

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

UNSTARRED QUESTION NO:2102  
ANSWERED ON:23.11.2010  
COMMODITY EXCHANGES  
Patil Shri A.T. Nana

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

- (a) whether problems are being faced in regulation of the 23 commodity exchanges in the country through the forward markets commission;
- (b) if so, the details thereof and the reasons therefor;and
- (c) the remedial steps including changes in relevant law taken/proposed to be taken in this regard?

**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) & (b): The Forward Markets Commission which still functions as a part of the Government set up, due to lack of autonomy, is facing a severe manpower shortage to regulate the expanded commodity futures trading. Officers taken on deputation and trained in market regulation are lost to the Regulator after they return to their parent organizations on completion of deputation. FMC is not able to recruit skilled experts from the market. Consequently, even though the Commission has been able to regulate the market effectively, its limited staff is overstretched to the limit. The Forward Contracts (Regulation) Act 1952, which presently regulates the commodity derivative market in the country was enacted in 1952, does not adequately address the complexities of regulating the modern day electronic commodity markets with varied and complex participation. While the present law confers upon the FMC adequate tools to regulate futures trading within its regulatory domain, it does not have adequate powers to deal with cases of market abuse or manipulation and illegal trading that happens outside the legally permitted exchange platform. The major constraints being faced by the Forward Markets Commission with regard to regulation of the Commodity Exchanges are the weak legal framework, inadequate penal provisions to effectively deal with wrong doors, lack of financial and functional autonomy and severe manpower constraints both in terms of numbers and expertise. While FMC has been able to steer the market safely so far, even in the 2008-09 global financial crisis, any serious local crisis in future may severely test the efficacy of the present law and FMC's limited resources.

(c): In order to keep up with the regulatory requirements of a modern commodity derivative market, it is proposed to strengthen the Forward Markets Commission and the regulatory and penal provisions on the lines of the other modern market regulators and the introduction of a Bill to amend the Forward Contracts (Regulation) Act, 1952 is under active consideration of the Government. The amendments broadly propose to grant financial and administrative autonomy to the Regulator and provide it with the necessary regulatory tools that are not available to FMC on par with all other financial market regulators in the country so as to strengthen the regulatory framework of the commodity futures market.