

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

UNSTARRED QUESTION NO:1835
ANSWERED ON:01.12.2009
ONLINE TRADING
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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) the details of the commodity exchanges in operation in the country alongwith the manner in which they control the future trading;
- (b) whether the Government proposes to widen the ambit of online trading by including new items in it;
- (c) if so, the details thereof indicating the items currently under online trading and those proposed to be included therein;
- (d) whether essential commodities are also included/proposed to be included in online trading;
- (e) if so, the details thereof and the reasons therefor; and
- (f) the steps taken to check the adverse impact of online trading on availability and price of essential commodities?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF THE STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (PROF. K. V. THOMAS)

(a): At present there are 22 commodity exchanges. A list of the commodity exchanges is given in Annexure I. The exchanges, which are Self Regulatory Organizations, have their set of Byelaws and the Articles of Association, approved by the Forward Markets Commission (FMC). FMC is the regulator for commodity futures trading under the provisions of Forward Contracts (Regulation) Act, 1952 (FCR Act), prescribe the mechanism of various trading parameters. The exchange keeps a real time watch on the trade done by the members of the Exchange in terms of these regulatory parameters. FMC oversee the overall market operations and prescribes various regulatory measures viz. open position limits, daily price fluctuation limits, margins etc. It approves contract design and terms and conditions for trading on the exchanges. These regulations and oversight functions are exercised in terms of the provisions of the FCR Act, 1952.

(b): Presently, future trading is not prohibited in any commodity under the Forward Contracts (Regulation) Act, 1952. As and when a demand for forward trading comes from trade interests the same is examined for consideration. At present, 106 commodities are notified for forward trading.

(c): The list of commodities presently covered under the FCR Act, 1952 is given in Annexure II.

(d) & (e): Futures trading is being conducted in various essential commodities such as wheat, maize, chana, soya seed/soy oil etc, to ensure that the stakeholders associated with these commodities including the producers also derive the benefits of Price discovery and price management.

(f): Futures trading doesn't have adverse impact on the availability or the prices of any commodity including essential commodity. Futures trading in commodities only help in discovery of the prices of commodities at different Mure points of time. It is essential as a tool for price discovery and price risk management by various stakeholder groups, viz. producers, processors, exporters, importers etc. The regulatory tools available to the FMC as the market regulator are used wherever required to keep the market aligned with the physical markets. There is no evidence of any instances of price distortion caused by futures trading since the reopening of the market in 2003. The Abhijit Sen Committee Report (2008) has also endorsed this conclusion.