

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

UNSTARRED QUESTION NO:6566
ANSWERED ON:07.05.2013
AGRI COMMODITY TRADING
Panda Shri Baijayant

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

- (a) whether any mechanism exists for regulation of the commodity market;
- (b) if so, the details thereof;
- (c) whether the Government proposes to establish a regulatory authority specifically for monitoring the agri commodity trading; and
- (d) if so, the details thereof?

Answer

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

(a) & (b): Yes, Madam. The commodity market has two segments, the spot markets and the derivative markets. The commodity spot markets are regulated by the State Governments under the respective State Acts. As regards, the regulation of futures market, the Forward Contracts (Regulation) Act, was enacted in 1952 and the Forward Markets Commission (FMC), the regulatory body for the commodity derivative markets was set up in 1953. At present, six National level Multi Commodity Exchanges and sixteen regional level Commodity Exchanges are organizing forward trading in the commodities under the provisions of FC(R) Act, 1952. There are three tiers of regulation for forward trading in commodity futures market, viz., The Central Government, the FMC and the Recognized Commodity Exchanges/ Associations. The system of regulation of the commodity futures markets contributes to the overall objectives of ensuring an efficient price discovery, protection against price-risk to the stakeholders and promoting confidence in the market. The Central Government broadly determines the policy as to the commodities in which futures/forward trading is to be permitted and the grant of recognition to Exchanges/ Association through whom such trading is to be permitted. The FMC performs the role of prescribing the regulatory measures, approving the Rules and Regulations of the Exchange subject to which the trading is to be conducted, giving permission for commencement of trading in different contracts, monitoring market conditions continuously and taking preemptive or remedial measures against potential or actual market manipulation, excessive speculation or any other type of market abuse. The Recognized Exchanges/ Associations facilitate, supervise and regulate the day to day trading as per the provisions of the Rules and Regulations approved by the FMC and function as Self Regulatory Organizations (SROs).

(c) & (d): There is no such proposal before the Government.