

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

UNSTARRED QUESTION NO:1610
ANSWERED ON:06.03.2006
FORWARD MARKET COMMISSION
Owaisi Shri Asaduddin

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

- (a) whether Forward Market Commission (FMC) has effected changes in regulatory measures for certain commodities;
- (b) if so, the details thereof;
- (c) the names of the commodities for which changes have been made;
- (d) whether the commission has also set up Investors Protection Fund from the penalties collected from the defaulting participants;
- (e) if so, the objectives and benefits thereof; and
- (f) the extent to which these steps are likely to provide security to investors?

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): Yes Sir, Forward Markets Commission (FMC) has directed the following changes in the regulatory measures/contract design in the National Exchanges i.e. National Commodity and Derivative Exchange Ltd. Mumbai, the Multi Commodity Exchange Ltd. Mumbai and the National Multi Commodity Exchange Ltd, Ahemdabad:

- (i) Reduction in limit on open position of sensitive commodities viz. Chana, Tur, Urad, Guarseed, Guargum, Mentha Oil and Sugar during near month contract.
 - (ii) Stipulating that delivery notices should be issued at least five days prior to maturity of the contract.
 - (iii) Disallowing acquisition of fresh open position during five days prior to maturity of contracts, which provide for option to the sellers to give delivery.
 - (iv) Giving wide publicity to the information relating to deliverable stocks lying in the accredited warehouses of the exchanges on a daily basis at least for last 15 days of the contract.
 - (v) Not adding additional delivery centres outside the radius of 300 kms. from the main delivery centre
 - (vi) To eliminate conflict of interest and to enable exchanges to arrive at representative spot rate, the exchanges to review on a monthly basis the prices polled by the participants to identify the participants who are habitually polling unrealistic prices. The exchanges have been advised to delete such polling participants from their panel if the instances of polling unrealistic prices recur despite suitable communications by exchange/agencies.
 - (vii) To improve the representativeness and authenticity of spot price fixed by exchanges, the exchanges have been directed to double the sample size presently used for fixing daily spot price during the last 15 days of the contract. Dissemination of such representative spot price would facilitate participants in the futures market to make bids and offers at realistic prices.
 - (viii) The exchanges to specify formula or procedure for fixing spot prices based on prices at different delivery centre and the normal variations in the spot prices among the different delivery centres. These formulae/procedures will have to be passed on by exchanges to the external agencies wherever such agencies are outsourced by the exchanges to fix spot prices.
- (c) : The commodities for which the above measures will apply are Chana, Tur, Urad, Guarseed, Guargum, Mentha Oil and Sugar.

(d) & (e): The FMC has directed the National Exchanges to set up Investor Protection Fund. Penalties collected from defaulting participants must be credited to this Fund. The FMC has asked the exchanges to pre-specify the liability which can be met through Investors Protection Fund. The objective of setting up of Investors Protection Fund is to protect the clients from defaults of their members.

(f) : The above steps taken by the Forward Markets Commission are adequate to provide security to investors and to ensure market integrity.