

**GOVERNMENT OF INDIA  
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION  
LOK SABHA**

UNSTARRED QUESTION NO:1593  
ANSWERED ON:06.03.2006  
DIRECTIVES BY NCDEX  
Kathiria Dr. Vallabhbai

**Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:**

- (a) whether huge losses have been suffered by the business community due to the directives issued by the National Commodity and Derivatives Exchange Ltd. (NCDEX) on January 20, 2006;
- (b) if so, the details thereof and reasons therefor;
- (c) the action taken by the Government in this regard;
- (d) whether the objectives of the said move have been achieved;
- (e) if so, the details thereof; and
- (f) the steps taken to check the recurrence of such incidents?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND THE  
MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD  
AND PUBLIC DISTRIBUTION  
(SHRI TASLIMUDDIN)

(a) & (b): Members operate in the futures market depending upon their individual trading strategies based on their perception of a rise or fall in the prices. The losses suffered by the operators in the futures market are, therefore, a function of their trading strategies and are only presumptive in nature and cannot be quantified.

(c) : The directives of the National Commodity and Derivatives Exchange Ltd.(NCDEX) amounted to change of the terms of contract during the currency of the contract which was in violation of the Bye-laws, Regulations of the Exchange and the instructions issued by the Forward Markets Commission (FMC). The Exchange was accordingly directed to withdraw the decision immediately and widely disseminate the same and report compliance.

(d) & (e): The Exchange reversed its earlier decision before commencement of trading in urad and chana on 20th January 2006.

(f) : The FMC has taken the following steps to check the recurrence of such incidents:

(i) The fixation of settlement price is being monitored more vigorously by the FMC. An officer of the Commission has been deputed to the Exchange to supervise the Final Settlement Price of the contract;

(ii) The Exchanges have been directed not to change any term of the contract without the prior permission of the FMC;

(iii) Member registration has been introduced w.e.f 1st January 2006 with a view to have greater oversight on their trade pattern in the Exchange;

(iv) Price band of 6% has been fixed after which there has to be cooling off for 15 minutes. An additional 3% is allowed after the cooling period of 15 minutes. If the price bands are hit again the trade cannot take place beyond 6% + 3% = 9% price band;

(v) Compulsory delivery is being introduced in some of the commodities in respect of contracts to be launched in future months;

(vi) Trading details including members and client position at the Exchanges are monitored on a daily basis and every week a meeting of the officers and the Commission is held to review the price trends. Regular meetings with the senior officers responsible for monitoring and surveillance at the National Exchanges are held with the Directors of the FMC;

(vii) Penalties of 5% have been imposed on default of buyer or seller on their delivery obligations on the net outstanding position at the expiry of the contract. Sellers are required to give their intentions at least five days before the delivery period (in case of sellers options) and the operators giving the intentions shall not be allowed to square off the positions.