

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

UNSTARRED QUESTION NO:3733
ANSWERED ON:04.09.2012
AMENDMENT IN FORWARD CONTRACTS ACT
Devappa Anna Shri Shetti Raju Alias

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

- (a) whether the Government has amended or proposes to amend the Forward Contracts (Regulation) Act, to strengthen the legal and regulatory framework for the commodity derivative markets;
- (b) if so, the details thereof along with the current status of the proposal;
- (c) the other steps taken by the Government to strengthen the legal and regulatory framework for the commodity derivative markets;
- (d) whether the Government proposes to grant autonomy to the Forward Markets Commission (FMC);and
- (e) if so, the details thereof?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) FOR CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (PROF. K. V. THOMAS)

(a) to (e): Yes, Madam. The Government has introduced the Forward Contracts (Regulation) Amendment Bill, 2010 in Lok Sabha on 6th December, 2010. Based on the recommendations of Parliamentary Standing Committee, a proposal has been moved for effecting official amendments in the Forward Contracts (Regulation) Amendment Bill, 2010. The Bill provides for strengthening the legal and regulatory powers of Forward Markets Commission including inter-alia functional and financial autonomy. The details have been indicated in Annexure.

ANNEXURE

STATEMENT REFERRED IN REPLY TO PART (a) to (e) OF LOK SABHA UNSTARRED QUESTION NO. 3733 FOR 04.09.2012 REGARDING AMENDMENTS IN FORWARD CONTRACTS ACT The Main objectives and Salient features are as under:

1. The main objectives of the FC(R) Amendment Bill 2010 are (i) strengthening of the regulatory framework including enforcement and penal provisions for the commodity derivatives markets, (ii) Functional and Financial Autonomy for the market regulator - the Forward Markets Commission (FMC) to better regulate the commodity derivatives market, and, (iii) Permitting new products, viz., options in the commodity derivative market which are more suitable for participants like farmers to cover their price-risks.
2. The Salient features of the Forward Contracts Amendment Bill, 2010 are as under:
 - (i) to redefine the expression `forward contract` so as to include therein `commodity derivative` and also to define new expressions such as `commodity derivative`, `corporatisation`, `demutualisation` and `intermediary` which have been used in the Bill;
 - (ii) to increase the maximum number of members of the Forward Markets Commission from four, as at present, to nine out of which at least three would be whole-time members besides the Chairman;
 - (iii) to confer power upon the Commission to levy fees;
 - (iv) to provide for constitution of a fund called the `Forward Markets Commission General Fund` to which all grants, fees and all sums received by the Commission except penalty shall be credited, and apply the funds for meeting its expenses;
 - (v) to confer power upon the Central Government to issue directions to the Commission on matters of policy and to supersede it in certain extreme circumstances;
 - (vi) to make provisions for corporatisation and demutualisation of recognised associations in accordance with the scheme to be approved by the Commission;
 - (vii) to make provisions for registration of members and intermediaries;
 - (viii) to allow trading in options in goods and commodity derivatives;

- (ix) to make provision for investigation, enforcement and penalty in case of contravention of the provisions of the Act;
- (x) to make provision for transfer of the duties and functions of a clearing house of an exchange to a clearing corporation;
- (xi) to make provisions for exemption from payment of tax on wealth, income and profits or gains of the Commission;
- (xii) to make provision for appeals from the orders of the Forward Markets Commission and Adjudicating Officer to the Securities Appellate Tribunal for the purposes of the Act and from the order of the Securities Appellate Tribunal under the Forward Contracts (Regulation) Act, 1952 to the Supreme Court; and
- (xiii) to make consequential changes in the Securities and Exchange Board of India Act, 1992.