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

UNSTARRED QUESTION NO:2503
ANSWERED ON:12.03.2013
COMMODITY MARKET
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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the Forward Market Commission has pulled up the commodity exchanges like the National Commodity and Derivatives Exchange and the Indian Commodity Exchange for poor client registration;

(b) if so, the details thereof and the reasons therefor;

(c) whether the Forward Market Commission has also decided to ban transactions by the clients who are not registered with the exchange for SMS and e-mail alerts; and

(d) if so, the details thereof and the extent to which it is likely to check unauthorised trade through client accounts along with the cut off date fixed for its implementation?

Answer

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

(a) to (c) : The Forward Markets Commission (FMC), the Regulator for commodity futures markets under the provisions of the Forward Contracts (Regulation) Act, 1952 in February, 2012 had directed the National Commodity exchanges to communicate the details of all the trades executed on their platform at the end of each trading day, to the concerned clients through SMS and E-mail alerts. These instructions were to be implemented by 1st May, 2012. However, on a review FMC observed that the progress of sending SMS and E-mail alerts was not satisfactory. FMC in January, 2013 directed the National Exchanges to ensure 100% coverage of all the clients and now allow a client to trade unless he/she is registered for SMS and E-mail alerts from 1st March, 2013. However, on further consideration, the Commission extended this time limit to 1st May, 2013 and also decided that a penalty of Rs. 500 per client per trade on the member would be applicable for trades executed without SMS alert facility, with effect from 1st April, 2013 with a maximum penalty of Rs. 5000 per day per client code. It has also been decided that exchanges would ensure that Email alerts are sent compulsorily to all the clients, who have registered their Email address with their respective members.

(d) :The mandatory registration of clients for SMS alert facility is likely to significantly check unauthorized trades as the clients will be alerted about the trades executed in their account. The cut off date for implementation of the penalty structure is 1st April, 2013.