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Commodity future market and New Initiatives taken the Forward market commission in India to regularize and popularize Commodity future market among the potential investors – A Descriptive Study

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Abstract: *Being the regulatory body of Commodity market ,the Forward Market Commission has not taken any steps to create awareness among the public since liberalization . After More than a decade of introduction of a Commodity Derivative market in India , FMC has taken some constructive steps to open themselves to the general public with regard to regulation, system of operation , players of the market, FMC's Organizational Chart and major initiations taken by the government and commission. This paper is attempt to take the initiatives taken by the central government and and FMC to the common public and better understanding of the operation of FMC towards Commodity Derivative Market in India after Liberalization.*
Key terms: Forward Market Commission, Commodity Derivative Market,

I. Introduction

History:

The commodity futures market in India dates back to more than a century. The first organized futures market was established in 1875, under the name and style of 'Bombay Cotton Trade Association' to trade in cotton derivative contracts. This was followed by institutions for futures trading in oilseeds, foodgrains, etc. The futures market in India underwent rapid growth between the period of First and Second World Wars. As a result, before the outbreak of the Second World War, a large number of commodity exchanges trading futures contracts in several commodities like cotton, groundnut, groundnut oil, raw jute, jute goods, Castorseed, wheat, rice, sugar, precious metals like gold and silver were flourishing throughout the country. In view of the delicate supply situation of major commodities in the backdrop of war efforts mobilization, futures trading came to be prohibited during the Second World War under the Defence of India Act. After independence, especially in the second half of the 1950s and first half of 1960s, the commodity futures trading again picked up and there were thriving commodity markets. However, in mid-1960s, commodity futures trading in most of the commodities came to be banned and futures trading continued only in two minor commodities, viz, pepper and turmeric. In the 1980s, the futures trading in some commodities like potato, Castorseed, and gur (jaggery) was permitted. In 1992, futures trading in hessian was permitted; in April 1999 futures trading in various edible oilseed complexes was permitted and in May 2001 futures trading in Sugar was permitted. The National Agricultural Policy announced in July 2000 recognised the positive role of forward and futures market in price discovery and price risk management. In pursuance thereof, Government of India, by a notification dated 1.4.2003, permitted additional 54 commodities for futures trading. With the issue of this notification, prohibition on futures trading has been completely withdrawn. The mechanism of forward trading has actually developed and advanced considerably in the major trading nations of the world, like USA, UK, France, Japan, etc. In these countries, forward trading has been permitted in many new items/services including financial futures, shipping freights and interest rates etc. In comparison, commodity futures markets in India are much simpler and are at present dealing in single futures contracts in commodities.

II. Economic Functions:

In a free market economy, Futures trading performs two important economic functions, viz., **price discovery** and **price risk management**. Such trading in commodities is useful to all sectors of the economy. The forward prices give advance signals of an imbalance between demand and supply. This helps the government and the private sector to make plans and arrangements in a shortage situation for timely imports, instead of having to rush in for such imports in a crisis-like situation when the prices are already high. This ensures availability of adequate supplies and averts spurt in prices. Similarly, in a situation of a bumper crop, the early price signals emitted by futures market help the importers to defer or stagger their imports and exporters to plan exports, which avoid glut situations and ensures remunerative prices to the producers. At the same time, it enables the importers to hedge their position against commitments made for import and exporters to hedge their export commitments. As a result, the export competitiveness of the country improves.

III. Benefits to the farmers and other stakeholders:

Farmers and growers also benefit through the price signals emitted by the futures markets even though they may not directly participate in the futures market. The futures markets, through advance price discovery lead to a shift in sale-purchase patterns during harvest and lean seasons and thereby facilitate reduction in the amplitude of seasonal price variation and help the farmer realize somewhat better price at the time of harvest. These price signals help the farmer in planning his cultivation in advance as well as to determine the kind of crop which he should prefer to raise. These signals also help him in fine tuning his marketing strategy after the harvest. Empowered with the price information the farmer is able to avoid excess sale immediately after the harvest and is also able to bargain for better prices from trade in the mandi. By providing the manufacturers and the bulk consumers a mechanism for covering price-risks, the futures market induces them to pay higher price to the producers, as the need to pass on the price-risk to farmers is obviated. The manufacturers are able to hedge their requirement of the raw materials and as also their finished products. This results in greater competition in the market and ensures viability of the manufacturing units.

Suitability of a commodity for futures trading:

Futures trading can be organized in those commodities/ markets which display some special features. **The concerned commodity should satisfy certain criteria as listed below:**

a) the commodity should be homogenous in nature, i.e., the concerned commodity should be capable of being classified into well identifiable varieties and the price of each variety should have some parity with the price of the other varieties;
b) the commodity must be capable of being standardized into identifiable grades;
c) supply and demand for the commodity should be large and there should be a large number of suppliers as well as consumers;
d) the commodity should flow naturally to the market without restraints either of government or of private agencies;
e) there should be some degree of uncertainty either regarding the supply or the consumption or regarding both supply and consumption,
f) the commodity should be capable of storage over a reasonable period of time of, say, a few months or more.

IV. Participants in the Commodity Futures Markets:

There are **three** broad categories of participants in the futures markets, namely, hedgers, speculators and arbitrageurs. **Hedgers** are those who have an underlying interest in the specific delivery or ready delivery contracts and are using futures market to insure themselves against adverse price fluctuations. Examples could be stockists, exporters, producers, etc. They require some people who are prepared to accept the counter-party position. **Speculators** are those who may not have an interest in the ready contracts, i.e., the underlying commodity, etc. but see an opportunity of price movement favourable to them. They are prepared to assume the risk which the hedgers are trying to transfer in the futures market. They provide depth and liquidity to the market. While some hedgers from demand and supply side may find matching transactions, they by themselves cannot provide sufficient liquidity and depth to the market. Hence, the speculators who are essentially expert market analysers take on the risk of the hedgers for future profits and thereby provide a useful economic function and are an integral part of the futures market. It would not be wrong to say that in the absence of speculators, the market will not be liquid and may at times collapse. **Arbitrageurs** are those who make simultaneous sale and purchase in two markets so as to take benefit of price imperfections. In the process they help, remove the price imperfections in different markets, For example, the arbitrageurs help in bringing the prices of contracts of different months in a commodity in alignment.

V. System of Regulation of Forward Trading:

Regulation of forward trading is done by a three tier regulatory structure, viz., the Central Government, Forward Markets Commission and the Recognized Commodity Exchanges / Associations.

- The Central Government has the powers to legislate on the subject of forward trading in commodities. Presently the subject is dealt with by the Ministry of Consumer Affairs, Food and public Distribution in the Central Government. The Central Government broadly determines the policy relating to areas such as identification of commodities as well as the territorial area in which futures / forward trading can be permitted and giving recognition to the Exchange / Association through which such trading is to be permitted.

- The Forward Markets Commission performs the role of approving the Rules and Regulations of the Exchange in accordance to which trading is to be conducted, accords permission for commencement of trading in different contracts, monitors market conditions continuously and takes remedial measures wherever necessary.
- The Recognized Exchange / Associations provide the framework of Rules and Regulations for conduct of trading, indicate the place where the trading can be conducted, report, record, execute & settle contracts, provide forum for exchange of documents and payments, etc.

VI. Forward Contract (Regulation) Act:

The Commodity Future Markets are regulated according to the provisions of Forward Contract (Regulation) Act 1952. **The Act broadly divides commodities into 3 categories, i.e. commodities in which forward trading is prohibited, commodities in which forward trading is regulated and residuary commodities.** Under Section 17 of the F.C(R) Act, 1952, the Government has powers to notify commodities, forward trading in which is prohibited in whole or part of India. Any forward trading in such commodities in the notified area is illegal and liable to penal action. Under Section 15, Government has powers to notify commodities in which forward trading is regulated as also the area in which such regulation will be in force. Once a commodity is notified under section 15, the forward trading in such contracts (other than Non-transferable Specific Delivery Contracts) has to be necessarily between members of the recognized association or through or with any such member. Contracts other than these are illegal. Section 6 of the Act provides for powers to the Central Government to grant recognition to an association for organizing forward contracts in the commodity which is notified under Section 15. Such recognition may be for a specified period or may remain in force till revoked under Section 7 of the Act. Section 18(1) exempts the Non-Transferable Specific Delivery Contracts from the purview of regulation. However, under Section 18(3) of the Act, the Government has powers to prohibit or regulate the non-transferable specific delivery contracts in commodities also by issue of a notification. Such notifications may apply for the whole of the country or the specified part of the country. Trading in commodities where non-transferable specific delivery contracts are prohibited is illegal and liable to penal action. Trading in non-transferable specific delivery contracts in respect of regulated commodities has to be through recognized associations just as in the case of other forward contracts. The commodities that are notified neither under section 15 nor under section 17 of the Act is in common parlance referred to as free commodities. For organized forward trading in such commodities, the concerned Association or Exchange has to get a certificate of registration under Section 14B of the Act from the Forward Markets Commission.

.The Act defines three types of contracts i.e. ready delivery contracts, forward contracts and options in goods.

1.**Ready delivery contracts** are contracts for supply of goods and payment thereof where both the delivery and payment is completed within 11 days from the date of the contract. Such contracts are outside the purview of the Act.

2.**Forward Contracts,** on the other hand, are contracts for supply of goods and payment, where supplies of goods or payment or both take place after 11 days from the date of contract or where delivery of goods is totally dispensed with.

3.The forward contracts are further of two types, viz., **specific delivery contracts and 'other than specific delivery contracts'.** The specific delivery contracts are those where delivery of goods is mandatory though delivery takes place after a period longer than 11 days. Specific delivery contracts are essentially merchandising contracts entered into by the parties for actual transactions in the commodity and terms of contract may be drawn to meet specific needs of parties as against standardized terms in futures contracts.

4.The specific delivery contracts are again of two sub-types viz., **the transferable variety** where rights and obligations under the contracts are capable of being transferred and the **non-transferable variety** where rights and obligations are not transferable.

5.Forward contracts other than specific delivery contracts are what are generally known as 'futures contracts' though the Act does not specifically define the futures contracts. Such contracts can be performed either by delivery of goods and payment thereof or by entering into offsetting contracts and payment or receipt of amount based on the difference between the rate of entering into contract and the rate of offsetting contract. Futures contracts are usually standardized contracts where the quantity, quality, date of maturity, place of delivery are all standardized and the parties to the contract only decide on the price and the number of units to be traded. Futures contracts are entered into through the Commodity Exchanges.

6.'Options' in goods means an agreement, by whatever name called, for the purchase or sale of a right to buy or sell, or a right to buy and sell, goods in future and includes a put, a call, or a put and call in goods. Options in goods are prohibited under the present Act. An option contract is the right (but not the obligation) to purchase or sell a certain commodity at a pre-arranged price (the "strike price") on or before a specified date. For this contract, the buyer or seller of the option has to pay a price to his counterpart at the time of contracting, which is called the "premium; if the option is not used, the premium is the maximum cost involved. When prices move favorably, this right will not be exercised, and therefore, the purchase of options provides protection against unfavourable price movements, while permitting to profit from favourable ones. Option can give the right to buy or sell a certain amount of physical commodity, or, more commonly, they can give the right to buy or sell a futures contract.

VII. Working of Forward Markets Commission:

1Forward Markets Commission is a statutory body set up under Forward Contracts (Regulation) Act, 1952. The Commission functions under the administrative control of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Consumer Affairs, Government of India. **The functions of the FMC are dealt with in section 4** of the Forward Contracts (Regulation) Act, 1952 [F.C(R) Act, 1952] which is given below:

i. to advise the Central Government in respect of the recognition of, or the withdrawal of recognition from any association or in respect of any other matter arising out of the administration of the FC(R) Act, 1952.
ii. to keep forward markets under observation and to take such action, in relation to them as it may consider necessary, in exercise of the powers assigned to it by or under the FC(R) Act, 1952.
iii. to collect and whenever the Commission thinks it necessary, publish information regarding the trading conditions in respect of goods to which any of the provisions of this Act is made applicable, including information regarding supply, demand and prices and to submit to the Central Government periodical reports on the operation of the Act, and the working of forward markets relating to such goods.
iv. to make recommendations generally, with a view to improving the organization and the working of forward markets.
v. to undertake the inspection of the accounts and other documents of (any recognized association or registered association or any member of such association) whenever, it considers it necessary and
vi. to perform such other duties and exercise such other powers as may be assigned to the Commission by or under the FC(R) Act, 1952 or as may be prescribed.

2.**Section 4A of the FC (R) Act, 1952 deals with the powers of the Commission** which are as follows:

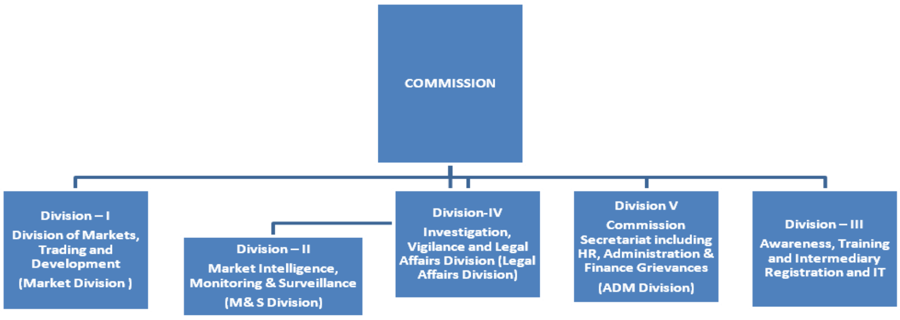
- The Commission have all the powers of a civil court under the Code of Civil Procedure 1908 (5 of 1908) while trying a suit in respect of the following matters:

- Summoning and enforcing the attendance of any person and examining him on oath;
- Requiring the discovery and production of any documents;
- Receiving evidence on affidavits;
- Requisitioning any public record or copy thereof from any office;
- Any other matter which may be prescribed.

3.The Commission, thus, is a statutory authority entrusted with regulatory functions under the Act. The Commission consists of a Chairman and two members. Presently, Shri. B.C. Khatua, IAS is the Chairman of the Commission. The other members of the Commission are Shri. Rajeev Kumar Agarwal, IRS and Shri. D. S. Kolamkar, IES. It has its headquarters at Mumbai and a Regional Office at Kolkata. Forward Markets Commission has 5 Divisions to carry out various tasks. These Divisions were formed on 1st August 2005 in order to streamline the work on a functional basis.

i) Markets, Trading and Development (Market Division)
ii) Market Intelligence, Monitoring & Surveillance (M & S Division)
iii) Awareness, Training and Intermediary Registration and IT (IR Division)
iv) Investigation, Vigilance and Legal Affairs Division (Legal Affairs Division)
v) Commission Secretariat including HR, Administration and Finance, Grievances (Administration Division)

Each Division is headed by a Director, assisted by Deputy Directors, Assistant Directors, Economic Officers and Junior Research Assistants.



Regulatory Tools:

1.Futures trading has the risk of being misused by unscrupulous elements. In order to safeguard the market against such elements, **regulatory measures as** under are prescribed by the Forward Markets Commission:-

(a) **Limit on open position** of an individual operator as well as member, to prevent over trading;
(b) **Limit on daily price fluctuation,** to prevent abrupt upswing or downswing in prices;
(c) **Special margin deposits** to be collected on outstanding purchases or sales, to curb excessive speculative activity, through financial restraints;
(d) During times of shortages, the Commission may even take more stringent steps **like skipping trading** in certain deliveries of the contract, **closing the markets** for a specified period and **even closing out the contract** to overcome emergency situations.

2. Major Initiatives taken by the Government / Commission since liberalization of the market.

- Prohibition on futures trading lifted in all the commodities on 1st April 2003.
- Three Multi-Commodity electronic Exchanges, i.e., National Multi Commodity Exchange, Ahmedabad (10.1.2003), Multi Commodity Exchange, Mumbai (26.9.2003) and National Commodity and Derivative Exchange, Mumbai (20.11.2003) were granted recognition as 'National' Exchanges during 2003. On 14th May 2008, the commission had issued guidelines on setting up of new National Multi Commodity Exchanges to further strengthen the infrastructure in Commodity Derivative Market. Inter alia, it prescribed the framework for share holding pattern of a new National Multi Commodity Exchange. A fourth National Exchange namely, Indian Commodity Exchange, NCR, Gurgaon was granted recognition under these guidelines on 09.10.2009. These exchanges can offer futures contracts in all the commodities subject to the approval of the Commission. Besides these, there are 17 other exchanges recognized for futures trading in specific commodities, generally reffered to as Regional Exchanges.
- After a ban of more than four decades, futures trading in gold and silver for the first time commenced at National Multi Commodity Exchange, Ahmedabad on 3.10.2003. Multi Commodity Exchange, Mumbai and National Commodity and Derivative Exchange, Mumbai also launched futures trading in gold and silver on 10.11.2003 and 15.12.2003 respectively.

- **Improvement of Regulatory Framework and Re-structuring of Forward Markets Commission** The F.C (R) Act enacted in 1952 does not meet the regulatory needs of a modern electronic market. Hence, the regulatory framework needs to be overhauled to bring it on par with those of similar regulators like SEBI, etc. and also to restructure and strengthen the Forward Markets Commission to meet the regulatory challenges. Hence, a Bill proposing amendments to F.C (R) Act has been approved by the Cabinet which, inter alia, provides for –

- Defining forward contract so as to include other commodity derivatives, definition of intermediaries, etc.
- Composition and functioning of FMC.
- Financial and administrative autonomy of the Commission so as to provide for recruitment of its officers and its employees, management of the affairs to vest with the Chairman, accounts and audits, and creation of an ‘FMC General Fund’ to which all receivables except penalties will be credited. The FMC General Fund shall be used for the management of the affairs of the Commission and to enforce the provisions of the F.C(R)Act, 1952.
- Levying of fees on intermediaries to finance the Commission activities.
- Allowing trading of options and other derivatives in goods.
- Provide for corporatisation and demutualization of commodity exchanges.
- Strengthening the penal provisions.
- Constitution of Forward Markets Appellate Tribunal.

- Provision for grant by the Central Government to meet transitional financial needs of FMC.

3.Major Regulatory Initiatives taken by Forward Markets Commission during 2009-10.

- The Commodity futures market witnessed rapid growth since the opening of market in 2002. The National Commodity Exchanges viz. MCX, NCDEX and NMCE have completed 5 years in their operations in Commodity Derivative Market. The Commission had also been issuing, from time to time, guidelines and directions to these exchanges in respect of better governance, transperancy and investor confidence in Commodity Derivative Market.
- A revision was proposed in the framework of share holding pattern of National Multi Commodity Exchanges who have completed 5 years of the their operation in the commodity derivative market to bring them, as far as practicable, in alignment with the guidelines of 14th May 2008 issued for new National Exchanges. Therefore, all the pre-2008 National Commodity Exchanges were directed to align their share holding pattern as per the directions of the guidelines issued by the Govt. of India on 29th July 2009 after completion of the fifth year of their operation are given in **Annexure V.**
- The Ministry of Consumer Affairs, Food and Public Distribution, Government of India, on 9th October 2009, granted recognition to M/s. Indian Commodity Exchange Limited (ICEX), NCR, Gurgaon, on permanent basis in respect of forward contracts in all the commodities in which Section 15 is applicable and the commodities to which neither Section 17 nor Section 15 of FC(R) Act, 1952 is applicable, with prior permission of the FMC.
- The entities participating in the commodity derivatives market also operate like the intermediaries in other segments of the financial system and are exposed to similar risks as interdediaries in other segments of financial market. Hence in order to avoid money laundering threats, the Commission issued Guidelines for bringing members of the commodity exchanges under the purview of the anti Money Laundering.
- The Forward Markets Commission undertook various regulatory initiatives to improve the delivery system at the Commodity Exchanges which would facilitate the participation of hedgers in these markets. The major Regulatory initiatives taken during the year in this regard are:

- Introduction of **Exchange for Physicals (EFP)** and **Alternate Future Settlement Mechanism (AFS)**:
- Higher Position limits for NAFED to facilitate hedging and delivery by them.
- Introduction of **early delivery system** in select commodities to facilitate hedging operations and encourage physical delivery.

Besides, the Commission continued to regulate the markets effectively and intervened in the markets as and when required by way of revising position limits, margins etc.

VIII. Collaboration with International Regulators:

In order to strengthen its regulatory arm, FMC took steps for collaborating with regulators in other countries. FMC is also an associate member of IOSCO, an international organization of Security and Commodities Market Regulators. In addition, FMC has also signed Memorandum of Understanding with the United States Commodity Futures Trading Commission (USCFTC) and the China Securities Regulatory Commission (CSRC). The Commission in January 2010 also signed MOU with the Commissao de Valores Mobiliarios – CVM (Securities and Exchange Commission of Brazil), Brazil.

IX. Developmental Initiatives taken by Forward Markets Commission

The Commission has taken the following steps in recent years to ensure that the markets are broad based and its benefits reach all the stakeholders of the Commodity Markets.

- **Promoting the participation of hedgers** (producers, processors, exporters, importers, etc.) to counter balance the speculative element in the price discovery.
- **Increasing the awareness level of different category of stakeholders especially farmers** to make them aware of the existence of as well as benefits from the futures markets, **sensitization of policy makers** and **capacity building in the commodity sector**.
- Working on various models of **"Aggregation"** to enable the farmers to take the benefit of actual hedging on the Commodity Exchanges to manage their price risks.
- Working on a project of **Price Dissemination** through APMCs and other centers to empower the farmers with price information.
- **Meeting with various stakeholders** to understand their difficulties, problems and felt needs so as to align/ design policies to feasible/ desirable objectives.

1.Promotion of Hedgers' participation:

The Commission has taken various measures to promote participation of Hedgers in the commodity futures markets. In order to understand the regulatory areas that required modification for facilitation of greater hedgers' participation in the commodity futures market, periodic discussions are held with exchanges and stakeholders. Besides these regular discussions, several meetings have been held with the corporate houses at the all India level to take their suggestions for improving hedgers' participation in agri-commodities, metals and energy products.

Based on the feed back received during the meetings and market intelligence gathered, the Commission has taken several proactive steps to facilitate hedgers participation including focusing on the delivery system of the Exchanges, expanding delivery period, direct delivery, permitted exchange for physicals (EFP), at MCX and Alternate Futures Settlement (AFS) at NCDEX altered duration of contracts, quality related issues and relaxing near-month open interest limit in certain commodities in which the hedgers were facing difficulties in giving adequate physical delivery in case of adverse price movement.

2.Creation of Awareness:

Creation of awareness amongst the farmers, related bodies and organizations including the ones which could be potential hedgers / aggregators and other market constituents has been one of the major activities of the Commission in last three years. During 2009-10, 515 awareness programmes were conducted for various stakeholders of the commodity futures market. Of this, 423 programmes were held exclusively for farmers. In the previous year, (2008-09) 197 awareness programmes were held, of which 107 were held exclusively for the farmers. The programmes were being conducted at different locations all over the country. These awareness programmes were attended by different category of market participants ranging from farmers, traders and members of Commodity exchanges to bankers, cooperative personnel staff and students of Universities, Government functionaries, warehouse professionals, agricultural extension makers etc. These awareness programmes have resulted in creating awareness among the various constituents about commodity futures trading and the benefits thereof. The programmes were organized in association with various organizations/universities having connectivity with the farmers, viz. agricultural universities, NIAM, NABCONS/ NABARD, MITCONS, farmer cooperatives and federations, GSKs, CIFA, National & Regional Based Commodity Exchanges, etc.

3.Sensitization of officers involved in policy making for Agricultural Sector:

Sensitization programmes have been organized by the Commission for senior State Government and Central Government functionaries. During the year, 5 such sensitization programmes were organized at IIM, Bangalore and IICM, Navi Mumbai. The objective of the programmes was to create awareness among the senior Central Government and State Government officers from the Departments of Civil Supplies, Agriculture, Cooperation, Marketing Federations, etc., about the concept and economic functions of the futures market the possible role they can play to promote and facilitate participation by various stakeholders, especially farmers, in the commodity futures market, and the use of price information emanating from the futures market in their related policy making decisions.

4.Capacity Building Training Programmes

FMC has been organizing training programmes for market constituents and their officers as part of its capacity building endeavors. The capacity building efforts of the Forward Markets Commission are meant to complement the awareness creation activities of the Commission. Training on Commodity Futures Market is being imparted to policy makers, university staff, students, extension workers, farmer federations, Cooperatives, banks and officers of agencies working at the grass root level to enable them to educate market participants about the economic significance of the market and means of participation in the market. Special training programmes are being organized for trainers who may take up the responsibility of educating the farmers about the futures market.

In the year 2009-10, FMC organized 63 capacity building programmes the training programmes, workshops and seminars were organized for the benefit of the functionaries of the above organizations through various Institutes such as VAMNICOM, Pune; IICM, Navi Mumbai, N.G.Ranga University, Hyderabad, Topic, Gurgon, MANAGE, Hyderabad; Pondichery University, Indira Gandhi Institute of Cooperative Management, Assam Agricultural University, Tamil Nadu Agricultural University, Coimbatore; Institute of Cooperative Management, Jaipur, NIBM, Pune, CAB, Pune, NABARD, etc. Three Capacity Building Programmes were held for FMC officers and staff to strengthen their capabilities in administration and regulation of market through Regional Training Centre, Govt. of India Mumbai, Bombay Stock Exchange & Research Development Association, Jaipur. The programmes are expected to train functionaries of related organizations with a strong rural presence and working directly or indirectly with farmers, so that the message of futures market is taken to the grassroots- producers, processors and traders.

5.Promotion of commodity related education and developing a talent pool:

Due to the loss of domain expertise over 2 generations on account of ban on futures trading in the 1960s through the 1980s, at this juncture, the subject of commodity futures trading is in a way a new subject in India. FMC and the Department of Consumer Affairs had taken up the matter of introducing courses on Commodity Futures in Universities and Management Institutes, with the Ministry of Human Resources Development, Government of India.

The Commission is organizing awareness programmes for faculty and students of Agri-university management institutes of other colleges in the area of commodity future market to create awareness and interest in the subject and also expose them to the employment opportunity available in the sectors.

During 2009-10, the Commission provided summer internship to twelve students from KIIT School of Management, Bhuvaneswar, Orissa (2), the Indian Institute of Management, Ahmedabad (IIM-A) (4), the IIT, Mumbai (1), the Department of Management Sciences, University of Pune (1), Mahatma Gandhi Institute of Management, Sikar, Rajasthan (1) and N. L. Dalmia Institute of Management Studies and Research, Mumbai (3).

6. Aggregation Model for Farmers' participation:

The Commission is making efforts through the National Exchanges to develop a model of "aggregation", so that various agencies, viz. Cooperatives, Farmers' Associations, State Marketing Federations, Non-Government Organizations and Banks would be able to act as Aggregators and take consolidated positions on behalf of groups of farmers to facilitate their hedging operation and transfer the benefit of futures trading to them. The Exchange, in turn are field testing aggregation models on a pilot basis in association with NGOs and financial institutions. The Commission has also taken up the issue with representatives of major cooperatives, marketing federations, NGOs, Banks and other organization having requisite domain knowledge and experience to act as an interface and facilitator between the farmers and the futures market. The matter has also been taken up with the State Governments to elicit their co operation.

7.Project for Price Dissemination:

The Forward Markets Commission has, in association with the Commodity Exchanges, initiated a process of dissemination of futures and spot prices of agricultural commodities at various mandis, under the AGMARKNET. The FMC proposes to extend the project to post offices, rural branches of the Banks, warehouses, offices of cooperatives and other areas frequented by the farmers. The dissemination of price information is expected to help various hedger groups, especially farmers, in their pre-sowing and post harvest decision making process and hedging their price risks in the market. The project for dissemination of spot and futures prices in agricultural commodities of relevance to particular States / areas / mandis is being implemented in consultation with AGMARK. During the year 2009-10, price ticker boards have been installed in 183 Mandis spread across 14 States. During the year, 2010-11, it is proposed to install electronic price ticker Boards in 797 mandis including 92 in the North East Region.

In addition to this, price tickers of the commodity exchanges are run during news telecasts on Doordarshan. Besides, future prices discovered in the Exchanges are published in newspapers, displayed in railway stations and bus stands, rural bank branches are available on mobile phones, etc. Thus, the opacity of prices that existed earlier has reduced considerably and conditions have been created for **better integration of various spot markets** across the nation.

8.Exhibitions

The Forward Markets Commission and the National Exchanges participated in three Exhibitions during the year, with the objective of showcasing the benefits of Commodity Futures Market to the farmers by means of exhibits and audio-visual presentations. The Exhibitions included the 2nd International Horti expo 2009 at Pragati Maidan, New Delhi from 5-7 June 2009, the Agro- Horticulture festival at Cochin from 28-31 August 2009, the 97th Indian Science Congress Expo 2010 at Trivandrum from 3rd – 7th January, 2010. The Commission along with the National Exchanges participated in the Exhibitions by setting up a stall on benefits of commodity futures market to farmers. The stall attracted a lot of visitors who were able to remove their mis-perceptions about the functioning and the impact of the market.

9.Meetings with Stakeholders

The Commission conducted various meetings with different category of stakeholders of the futures market to take feed back from them to improve the functioning of the futures markets. The inputs received during these meetings were utilized while framing the regulatory policies in the Commission. Such eight meetings were conducted during the year for various stakeholders of the Commodity Futures Market, including members of national exchanges; Agriculture Sector based corporate entities, farmer leaders and farmer opinion makers. These meetings served as an interface between the FMC, the exchanges and the market users to facilitate coordinated efforts for developing the commodity futures market.

10. Inspection of books of accounts of Exchanges and their members:

The Commission has been inspecting the books of accounts of the Exchange –Members, particularly of National level Commodity Exchanges, viz. MCX, Mumbai, NCDEX, Mumbai and NMCE, Ahmedabad on a regular basis since 2006-07. During the year 2009-10, 298 new audits in the case of members of National Commodity Exchanges were assigned. Besides, audit of 3 National Exchanges and 14 Regional Exchanges were also assigned to the auditors.

X. Conclusion:

In India, the regulatory body of commodity market has taken some initiatives to the general public to understand its various operational conditions which is prevailing in regulation, system of operation and the players involved and promotional activities taken since liberalization has come to the general publics awareness, which would be of immensely helpful not only to the investing community but also to the common man in all respects.

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