each outstanding Warehouse Storage Agreement and outstanding Warehouse Receipts; or

2.6.7.2. the Certificate of Accreditation of a warehouse is surrendered, cancelled, or revoked, and the CMC is satisfied that the Warehouse Operator has discharged his obligations as per the requirements of the CMC Regulations.

2.7. Insurance policies to be taken by the Warehouse Operator for the purpose of accreditation/renewal of accreditation of warehouse(s)

2.7.1. The Regulations provide that as a condition of accreditation the Produce are comprehensively insured for risks as required by the CMC. The required minimum coverage for accreditation are:

Risk to product in accredited warehouse	Insurance cover (as a percentage of total value of produce proposed to be stored at the warehouse)	Insurance policy
Fire & Lightning	100%	Fire & Allied Perils insurance
Riot & Strike Damage	100%	
Malicious Damage	100%	
Earthquake (Fire & Shock)	100%	
Explosion	100%	
Atmospheric Disturbance (hail, wind, hurricane, snow, flood, etc.)	100%	
Aircraft Damage	100%	
Impact Damage	100%	
Burglary & Housebreaking [external]	100%	
Fraud/fidelity and negligence from warehouse [internal]	Up to 30% of value when taken together with bank guarantee (see Para 2.6.2 above)	

2.7.2. Surveyors must be appointed within 24 hours of a claim and surveyors must complete their surveys within the period stipulated in the regulations notified for the insurance sector.

- 2.7.3. The Warehouse Operator shall procure and maintain in effect at all times the insurance against the goods as provided in these Standard Operating Procedures and shall ensure that all premiums and other charges shall be paid promptly to keep the insurance coverage current at all times.
- 2.7.4. Any such insurance for the goods underlying an EWR shall automatically terminate upon delivery of those goods to the Depositor and cancellation of the EWR.
- 2.7.5. The Warehouse Operator shall ensure that the premium paid receipt for each insurance cover required is promptly shared with the CMC and uploaded to the EWR System of the CMC.
- 2.7.6. The policies shall provide that Depositors/ Holders, Financial Institution holding a charge over any produce, and the CMC itself, shall be treated as co-assureds under the policies such that claims may be made by any of them independently of the Warehouse Operator.
- 2.7.7. The Warehouse Operator shall ensure that there shall not be any change in the insurance policy covering EWRs and the underlying produce to the detriment of the coverage without the approval of the CMC.
- 2.7.8. It is a condition of accreditation that the insurance coverage must remain valid during the term of the certificate of accreditation and for at least three months thereafter.

Obligations of Warehouse Operators

3 Obligations of Warehouse Operators:-

- 3.1 Accredited Warehouse Operators shall enter into a Warehouse Storage Agreement with the Depositor of Produce and an EWR System Usage Agreement with CMC in the form as set out in the Annexures hereto. The Warehouse Storage Agreement and EWR System Usage Agreement shall, without limitation, provide that the Warehouse Operator shall
 - 3.1.1 issue an Electronic Warehouse Receipt, on the prescribed form (Annexure III), only in respect of such Produce as is covered by its Certificate of Accreditation;
 - 3.1.2 deliver the Produce referred to in an EWR, to the Depositor of Produce or Holder of the warehouse receipt on demand made by the Depositor of Produce or Holder after satisfying the warehouse lien as described in the Warehouse Storage Agreement, and after ensuring that there is no currently subsisting pledge or charge over the produce as registered in the EWR System;
 - 3.1.3 ensure that the Depositor of Produce or Holder, on receiving the Produce from the warehouse, acknowledges the receipt of the Produce in a form and manner required by the CMC and ensure cancellation of the EWR following such delivery;
 - 3.1.4 take necessary actions to maintain the quality and quantity of Produce stored in the warehouse;
 - 3.1.5 maintain and record a complete and accurate set of records and accounts of all transactions pertaining to the operation of an accredited warehouse as per the requirements that the CMC may specify from time to time;
 - 3.1.6 at least once per month, ensure that the physical inventory tallies exactly with the record;
 - 3.1.7 maintain effective control of all accredited warehouse storage space;
 - 3.1.8 provide necessary assistance in the execution of inspections and audits by the CMC, the Commission, Depositors of Produce and Holders and insurers;
 - 3.1.9 resolve claims by Depositors of Produce and Holders expeditiously and fairly in accordance with procedures set forth in Clause 8 of the SOPs;

- 3.1.10 not unreasonably differentiate among Depositors of Produce regarding use of and access to a warehouse;
 - 3.1.11 not sell, remove or dispose of the Produce deposited in an accredited warehouse except as permitted under the Warehouse Accreditation Agreement and the Warehouse Storage Agreement;
 - 3.1.12 comply with all obligations assumed by the Warehouse Operator under the Warehouse Accreditation Agreement;
 - 3.1.13 Ensure that there is no change in location, capacity, condition, or specifications of the Warehouse, as determined in the pre-accreditation inspection.
- 3.2 An Electronic Warehouse Receipts must include the minimum information set out in Regulation 14 of the Regulations, and be in the format as set out in Annexure III hereto.
- 3.3 A Warehouse Operator shall make a written disclosure to the CMC of any of the following events:
- 3.3.1 any change in the key managerial persons (as specified in Clause 9.3 of these SOPs) of the Warehouse Operator, within seven (7) days of such change;
 - 3.3.2 any change in the ownership structure of the Warehouse Operator, within three (3) days of such change;
 - 3.3.3 any material adverse change in the financial standing of the Warehouse Operator within seven (7) days of such change;
 - 3.3.4 notice of the initiation of a claim from a third person regarding title to the Produce or initiation of a claim by the Depositor regarding storage or handling by the Warehouse Operator promptly following notice thereof;
 - 3.3.5 The CMC may, by order, require the Warehouse Operator to make any additional disclosures and stipulate the form and manner in which a disclosure is required to be made.
- 3.4 A Warehouse Operator shall submit monthly reports to the CMC in such form and manner, including in electronic form, as may be specified by the CMC in this behalf. The monthly reports to be submitted under this provision shall include the following minimum details of warehouse receipts in respect of the preceding month, and in addition such other details as the CMC may stipulate from time to time:
- 3.4.1 the total number of warehouse receipts issued, transferred, expired, or cancelled;
 - 3.4.2 the stock position per commodity of all Produce in accredited warehouses against which the Warehouse Operator has issued warehouse receipts or Goods Receiving Notes and against which no warehouse receipts have been issued;
 - 3.4.3 the aggregate market value of all Produce against which the Warehouse Operator has issued warehouse receipts as on the last day of the preceding month; and
 - 3.4.4 the EWRs pledged with banks and other financial institutions.
- 3.5 The CMC may require additional information regarding the warehouse receipts issued by the Warehouse Operator, or the Produce stored by the Warehouse Operator in accredited warehouses.
- 3.6 Notice of Transfer/Pledge of Warehouse Receipts to a Financial Institution:- Upon notice to the Warehouse Operator that an EWR has been transferred by the Depositor or Holder to a Financial Institution or other creditor as security, the Warehouse Operator will upon request of the creditor acknowledge the same to such Financial Institution or creditor.

3.7 Maintenance of Know Your Depositor (KYD) Records:- A Warehouse Operator must adopt processes to ensure the identity of the Depositor and ownership of the Produce to be deposited in accredited warehouses, and obtain documents from Depositor to verify the identity of the Depositor, the ownership of the commodity (in case the Depositor is an agent of the actual owner), the beneficiary (in case the Depositor and the beneficiary are different). Relevant documents for establishing identity and address proof are to be obtained. Specimen signature of Depositor / his authorized representative shall also be maintained for signing various records in the warehouse. Additional records that establish the status of the Depositor (being a farmer, trader and other entity) as well as specimen signature of Depositor / his authorized representative for signing various records in the warehouse shall also be maintained.

Inspection of Accredited Warehouses by CMC

4 Inspection of Accredited Warehouses by CMC

4.1 CMC is obligated under the Regulations to inspect and examine the accredited Warehouse to check compliance with the Regulations, SOPs, Warehousing Guidelines, and accreditation criteria. The Warehouse is required under the Accreditation Agreement to facilitate the conduct of such inspections and physical verification of Produce stored in the Warehouse, the Warehouse infrastructure, testing and grading facilities, physical and computerized records of the daily operational activities and ancillary facilities. The Regulations and the Accreditation Agreement provide that the inspection may be carried out by the CMC staff or any agent authorized to do so on its behalf. The Warehouse Storage Agreement among the Holder, the Warehouse Operator or the Depositor of Produce further provide that inspection may also be carried out by the staff of the Financial Institution or other creditor who has provided finance against the EWRs. Inspection may also be carried out by any designated staff of the Commission or any agent acting on their behalf. Such inspections may be conducted with or without prior notice.

4.2 The Commission may issue further amendments to the Regulations from time to time setting forth specific guidelines for periodic and special inspections to be carried out by the CMC of accredited Warehouses and the Produce covered by EWR. The cost of the initial and regular annual inspections shall be paid by the CMC and included in the initial and annual accreditation fees; the cost of special inspections occasioned by non-performance by the Warehouse Operator of its obligations under the Accreditation Agreement or any related agreement including the Standard Operating Procedures and Warehousing Guidelines shall be reimbursed by the Warehouse Operator.

Suspension, Expiry And Revocation Of Warehouse Accreditation

5 Suspension, Expiry and Revocation of Warehouse Accreditation

5.1 Action by CMC on Non-Compliance by Warehouse Operator - The CMC may, in accordance with the procedure and under the conditions set out in CMC Regulation 12 suspend, revoke, or refuse to renew a Warehouse Operator's accreditation.

5.2 Operation after Revocation, Suspension or Expiration of Accreditation –

- 5.2.1 Where accreditation is revoked, suspended or has expired, the EWR System will not issue further EWRs for the Operator and the Operator shall not accept Produce. Provided that the CMC considers that the goods in the warehouse are not exposed to risk of imminent loss or deterioration under the control of the Operator, the Operator may be permitted under the direction or supervision of the CMC to maintain and deliver Produce covered by EWRs and Goods Receiving Notes that have been previously issued. The costs of such supervision and special inspection costs shall be reimbursed by the Operator and upon failure of the Operator the CMC may call under the Security Deposit and bank guarantee to cover such costs. In the alternative, the Operator may be directed, at the discretion of the CMC, to move Produce covered by EWR to some other accredited Warehouse at its own cost.
- 5.2.2 During suspension of accreditation or in case its accreditation stands expired, the Operator shall cease receiving Produce for which EWRs are required by the Depositor of Produce and shall place a conspicuous sign at the entrance giving public notice of same.
- 5.2.3 The foregoing provisions shall apply only to goods for which EWRs or Goods Receiving Notes have been issued. The CMC shall have no obligation to manage or control the storage and handling of goods not covered by warehouse receipts, provided that in the event of commingled goods the CMC shall have the right to manage the commingled mass for the benefit of all claimants until the claims of the Depositors of Produce and Holders of EWRs have been satisfied or all such goods have been delivered, whichever shall first occur.

Electronic Warehouse Receipts

6 Electronic Warehouse Receipts

6.1 Issue of EWR to Depositor; Goods Receiving Note

- 6.1.1 A Warehouse Operator must ensure that all Goods Receiving Notes and EWRs issued by it comply with the requirements of Regulations, SOPs and the Warehouse Operators Accreditation Agreement and the Warehouse Storage Agreement with the Depositor and the EWR System Usage Agreement where applicable.
- 6.1.2 The Warehouse Operator shall issue EWRs only through the CMC's EWR System.
- 6.1.3 The Warehouse Operator shall ensure compliance with the following:
 - 6.1.3.1 EWR must be issued for all Produce accepted for storage in the accredited warehouse unless the goods are owned by the Warehouse Operator.
 - 6.1.3.2 Goods owned by the Warehouse Operator must be separately identified in the warehouse records and must be stored separately from the Produce covered by EWRs, unless commingling of such material is allowed by the CMC in writing upon request of the Warehouse Operator.
- 6.1.4 The Warehouse Operator shall ensure that the data provided to the EWR System under the Warehouse Accreditation Agreement in respect of the issuance and cancellation of EWRs is complete and correct.
- 6.1.5 The Warehouse Operator shall ensure that adequate insurance Cover as prescribed under these Standard Operating Procedures and the Regulations has been obtained for the deposited Produce covered by EWRs and Goods Receiving Notes.
- 6.1.6 The Warehouse Operator shall comply with all the requirements of the Regulations, SOPs, the Warehouse Accreditation Agreement, Warehouse Storage Agreement, and EWR System Usage Agreement for issuance of EWRs.
- 6.1.7 In case it is not possible to issue an EWR in accordance with these SOPs or the Warehousing Guidelines, as required under Clause 6.1.3.1 above, for any reason, a non-transferrable Goods Receiving Note shall be issued upon the deposit of Produce in the Warehouse if requested by the Depositor.
- 6.1.8 Upon issuing a Good Receiving Note, the Warehouse Operator shall forward a copy of the same manually and, if possible, electronically to the CMC along with a note explaining the reasons why it was not possible to issue an EWR at the time of deposit and further intimating the time-frame by which it will be possible to issue an EWR.
- 6.1.9 As soon as an EWR is able to be issued, the Goods Receiving Note must be surrendered to the Warehouse Operator and in substitution thereof, an EWR shall be issued. If a Warehouse Operator is unable to substitute a Goods Receiving Note with an EWR within two days because of failure of the Depositor of Produce to tender the Goods Receiving Note for cancellation, the Produce must be returned to the Depositor of Produce and the Goods Receiving Note will stand cancelled.
- 6.1.10 A Goods Receiving Note shall be issued subject to the qualifications and limits (e.g., it is non-assignable and cannot be collateralized) as set forth in the Regulations.
- 6.1.11 The Warehouse Operator shall issue separate EWRs for each identifiable lot where the Produce has not been commingled.
- 6.1.12 The Warehouse Operator shall endeavor to complete the EWR issuance process as early as reasonably possible, preferably within six (6) hours following the receipt of the entire deposit of the Produce in the Warehouse.
- 6.1.13 On the request of any interested person, the CMC or a Warehouse Operator may issue an Information Copy of the EWR, as per the specified format, using the EWR System, to verify the current status and details of any outstanding EWR. The Information Copy

shall not be a title document, it shall be non-transferrable, and it may not be used for creating a collateral. In addition, the EWR System shall provide for pledge reports to be provided showing any outstanding financing against an EWR.

6.2 Persons authorized to issue EWR and Goods Receiving Notes (GRNs)

- 6.2.1 The Warehouse Operator shall provide CMC with a list of officers who are authorized to issue EWRs and GRNs on its behalf. The Warehouse Operator shall ensure that only the officers listed therein shall have access to the EWR System and issue EWRs and GRNs on its behalf.
- 6.2.2 Notwithstanding the above, the Warehouse Operator shall be responsible for ensuring the security of its electronic access to the EWR System and to the physical templates for GRNs available in its custody. In case of any issuance on its behalf by any officer or individual who is not authorized, the Warehouse Operator shall still be liable.
- 6.2.3 The EWRs shall either be created by the Warehouse Operator or his authorized official in the EWR System provided by the CMC. GRNs may be issued manually by the Warehouse Operator as proof of deposit of the Produce pending issuance of the EWR within a reasonable period of time. Upon request the Warehouse Operator shall issue to the Depositor or any Holder an Information Copy of the EWR in the form annexed hereto following issuance of the EWR.
- 6.2.4 In case of any authorization or other delegation of responsibility for the issuance of EWRs, an appropriate authority shall be delegated by the Warehouse Operator, and the same will need to be recorded electronically in the CMC's EWR system and a copy of such order shall be sent to the CMC.
- 6.2.5 In case any unauthorized person issues EWRs with respect to a Warehouse, or there is any error in the information submitted to the EWR System by the Operator, the Warehouse Operator shall be solely responsible for the consequences to any person damaged thereby.

6.3 Record keeping of issued EWRs and GRNs - The Warehouse Operator will maintain a daily record of EWRs issued in his warehouses in electronic form as and when notified by the CMC and shall keep records of the issuance and cancellation of GRNs.

6.4 Succession:-

- 6.4.1 A Depositor Produce/Holder may submit a nomination conferring on a person the right to protect the interest of his legal heirs in the EWR, as a trustee, in the event of his death, and to facilitate the transfer of the EWR to the legal heirs of the deceased in such share as may be determined in accordance with the Islamic Law of inheritance, or as per the applicable personal law of the Deceased's religion, as the case may be. The nominee shall, after the death of the Depositor of Produce/Holder in question, be deemed to be a Depositor of Produce/Holder (as the case may be) of the EWR till such time as it is transferred to the legal heirs.
- 6.4.2 The nominee under the preceding sub-regulation shall not be a person other than the spouse, parent, sibling or child of the Depositor of Produce/Holder:
Provided that, in the absence of any relatives as named above, the Depositor of Produce/Holder shall be entitled to nominate any other person.

6.4.3 A nomination, as aforesaid, shall in no way prejudice the right of the Depositor/Holder in question to transfer, dispose of or otherwise deal in the EWR owned by him during his lifetime. It shall only have effect in respect of the EWR upon his demise.

6.5 The contractual framework shall provide that only the person named as the Depositor of Produce or, in case the Depositor of Produce has transferred his interest, a person named as the Holder in the EWR, may transfer the EWR to any other person, or create a secured interest therein. Any disposition of legal interest in the EWR by a duly-named Depositor of Produce or Holder as recorded in the EWR system, as aforesaid, whether through transfer, or creation/realisation of security, shall be valid and legally effective in respect of the EWR and the underlying produce represented thereby, without reference to the claim of any third party. Furthermore, in case:-

(a) any person claims any legal interest in an EWR (or the goods represented by it), of which he is not named as the Depositor of Produce or Holder in the EWR system maintained by the collateral management company;

(b) any Depositor of Produce or Holder did not consent to a transfer of the EWR in question (or the goods represented by it) or the creation of any security interest therein; or

(c) in case a person's name is fraudulently or without sufficient cause entered in, or omitted from, the category of Depositor of Produce or Holder of the EWR;

The CMC shall under no circumstances (including cases of fraud) permit rectification of the EWR or the EWR System.

6.6 Delivery of Produce - Delivery is to be carried out from the warehouse by adopting the following process:

6.6.1 The Depositor/Holder may raise a request for the delivery and withdrawal of the Produce covered by an unencumbered EWR at any time.

6.6.2 Before proceeding further the Warehouse Operator needs to check in the EWR System of CMC whether the EWR associated with the Produce is under pledge to any Bank / Financial Institution. If it is pledged, delivery or release of the produce is forbidden, except to the financial institution in question and in compliance with a legal instruction to this effect. Once the EWR is free of pledge, the Produce represented in the EWR may be released and the EWR may be cancelled as set out in the SOPs.

6.6.3 The Warehouse Operator shall receive the due rental charges (if any) from the Depositor of Produce/Holder and withhold the produce till after the receipt of due rental charges.

6.6.4 The Depositor of Produce/Holder of the receipt shall confirm delivery of the Produce represented by the EWR into his own custody. The warehouse operator shall forthwith cancel the relevant electronic warehouse receipt in the CMC system.

6.6.5 Empty vehicle(s) shall be weighed at the weighbridge for tare weight. If manual weighing scale is used then loading is to begin after manual weighing.

6.6.6 Empty trucks need to be brought to warehouse for loading under supervision of concerned Warehouse Operator.

6.6.7 The Warehouse Operator shall make entries in relevant documents/system and CMC system such as stock register, stack cards, etc., once the delivery is complete.

6.7 The Warehouse Operator shall be liable, upon delivery, to discharge Produce matching the details given in the EWR. Insofar as quantity is concerned, a certain percentage of variability may be specified in the EWR, to cover for anticipated wastage, so long as such variability does not exceed 5%.

Procedures for Transfer of EWRs and Taking a Security Interest in EWRs and the Produce Covered by EWRs

7 Procedure for Transfer of EWRs and Taking a Security Interest in EWRs and the Produce Covered by EWRs

7.1 Procedure for Creating a Security Interest over an EWR:- A Financial Institution or other lender who wishes to create a security interest in an EWR, may do so in accordance with the following procedure:-

7.1.1 A Financial Institution or other creditor wishing to create a security interest over an EWR, or Produce represented by an EWR, must first register itself with the CMC as a Participant under the EWR System;

7.1.2 In case it is requested to do so, the CMC may (and shall be deemed to be authorized by the Warehouse Operator to do so) share a summary of its assessment of the Operator with any Financial Institution considering loans against the security of EWRs issued by such Operator.

7.1.3 The creditor and Depositor of Produce/Holder will enter into adequate financing and security documentation which effectively creates a security over the produce in question or transfers the same into the creditor's account.

7.1.4 The Depositor of Producer/Holder may raise a request through the EWR System for the produce in question to either be placed under pledge (as described in sub-Clause 7.1.6 hereunder), or for it to be transferred to the creditor as a Holder (as described in sub-Clause 7.1.7 hereunder), as may be necessary under its financing arrangement with the creditor.

7.1.5 Upon the Depositor of Produce/Holder raising a request for the produce in question to be placed under pledge the EWR System shall request an acknowledgement and acceptance of the same from the proposed creditor and the Warehouse Operator, which may be given through the EWR System or submitted directly to CMC in writing.

7.1.6 The Financial Institution in question shall be designated in the EWR System of the CMC as the pledgee of the EWR in question. Thereafter, the Holder's right to further transfer or withdraw the Produce represented by the EWR from the Warehouse where it is stored, shall remain blocked and/or suspended till such time as the Financial Institution either releases the pledge, or enforces the pledge (on default of the borrower) by transferring the EWR into its own name as a Holder outright. The EWR System shall provide that while the Financial Institution continues to be named as a pledgee of the EWR, either of the two steps above may be taken by the Financial Institution at its discretion.

Provided that, the Financial Institution may permit the listing of the EWR for sale on the Futures Exchange, subject to the condition that the outstanding amount owed to it shall be deducted from the sale proceeds and paid to it directly.

7.1.7 In the alternative to (7.1.6) above, the Financial Institution may, at its discretion, choose to be named as the Holder of the EWR, from the very inception of the security and provide for the same through its documentation.

7.1.8 Once designated as a Holder in the EWR System, all the rights and liabilities attaching to a Holder of the EWR shall stand assigned and transferred to the Financial Institution, including, in particular, the right to withdraw the Produce from the Warehouse, and/or to further transfer the EWR, as it may please.

- 7.1.9 The above steps shall be in addition, and without prejudice, to any other steps as may be taken by the Financial Institution and its customer to perfect and register its security interest in the EWR and the underlying Produce.
- 7.1.10 The Operator shall notify the creditor/Holder and the CMC on receipt of any order or direction of any court, tribunal, Federal Government, SECP, SBP or other competent authority enjoining the operation of any of the above steps. In such case the Warehouse Operator shall await further instructions from the CMC following consultation by the CMC with the creditor/Holder and debtor/Depositor.
- 7.2 Procedure of the Transfer of Produce Covered by EWRs - EWRs may be transferred upon the request of the Depositor or subsequent Holder made in accordance with the EWR System Usage Agreement.
- 7.3 Trading of EWRs on the Futures Exchange:- The EWR System shall be interfaced with the Futures Exchange so as to enable the trading of EWRs on a spot or future basis. The CMC shall push data of those EWRs which are available for sale to the Futures Exchange, in order to enable them to be traded there. The Futures Exchange will facilitate trading on its platform and play its due role in settling the transactions by transferring EWRs to buyers and settling payment of dues to the seller after settling due fees of the Warehouse Operator, and the CMC, bank borrowing (if any), and subject to payment of commission.

Claims

8 Claims

8.1 Recourse to Insurance and Security Deposits Held by the CMC:-

- 8.1.1 The CMC may draw from the Security Deposit or call upon the bank guarantee, for purposes of satisfying any claim or debt raised against the Warehouse or Warehouse Operator, at its sole discretion, and without the requirement to assign any reason whatsoever, including in respect of any finding made under Clause 8.2 hereunder. Any such action by CMC shall be without assuming any liability and all parties to the dispute shall indemnify CMC against any loss, damage or claim suffered as a consequence thereof.
- 8.1.2 Upon the Security Deposit or the bank guarantee having been called, the Warehouse Operator shall be liable to replenish and/or make up the shortfall within a period of thirty (30) days thereafter.
- 8.1.3 If the amount of the bank guarantees, security deposits, and insurance policies, is insufficient to cover all claims, the proceeds thereof shall be allocated *pari passu* among all persons entitled under the bank guarantee terms. If the CMC is entitled to recover any inspection or management expenses in respect of the relevant Warehouse or Warehouse Operator under these Procedures or the Regulations or any related agreement with the Operator, the CMC shall have a priority claim for the amount of such costs under the bank guarantee.

8.2 Complaint Resolution and Facilitation Procedure:-

- 8.2.1 Any person having a claim or a complaint in respect of an EWR, the EWR System, or a Warehouse Operator has the option to approach the CMC to intervene so as to facilitate a resolution thereto either by lodging a written complaint or by using the online portal provided by CMC on its website.
 - 8.2.2 For purposes of ascertaining the facts in respect of any complaint the CMC may carry out an inspection, without notice, of the premises of a concerned Warehouse the Produce stored by it, its records, the computer systems maintained by it, and any documents in its possession, as well as a survey of the Produce concerned if thought necessary.
 - 8.2.3 The Warehouse Operator undertakes to cooperate and comply with the CMC's inspectors and facilitate them in their inspection including by providing them physical access to the warehouse, the Produce (along with the right to collect samples), and any documents and records in its possession, as well as electronic access to concerned computer systems.
 - 8.2.4 The CMC shall endeavor to respond to a complaint as expeditiously as possible, and as far as it is practicable to do so, to give a written finding within thirty (30) days of the complaint/grievance having been communicated to it. Such written findings may also incorporate any instructions under Regulation 12A as may be thought necessary in the circumstances. The CMC may also, on initiation of a complaint, issue interim Instructions under Regulation 12A for purposes of maintaining and preserving the *status quo* should it be necessary in the prevailing circumstances.
 - 8.2.5 The Warehouse Operator shall comply with any orders or instructions given by the CMC in the course of its findings, or which may be given on an interim basis for purposes of maintaining the status quo pending a finding. Furthermore, the findings of the CMC shall be available as evidence in any subsequent judicial proceeding in respect of such claim or in respect of any action taken by the CMC to revoke, suspend or non-renewal for cause the accreditation of the Warehouse Operator.
 - 8.2.6 The fee charged by the CMC for undertaking the procedure as set out herein shall be determined on a case to case basis while keeping in mind the value of the dispute. The fees of such proceeding will be shared equally by the Warehouse Operator and the person making the claim, except if a fault is found on the part of the Warehouse Operator in which case it shall be solely liable to bear the costs incurred.
 - 8.2.7 Any action taken by the CMC in respect of such a claim shall be without any liability on its part and all parties involved in the dispute shall agree to indemnify CMC against any loss, damage, or liability suffered on account thereof.
- 8.3 No claim shall be entertained insofar as it pertains to action by governmental or (including police) authority in respect of enforcing compliance with any Federal or Provincial essential commodities or food law or anti-profiteering and anti-hoarding law and nor shall any claim be entertained against any Warehouse Operator insofar as it pertains to his compliance with such law.

Information and Documents to be Included in Warehouse Application; Fit and Proper Criteria for Specialised Staff

- 9 Information and Documents to be Included in Warehouse Application; Fit and Proper Criteria for Specialized Staff.

9.1 Every Application for Accreditation of a warehouse may be required by the CMC, to be provided with the following documents:

S. No.	Documents to be submitted
1.	Proof of registered title documents showing ownership or copy of lease deed, along with disclaimer from owner of the Warehouse/property (in case of leased or rented Warehouse) providing waiver of ownership regarding Produce stored in such Warehouse as well as a waiver of lien (it is clarified that this waiver of lien is by the property owner, not the Warehouse Operator) claims against the Produce for unpaid rent, agreeing not to terminate the lease without reasonable notice to the CMC and lessee, and allow the CMC access to the warehouse to maintain and move the Produce in the event of default of the lessee and generally to cooperate with the CMC in carrying out its responsibilities under the CMC Regulations;
2.	Identity proof of authorized representative (in case of corporate entities)
3.	Annual accounts/bank statements/property documents/ /wealth statement/tax records/etc. in order to substantiate its financial solvency as determined, and to the satisfaction of the CMC;
4.	The list of Produce for which the Accreditation is being sought to be provided;
5.	Lay out Plan of the warehouse(s) including structural information
6.	List of necessary equipment and apparatus (mechanism) including but not limited to sampling, testing/grading, cleaning, drying, weighing, handling, firefighting, circulation of stock, alternative power source, internet connectivity, and insect/pest management;
7.	List of equipment for preservation of Produce available at the warehouse
8.	Insurance policies and premium payment receipts as prescribed in these Standard Operating Procedures including for the commodities to be stored;
9.	Affidavits in the form specified in the Warehouse Storage Agreement;
10.	Any other document and information that CMC determines to be required for purposes of compliance with the Regulations or as may be directed by SECP

9.2 To ascertain whether the Warehouse Operator's key officers are fit and proper they shall each submit the duly completed forms and affidavits attached as Annexure V hereto and submit the same to the CMC:

9.3 The Fit and Proper Criteria is perpetual in nature and its compliance is mandatory for the Warehouse Operator's following key officers:

- 9.3.1 Partner/Sole Proprietor/Director/Majority Shareholders
- 9.3.2 Chief Executive Officer
- 9.3.3 Chief Financial Officer
- 9.3.4 Head of Operations/Warehouse;
- 9.3.5 Head of Quality Control/Testing & Grading;
- 9.3.6 Staff members authorized to issue warehouse receipts.

9.4 In addition to the said forms and affidavits, the said key officers may also be asked to provide a police clearance certificate, as well as a character certificate from a local notables (e.g. village headman, revenue official, or police officer, etc.