

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2835
ANSWERED ON:13.03.2015
FORWARD MARKET TRADING
Ahlawat Smt. Santosh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has set up any Committee to study the impact of trading in the forward market on the prices of commodities;
- (b) if so, the details thereof and action taken by the Government on the suggestions /recommendations of the Committee;
- (c) whether the Government proposes to upgrade Forward Markets Commission into an Independent regulator, if so, the details thereof; and
- (d) the benefits likely to be accrued therefrom?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) & (b): Yes Madam. The Government had set up an Expert Committee in March, 2007 under the Chairmanship of Prof. Abhijit Sen, to examine whether and to what extent futures trading has contributed to price rise in agricultural commodities. The terms of reference of the Committee were as follows:

- i) To study the extent of impact, if any, of futures trading on wholesale and retail prices of agricultural commodities;
- ii) Depending on (i), to suggest ways to minimize such an impact;
- iii) Make such other recommendations as the Committee may consider appropriate regarding increased association of farmers in the futures market/trading so that farmers are able to get the benefit of price discovery through Commodity Exchanges.

2. The Committee submitted its report in April, 2008. The Committee concluded that it was unable to determine any conclusive causal relationship in view of short time period during which futures markets had functioned and the complexities that arise because a large number of variables impact spot prices. Summary of recommendations of the committee is placed at Annexure-I.

3. The Government/ Forward Markets Commission (FMC) have initiated several measures to address the issues mentioned in the report. The details of the initiatives taken by the Government/ FMC are placed at Annexure – II.

(c) & (d): No Madam. The Government has decided that the Forward Markets Commission would be merged with the Securities and Exchange Board of India (SEBI). The Finance Bill, 2015 contains provisions for amending the Securities Contract (Regulation) Act, 1956 and the Forward Contracts (Regulation) Act, 1952 (FCRA) including, inter alia, the repealing of the FCRA, 1952. The merger of FMC with SEBI is expected to strengthen regulation of the commodity forward markets.