



Finance Minister unveils merger of FMC with SEBI

Shri Arun Jaitley, Hon'ble Union Finance Minister, today unveiled the historic merger of Forward Markets Commission (FMC) with Securities and Exchange Board of India (SEBI) at an event in Mumbai, today. Shri Jaitley also released the new regulations that were notified. The opening of the trading in the Commodity Exchanges started today with the ringing of the bell by the Union Finance Minister. Chairman of FMC and Chairman of SEBI exchanged the undertaking signed by the two regulators to mark the merger.

Speaking on the occasion, the Finance Minister said "The merger will increase the economies of scope and scale as there are strong commonalities between all kinds of trading. I am sure that SEBI is prepared to regulate the commodity derivatives market".

Shri U.K.Sinha, Chairman, SEBI, said "Our efforts would be to move in a cautious direction to ensure that we provide some comfort to the market and to all the participants that the way transactions are taking place or going to take place in the commodities futures market are at least as robust as they are in the securities market."

"Our immediate priority will be to ensure that the conduct of the market is in the best possible way, in the interest of all the stakeholders." Shri Sinha added.

Shri Shaktikanta Das, Secretary, Department of Economic Affairs, Government of India, said "A balance is needed on price stability and policy certainty. SEBI has to ensure that prices do not become volatile and at the same time also see that there is policy certainty".

Shri Ramesh Abhishek, Chairman, FMC said, "merger is a significant financial sector reform by the Government which would strengthen regulation of Commodities derivatives market and enable its development to its full potential."

Welcoming the august gathering, Shri Rajeev Kumar Agarwal, Whole Time Member, SEBI said "SEBI will spare no efforts in developing commodity derivatives market which are best in terms of technology, risk management, supervision, surveillance, enforcement, liquidity and investor protection."

Shri Prashant Saran, Whole Time Member, SEBI proposed a vote of thanks. Shri S. Raman, Whole Time Member, SEBI was also present on the occasion.

Justice Shri B.N. Srikrishna, Chairman, Financial Sector Legislative Reforms Commission (FSLRC); Justice Shri J.P. Devadhar, Presiding Officer, Securities Appellate Tribunal (SAT); Justice Shri N. K. Sodhi, former Presiding Officer, SAT; Shri R.Gandhi, Shri S.S. Mundra and Shri Harun R. Khan, Deputy Governors, Reserve Bank of India, Executive Directors and other senior officials of SEBI, Chairmen of various Banks, Corporate leaders, Exchanges and Clearing House officials, legal practitioners, senior editors from media and various market participants attended the event.

In the Union Budget for 2015-16, the Hon'ble Union Finance Minister had proposed merger of Forward Markets Commission (FMC) with the Securities and Exchange Board of India (SEBI) "to strengthen regulation of commodity

forward markets and reduce wild speculation". To enable the same, the Finance Act, 2015 provided for amending the Securities Contracts (Regulation) Act, 1956 (SCRA) and the Forward Contracts (Regulation) Act, 1952 (FCRA).

Government repealed Forward Contracts (Regulation) Act, 1952 (FCRA) w.e.f. September 29, 2015 paving the way for the merger of the Forward Market Commission with the Securities and Exchange Board of India. The merger of the two regulations had been recommended by various committees including FSLRC to gain economies of scale and scope and make the regulation of commodities market more effective.

SEBI in order to effect the merger, has amended Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (SECC Regulations) and SEBI (Stock Broker and Sub-Broker) Regulations, 1992 and SEBI (Regulatory Fee on Stock Exchanges) on September 09, 2015. These regulations enable functioning of the commodities derivatives exchanges and its brokers under SEBI norms and integration of commodities derivatives and securities trading in an orderly manner.

SEBI has also created a separate Commodity Derivatives Market Regulation Department for the regulation of commodity derivatives including exchange administration, market policies, risk management and products and handling of inspections and complaints. Additional divisions for intermediary registration, surveillance, investigation, enforcement, regulatory assistance and research of commodity markets have been created within existing Departments of SEBI which will aid the convergence of both markets and build capacity.

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