

1. The commodities market is set to see a complete makeover with the merger of its regulator, Forward Markets Commission (FMC), with SEBI. In this context elaborate the major benefits from this proposed merger? (150 Words)

**Answer:**

- Forward Markets Commission (FMC) is the chief regulator of commodity futures markets in India. It was setup in 1953. In the aftermath of NSEL scam, FMC was brought under the Finance Ministry in 2013.
- The functions of the Forward Markets Commission are as follows:
  - a) To advise the Central Government in respect of the recognition or the withdrawal of recognition from any association or in respect of any other matter arising out of the administration of the Forward Contracts (Regulation) Act 1952.
  - b) 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 Act.
  - c) To collect and whenever the Commission thinks it necessary, to publish information regarding the trading conditions in respect of goods to which any of the provisions of the act is made applicable, including information regarding supply, demand and prices, and to submit to the Central Government, periodical reports on the working of forward markets relating to such goods;
  - d) To make recommendations generally with a view to improving the organization and working of forward markets;
  - e) 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.

It allows futures trading in 23 Fibers and Manufacturers, 15 spices, 44 edible oils, 6 pulses, 4 energy products, single vegetable, 20 metal futures, 33 others Futures.

- Ever since the government approved online futures trading in commodities in 2003, there have been several committees (Percy Mistry committee in 2007, FSLRC etc) that recommended the merger of 'commodity' market regulator Forward Markets Commission (FMC) with capital market 'regulator' Securities and Exchange Board of India (SEBI). Finally in Budget, 2015 finance minister announced that Forwards Markets Commission will be merged with SEBI
- Benefits of the merger –
  - a) Stock exchanges will be able to become universal exchanges wherein equities, debt instruments and currencies are traded under the same roof as commodity derivatives. Stock exchanges already have depositories and clearing corporations that will cater to the needs of commodity traders as well.
  - b) It will strengthen regulation of commodity forward markets – will make it easy for SEBI to track money movements better in financial markets.
  - c) It will reduce wild speculation.

- d) Convergence of securities, commodities and currency trading will boost financial markets in India.
- e) The SEBI-FMC merger will bring down transaction costs in stock and commodity markets.
- f) Currently, a broking company operating in stock market can not apply for a membership in MCX or NCDEX in the same name and vice-versa. There is no reason why a single company cannot be given memberships in equity, commodity and currency exchanges in India. The SEBI-FMC merger would wipe off such anomalies. This would in turn immensely help financial markets in India grow mature, stable and steady.
- g) It will provide enormous opportunities: investment derivatives such as exchange traded funds for silver and other metals, weather and freight derivatives, and index futures and options trading in commodities.
- h) It will offer arbitrage opportunities across segments in an exchange, and make margin money fungible for trading across various asset classes like commodities, currencies and equities.

## PRACTICE QUESTIONS

### **Answer the following Questions**

1. Elaborate upon the role of remote sensing technology in the agriculture sector. Also, enumerate various programmes undertaken by the government to leverage remote sensing technology for monitoring agriculture in India. (150 words)
2. Defining superbugs, assess why India is particularly vulnerable to them. Also, suggest measures that can be taken to deal with the threat of superbugs in India. (150 words)