PRESS INFORMATION BUREAU GOVERNMENT OF INDIA

FINANCE MINISTER ARUN JAITLEY FORMALIZES MERGER OF FORWARD MARKETS COMMISSION (FMC) WITH SEBI; FM: AMALGAMATION OF FMC AND SEBI WOULD BRING CONVERGENCE OF REGULATIONS IN THE COMMODITIES AND EQUITY DERIVATIVES MARKETS; FM: MARKETS THRIVE WHERE THERE IS CONFIDENCE AND INTEGRITY AND THE REGULATOR MUST ENSURE THAT MANIPULATIVE ACTIVITIES ARE CURBED IN DERIVATIVES MARKET

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Regulation of commodities derivates today came under Securities and Exchange Board of India (SEBI)'s jurisdiction, as the Forward Markets Commission (FMC) formally merged with the SEBI. The Union Finance Minister Shri Arun Jaitley formalized the merger by ringing the Customary Bell in Mumbai today. Speaking on the occasion, the Finance Minister Shri Jaitley said that amalgamation of FMC and SEBI would bring convergence of regulations in the commodities and equity derivatives markets. Shri Jaitley 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".

The Finance Minister said that markets thrive where there is confidence and integrity and this requires transparency and good regulations. Shri Jaitley said "Market participants and regulators have to brace themselves to face the challenges thrown by global developments and integration of markets".

The Finance Minister Shri Jaitley further said that the regulator must ensure that manipulative activities are curbed in this market. He further cautioned that since the physical market for commodities was widespread, fragmented and unregulated for certain goods, SEBI needs to have a proper mechanism to capture any aberrations in the physical market that would disrupt the derivatives market. He said that farmers, producers and consumers need to have confidence that derivatives market is free from manipulations and market abuses.

"It would be a challenge for SEBI because this is an additional responsibility, but SEBI has matured over the last two decades to take on such responsibilities," the Finance Minister said.

About SEBI -FMC merger

SEBI was set up in 1988 as a non-statutory body for regulating the securities markets, while it became an autonomous body in 1992 with fully independent powers. Forward Markets Commission, on the other hand, had been regulating commodities markets since 1953,

FMC's merger with SEBI, planned long ago, was announced by the Finance Minister in his budget speech as one of the financial sector reforms measure. The Government opted for merger of the two regulators since both commodity derivatives and security derivatives have similar economic purposes of hedging, efficient price discovery and risk management and have close resemblance in so far as trade practices and mechanisms are concerned.

FMC's merger with SEBI is aimed at streamlining the regulations and curb wild speculations in the commodities market, while facilitating further growth.

At present, there are three national and six regional bourses for commodity futures in the country. Together, all the exchanges clocked a turnover of nearly Rs 60 lakh crore in 2014-15, from over Rs 101 lakh crore in the previous fiscal.

SEBI has created a separate Commodity Cell and has set up new departments for regulation of commodities derivatives market. An internal committee was earlier set up at SEBI to evaluate and suggest regulatory changes for merger and prepare a roadmap for the same.






