

**RESULTS-FRAMEWORK DOCUMENT (RFD)  
FORWARD MARKETS COMMISSION**

April 1, 2011 – March 31, 2012



सत्यमेव जयते

**Government of India**

**Forward Markets Commission  
Mumbai**

## **FMC's Vision, Mission, Objectives and Functions**

### **Section 1**

#### **Vision/Mission**

1. To ensure that the futures trading in the commodities is conducted in a way so as to meet the twin economic functions of price discovery and risk management in an efficient and transparent way.
2. The commodity exchanges in the country come up as professional organizations so as to effectively meet the aspirations of various intermediaries in the commodity's market including the farmers.
3. The basket of commodities in which futures trading is permitted should progressively grow so that the participants of these commodity markets can also benefit from the futures market.

#### **Objectives:**

To ensure smooth and orderly development of the commodity futures markets to enable it to perform the economic functions of the Price discovery and price risk management efficiently, through effective Regulation of the market.

#### **Functions:**

**The functions of the FMC under the Forward Contracts (Regulation) Act, 1952** are as follows:

- 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

## Section 2

*Inter se* priorities among key objectives, success indicators and targets for 2011-12

Column 1	Col 2	Column 3	Column 4		Column 5	Column 6				
Objective	Weight	Actions	Success Indicator	Unit	Weight	Target / Criteria Value				
						Excellent	Very Good	Good	Fair	Poor
						100%	90%	80%	70%	60%
<u>Objective I</u> Efficient Regulation of Commodity Futures Markets	53%	Regulation of Markets	Efficient Regulation of Commodity Futures Market	Not quanti- fiable	45%					
			Audit of Commodity Exchanges and members of Exchanges	No. of programmes organized	8%	325	293	260	228	195
<u>Objective II</u> Strengthening of Forward Markets and Forward Markets Commission	36%	Development of Commodity Futures Market	Organizing Capacity building programmes	No. of programmes organized	8%	100	90	80	70	60
			Conducting Awareness & Developmental programmes	No. of programmes organized	8%	400	360	320	280	240
			Meeting/ Interactions with Stakeholders	No. of interactions conducted	5%	10	9	8	7	6
		Dissemination of Prices through APMC Mandies etc	Connectivity of Commodity Exchanges with APMC Mandies	No of Ticker Boards installed	15%	1500	1350	1200	1050	900

Column 1	Col 2	Column 3	Column 4		Column 5	Column 6				
Objective	Weight	Actions	Success Indicator	Unit	Weight	Target / Criteria Value				
						Excellent	Very Good	Good	Fair	Poor
						100%	90%	80%	70%	60%
Total Weightage	89%				89%					
Mandatory Success Indicators	11%	This has been fixed as per the RFD Guidelines for year 2011-12 in r/o RCs								
Total	100%									

### Section 3

**Table 2: Trend Value for Success Indicators**

Objective	Actions	Success Indicator	Unit	Actual for for FY 08-09	Actual for FY 09/10	Target Value for FY 10/11	Actual Upto December 2010	Projected Value for 11/12 @
								2011-12
Objective 1 Efficient Regulation of Commodity Futures Markets	Regulation of Markets	Efficient Regulation of Commodity Futures Market	Not quantifiable	Not quantifiable				
		Audit of Commodity Exchanges & Member of Exchanges.	No. of Audits Organised.	98	298	250	316	325
Objective 2 Strengthening of Forward Markets and Forward Market Commission	Development of Commodity Futures Market	Organizing Capacity Building Programmes	No. of programmes organized	18	66	70	33	100
		Conducting Awareness and Developmental Programmes	No. of programmes conducted	197	515	300	324	400
		Meeting/ Interactions with the stakeholders	No of inter actions conducted.	7	8	10	5	10
	Dissemination of Prices through APMC Mandies etc.	Connectivity of Commodity Exchanges with APMC Mandies	No. of Ticker Boards installed	1 pilot project	183	800	352	1500

@ As per Out come Budget.

## Section 4

### **Description and definition of success indicators and proposed measurement methodology.**

The Forward Markets commission is the regulator of the commodity derivatives market in India and its function under the Act is to effectively regulate the markets. Therefore, highest weight of 60% has been assigned to this objective / action which, the achievements under which, however, can not be quantified. It's success, however, can be gauged by the convergence of spot and future prices on maturity, lack of defaults on the Exchange platform and efficiency of the futures markets as a price discovery and risk management platform. The monitoring of the markets is done on a continuous basis and the interventions made as and when required. Efficient Regulation of Commodity Futures Market, inter alia, involves:

- day to day monitoring of the trade data of the Exchanges to ensure that the markets are not of sync with the fundamentals of the demand and supply of the underlying commodity and serve the intended purpose of efficient price discovery and risk management
- examination and approval of the Bye Laws and Rules of the Exchanges,
- examination and approval of the contract designs of the commodity contracts proposed to be traded at the Exchanges
- Intervening in the markets (by way of changes in contract designs, limits on open position, price limits and margins) as and when required for effective regulation of the markets.

The only activity that can be quantified under this head is audit of members and Exchanges for which quantifiable targets have been prescribed. A weight of 10% has been assigned to this activity based on its importance in the total scheme of regulations.

Quantifiable targets for various Developmental Initiatives (like awareness programmes, capacity building programmes etc) and the Price Dissemination Project undertaken by the FMC which are the additional initiatives taken by FMC to subserve its core regulatory function have been quantified. The weights assigned to each one of the Developmental Initiatives are based on their likely impact and challenges involved in their implementation. The Price Dissemination Project has the potentiality to be a catalyst towards creating greater awareness and empowerment of the farmers and hence, the highest weight of 15% among all the developmental initiatives has been assigned to it.

## Section 5

### Specific performance requirements from other departments that are critical for delivering agreed results.

No.	Department	Relevant Success Indicator	What do you need?	Why do you need?	How much you need?	What happens if you do not get it?
I]	<b><u>Price Dissemination Project :</u></b>					
1.	Ministry of Agriculture Department of Information Technology Govt. of India		To get the support of Directorate of Marketing & Inspection (DMI) and National Informatics Centre (NIC) for timely dissemination of the spot market prices of agricultural commodities	To ensure that there is value addition to physical market participants, especially farmers by relaying timely and accurate price information to them.		The pace of placement of ticker boards in APMC mandis would suffer.
2.	State Government Departments – Department of Agriculture / Marketing / Cooperation	Connectivity of Commodity Exchanges with APMC Mandis, Co-operative Societies, Primary Agricultural Co-operative Society Ltd. (PACS), Co-operative Marketing Federations, Rural Branches of Commercial Banks, Regional Rural Banks, Panchayat Offices, Kisan Vikas Kendras	To gather the support of the relevant departments for successful implementation of the project at the ground level	To obtain the backing of all functionaries concerned with agriculture marketing for smooth implementation of the project.	Full cooperation	
3.	State Government					
4.	State Government					
5.	Agricultural Produce Market Committee Registrar of					

6.	Co-operative Societies					
7.	Co-operative Marketing Federations					
8.	Controlling Offices					
9.	Banks					
	Department of Post & Telecommunications					
<b>II]</b>	<b><u>Other Developmental Activities : Awareness and capacity building programmes.</u></b>					
1.	Exchanges					
2.	Agricultural Universities					
3.	Educational Institutions	Meeting and exceeding the targets set for creation of awareness and capacity building for market participants.	To get the timely support of the department / agency for undertaking the identified developmental activities of the FMC	To improve the outreach of the commodity futures market and ensure that the economic benefits of price discovery and price risk management are available to all the participants.	Full cooperation	This would adversely impact the development of the market and participation by physical market participants in this market.
4.	NABARD,					
5.	NIAM,					
6.	MANAGE					
	&					
7.	Other partner institutions identified from time to time					

Section 6 : Outcome/Impact of activities of Forward Markets Commission, Mumbai								
1	2	3	4	5	6	7	8	9
Sr. No.	Outcome/Impact of organization/RCS	Entity responsible for influencing the outcome/impact with the following organization's department/ministry.	Success Indicators	2009-10	2010-11	2011-12	2012-13	2013-14
	<b>Strengthening of Forward Markets Commission.</b>			(No. of installation at grass root level)				
	<b>A. Price Dissemination Project:</b>							
	Display of spot price as obtained from AGMARKNET and polled by the Exchanges and futures price of agricultural commodities discovered on the exchange platform on real time basis to all the stakeholders including farmers to enable them to take rational and informed decisions about buying, selling, inventory management, sowing of crops & cropping pattern.	(1) Ministry of Agriculture Department of Information Technology Govt. of India  (2) State Government Departments – Department of Agriculture / Marketing / Cooperation  (3) State Agriculture Marketing Boards of the State Government  (4) Agricultural Produce Market Committee  (5) Registrar of Co-operative Societies  (6) Co-operative	Placement of targeted price sticker boards at APMC Mandis, Co-operative Societies, Primary Agricultural Co-operative Society Ltd. (PACS), Co-operative Marketing Federations, Rural Branches of Commercial Banks, Regional Rural Banks, Panchayat Offices, Kisan Vikas Kendras	183	797	1500	2000	2000

**Section 6 : Outcome/Impact of activities of Forward Markets Commission, Mumbai**

1	2	3	4	5	6	7	8	9
Sr. No.	Outcome/Impact of organization/RCS	Entity responsible for influencing the outcome/impact with the following organization's department/ministry.	Success Indicators	2009-10	2010-11	2011-12	2012-13	2013-14
		Marketing Federations  (7) Controlling Offices Banks  (8) Departments of Post & Telecommunications						
	<b><u>B. Other Developmental Activities : Awareness and capacity building programmes.</u></b>							
	<b>Development of commodity futures market by spreading awareness about the role and benefits of the commodity futures market &amp; ensuring informed participation by stakeholders in the market.</b>	FMC coordinates with various institutions for educating and spreading awareness amongst the participants of the commodity market such as (1)Commodity Exchanges  (2)Educational	Meeting and exceeding the targets set for creation of awareness and capacity building for market participants					

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Sr. No.	Outcome/Impact of organization/RCS	Entity responsible for influencing the outcome/impact with the following organization's department/ministry.	Success Indicators	2009-10	2010-11	2011-12	2012-13	2013-14
		<p>Institutions: Agricultural and other universities and management institutes</p> <p>(3) Training Institutes: NIAM, IGIDR, RTCs, VAMNICOM, TOPIC, CAB, NIBM, other co-operative training Institutes etc.</p> <p>(4) Organizations with grassroots level presence: NABARD, Commercial Banks, Co-operative Marketing Federations &amp; societies.</p> <p>(5) State and Local Government Bodies.</p> <p>(6) Various market stakeholders for meetings only.</p>	<p>1. Organizing targeted number of capacity building programmes each year.</p> <p>2. Conducting targeted number of awareness programme.</p> <p>3. Arranging meetings with stakeholders.</p>	66	60	100	100	125
				515	400	400	500	600
				8	3	10	15	20

**Section 6 : Outcome/Impact of activities of Forward Markets Commission, Mumbai**

1	2	3	4	5	6	7	8	9
Sr. No.	Outcome/Impact of organization/RCS	Entity responsible for influencing the outcome/impact with the following organization's department/ministry.	Success Indicators	2009-10	2010-11	2011-12	2012-13	2013-14
	<p><b>C. <u>Audit of commodity exchanges and the members of the Exchanges :</u></b></p> <p>1) To ensure that the recognized commodity exchanges are organizing forward trading in commodities in accordance with the provisions of the Forward Contracts (Regulation) Act, 1952 and the Bye-Law of the commodity Exchanges.</p> <p>2) To ensure that the Books of Accounts as prescribed from time –time, are maintained properly.</p>	<p>Audit is conducted through external auditors empanelled with the Commission</p>	<p>Targetted audits are conducted by the empanelled auditors</p>	298	320	325	400	500