



A STUDY ON“FMC MERGER WITH SEBI”

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Abstract

The issue of convergence between the commodity market and the stock market has been a matter of debate and policy Discussion for a long time with arguments being put for it and against it. After years of deliberation and arguments for And against such a convergence, the Hon. Finance Minister in his budget speech for 2015-16 proposed the merger of the Relatively younger stock market regulator, the Securities Exchange Board of India (SEBI) with its 60 year old counterpart, The commodities market regulator, the Forward Market Commission (FMC). A long standing debate on convergence Between the stock market and commodity market was finally put to an end on September 28, 2015 with the merging of The two regulators. In the light of this background, this case study by providing insights into the motives implications and Technicalities associated with the convergence intends to provide a perspective on such and related issues.

Key Words

Commodity Market, Convergence, FMC, SEBI, Stock Market and Regulator

1.Introduction

The most awaited budget speech for the year 2015- 16 was being delivered. “I propose to merge the FMC with SEBI to strengthen the regulation of the commodity forward market and reduce wild speculation,” finance minister Arun Jaitley said while delivering the speech. The coming together of two of the most critical regulators was thus announced. This was the first major case of two regulators being merged as against a more popular practice of creating new regulatory authorities by carving out new bodies from existing ones. Their coming together was in line with a recommendation made by the Financial Sector Legislative Reforms Committee (FSLRC) set up in the year 2013 which had called for a unified regulator across financial products including capital markets, insurance, pensions and commodities

❖ Literature review

1.S-SEBI: A simple remote sensing algorithm to estimate the surface energy balance

August 1997, a small field campaign was conducted in the Piano di Loggia region of Tuscany, Italy. Both the radiation conditions and the surface energy balance have been measured at several locations with several techniques. Together with the 23 August 1997 LANDSAT-TM scene of the same region, these data provide an excellent opportunity to study in depth the interactions between radiation and energy flux from point to regional scale. A new method for extracting surface energy

fluxes from remote sensing measurements, called the simplified surface energy balance index (S-SEBI), has been developed and tested and validated using available data. If regional atmospheric conditions can be assumed constant and the region reflects sufficient changes in surface hydrological conditions, fluxes can be calculated without any information other than the remote sensing images themselves. The results of this case study show that the relatively simple S-SEBI method can be used to estimate surface energy balance parameters with high accuracy. The maximum relative difference between the measured and estimated evaporation rate is 8

2.Securities Exchange Board of India (SEBI) Act, 1992: A Summary

SEBI, which stands for Securities and Exchange Commission of India, has functions similar to the SEC or the Securities and Exchange Commission in the United States. In other words, SEBI regulates the functioning of the Indian financial markets and aims to protect investors and establish ethical standards for the functioning of the Indian financial markets. That is why SEBI is also called the guardian of the Indian market. In this paper, the authors have attempted to provide an overview of the SEBI Act 1992.

3.Role of Securities & Exchange Board of India (SEBI) in Regulating Mutual Funds

A mutual fund is a financial intermediary that collects savings. Investors invest in large and diversified portfolios. The advantage of securities for investors is to reduce risk. Professional management, diversified portfolio, investment liquidity And the tax benefits of this fast-growing industry are regulated by securities. and the Stock Exchange Board of India (SEBI). Currently there are about 40 mutual companies. funds and over 300 schemes with total assets of about

Rs. Shelf 6.4 Chlorine. Since mutual funds include a large number of individual investors, Therefore, this paper attempts to examine whether SEBI can be regulated or not Activities in the mutual fund market and its regulatory role

4.Reforms in Capital Market in India and the role of SEBI

Before the 1991 reforms, a comprehensive system of state control ensured almost complete control of financial or capital markets by the state. When the economic reform package was announced in 1991, the volume of transactions in the primary and secondary sectors of the capital market of our economy increased significantly. However, after the multi-billion dollar securities scandal in 1992, SEBI Securities and Exchange Board of India).

5.IMPACT OF NEW SEBI REGULATIONS ON IPO(S)' IN INDIA

Several companies will launch initial public offerings in 2021, and more are planning to go public in 2022. SEBI announced new restrictions in its board meeting. This article examines how the new law applies It affects the IPO. Need for new rules on how IPOs work. New law Protecting investor funds, saving time in the IPO process, The IPO is issued and fairly traded. A complete withdrawal by a significant owner can create a crisis Companies in the new period without profit history, Recognized promoter due to the presence of institutional investors and anchor investors Regulators give more confidence to the market. However, if the anchor investor leaves 30 days prior, On the day the mandatory lock-up period expires, the stock price becomes volatile. To summarize these things: The new law makes the IPO process more difficult. SEBI Board, 63 companies raised INR 1.19 million in 2021.

Research Methodology

I.Objective of the study

- To investigate the impact of the merger between FMC (Forward Markets Commission) and SEBI (Securities and Exchange Board of India) on the commodity derivatives market in India.
- To examine the perception of market participants towards the merger.
- To evaluate the effectiveness of the regulatory framework after the merger.

II.Hypotheses:

- The merger between FMC and SEBI has improved the regulatory oversight and functioning of the commodity derivatives market in India.
- The merger has led to an increase in investor confidence and participation in the market.
- The merger has resulted in greater efficiency and transparency in the market.
- The perception of market participants towards the merger is generally positive.

III. **Identify the research problem and objectives:** The first stage is to precisely identify the study's goals and the research challenge. Understanding the effects of the merging of FMC and SEBI on the operation of the commodities market in India is the research problem in this case. Analysis of the merged entity's regulatory environment and its effects on market participants may be the study's goal.

IV. **Research design:** The research design needs to be chosen based on the study topic and objectives. The research design in this situation could be descriptive, exploratory, or causal. The current legal framework of the combined entity would be described in descriptive research, the effects of the merger on market participants would be explored in exploratory research, and the cause-and-effect relationship between the merger and the market effects would be established in causal research.

V. **Sampling:** The choice of a sample for the investigation is the next step. The sample could be chosen from a range of market participants for commodities, including traders, brokers, investors, and regulatory agencies. Based on the research design and the needed level of accuracy, the sample size should be chosen.

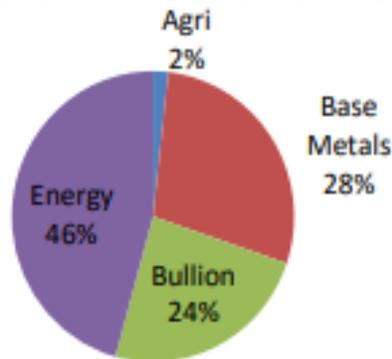
VI. **Data collection:** Based on the research concept and the kind of data needed, the data collection method should be selected.

❖ Data Analysis

1. Pre-Merger volume :

Particular	Percentage
Energy	46%
Agri	2%
Base Metals	28%
Bullion	24%

Pre Event Distribution of Volume



➤ Interpretation

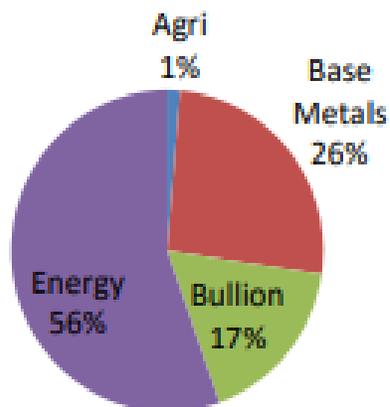
- For the given data, before the FMC & SEBI merger, mostly investment in energy sector i.e 46% .
- And only 2% of money is invested in the agriculture sector.

2. Post Merger Volume:

Particular	Percentage
Energy	56%
Agri	1%
Base Metals	26%
Bullion	17%

Item	2016	2017	2018	2019	2020	2021	2022
Precious Metals	3000	4000	9000	7000	4000	2000	1900
Non-Precious Metal	4000	7000	12000	11000	8000	4000	3000
Energy Products	6000	8000	14000	13500	10000	5000	6000
Agriculture	6000	8000	15000	14000	10000	5100	6100

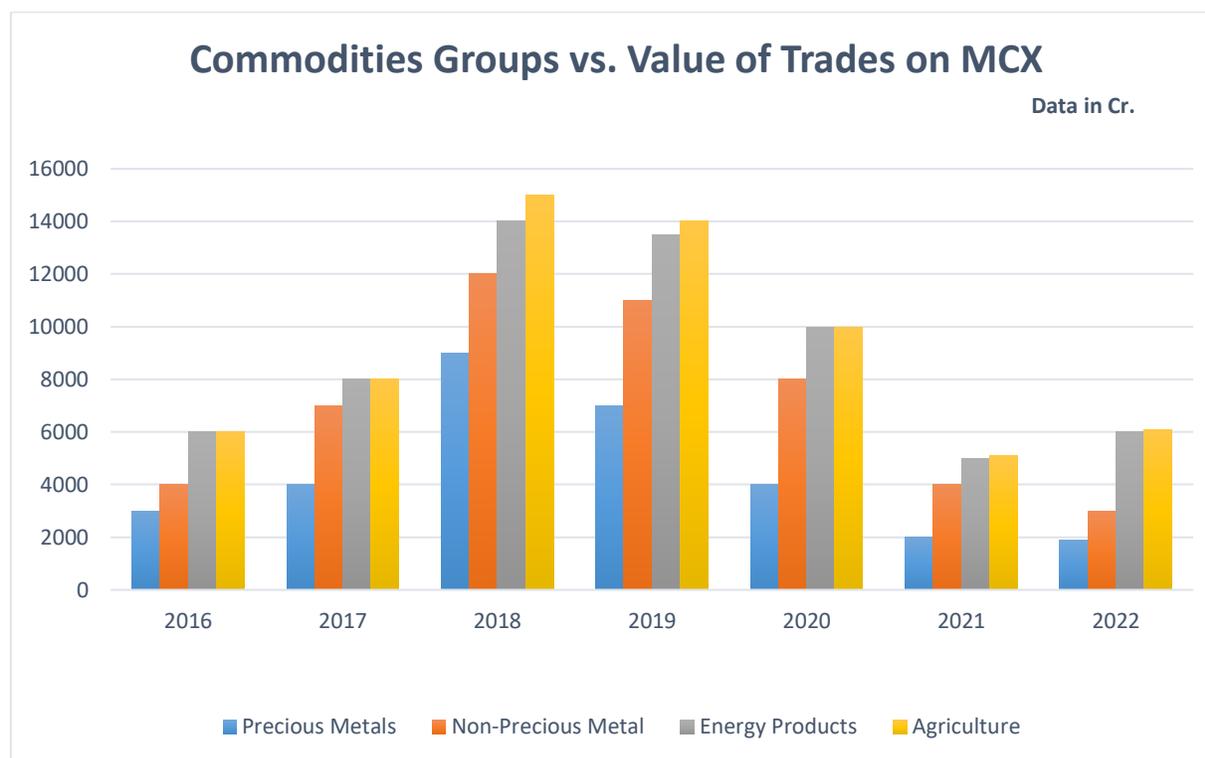
Post Event Distribution of Volume



➤ Interpretation

- According to the provided figures, the Energy sector will rise from 46% to 56% after the merger.
- But the agricultural industry is shrinking from 2% to 1%.

3.Commodities Groups vs. Value of Trades on MCX



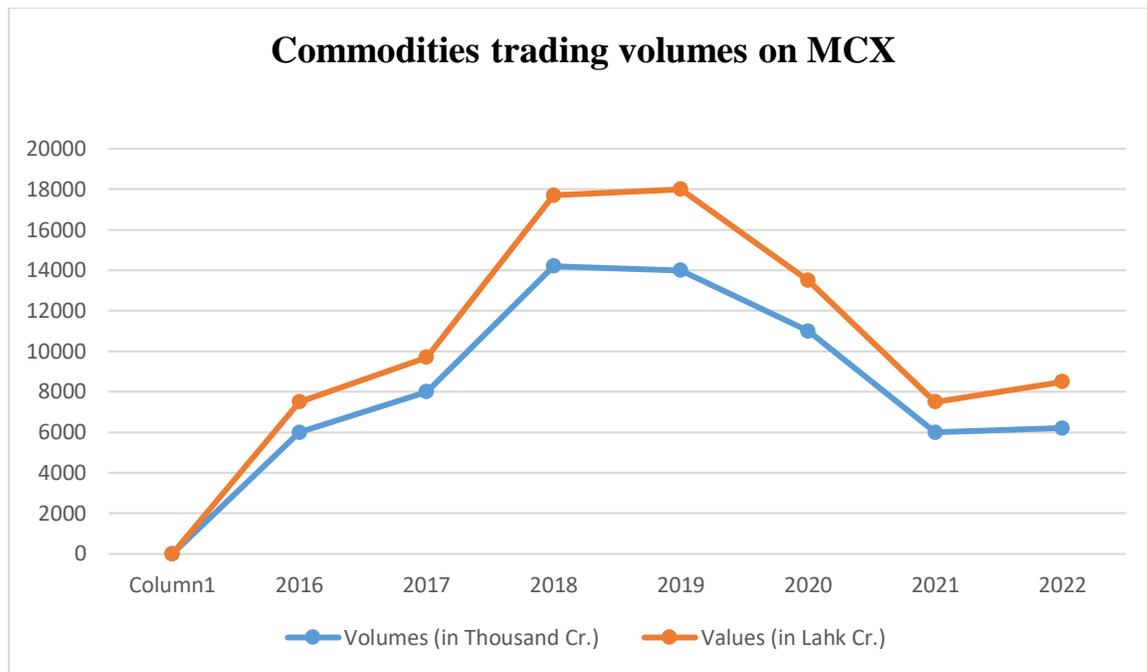
Source of data : NSE Site

➤ Interpretation

- Significant bullion trade till 2019.
- Following the NSEL scam, trading volume decreased.
- Levels of trading for energy products that are constant.

4.Commodities trading volumes on MCX

Particular	2016	2017	2018	2019	2020	2021	2022
Values	6000	8000	14200	14000	11000	6000	6200
Volume	1500	1700	3500	4000	2500	1500	2300



➤ Interpretation

- Trade Volumes increasing after 2021 as regulations become more stringent
- In the given chat highest pick 18000 which is values

❖ Conclusion

The following findings can be made from the study done on the FMC and SEBI merger:

- The regulatory monitoring and operation of the commodity derivatives market in India have both improved as a result of the merger. The two regulatory agencies' unification has decreased regulatory loopholes that previously existed and increased the effectiveness of managing the market.
- Investor engagement and confidence have increased as a result of the transaction. The market is now more secure thanks to the tightened regulatory environment, which has also drawn new investors who were previously wary of the market.
- Market efficiency and transparency have increased as a result of the merger. The market's incidences of fraud and malpractice have decreased, and it has become more transparent for all players as a result of the adoption of new rules and regulations as well as improved monitoring and enforcement.
- Market players typically have favourable perceptions of the deal. The merger has increased market stability and predictability, which is seen as a good move by the majority of market participants.

In conclusion, the FMC and SEBI merger was a success in fulfilling its goals and had a favourable effect on the Indian market for commodity derivatives. A more stable and

predictable market environment has been produced as a result of the merging of the two regulatory bodies, which has increased efficiency, transparency, and investor trust.

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