

Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion
SIA(FC Section)

Press Note No. 7 (2009)

Subject: Guidelines for Foreign investment in Commodity Exchanges

Government of India had laid the guidelines for foreign investment in Commodity Exchanges vide Press Note 2(2008) dated 12th March 2008. As per the guidelines, a composite ceiling for foreign investment of 49% was allowed with prior Government approval, subject to the condition that investment under the Portfolio Investment Scheme will be limited to 23% and that under the FDI Scheme will be limited to 26%. Further, no foreign investor/entity including persons acting in concert will hold more than 5% of the equity in these companies.

2. It had been brought to the notice of the Government that some of the existing Commodity Exchanges had foreign investment above the permitted level, as on the date of issue of the said Press Note and, consequently, the Commodity Exchange(s) would be required to divest foreign equity, equal to the amount by which the cap was being exceeded, in accordance with Press Note 2(2008). Commodity Exchanges were permitted to avail of transition/complying/correction time for this purpose, up to 30.06.2009, vide Press Note 8 of 2008 dated 19 August, 2008. This time limit was further extended up to 30.09.2009, vide Press Note 5(2009) dated 14 May, 2009.

3. Difficulties have been brought to the notice of the government in complying with the provisions of the Press Note within the stipulated time frame. The Government, on consideration and in order to facilitate the existing Commodity Exchanges to comply with the guidelines notified vide Press Note 2(2008), has now decided to allow a further transition / complying/correction time to the existing Commodity exchange(s) beyond 30.09.2009. Accordingly, all such Commodity Exchanges are hereby advised to adhere to the conditions of Press Note 2(2008) by 31.03.2010. This would comprise the last opportunity for such compliance.

4. All Commodity Exchanges shall furnish a status report informing the foreign investment in the Commodity Exchange as on 30.09.2009, along with details of equity structure, as well as the steps already taken/proposed to be taken with regard to compliance with the guidelines notified vide Press Note 2(2008), to the Department of Industrial Policy & Promotion, Department of Consumer Affairs, Foreign Investment Promotion Board, the Forward Market Commission and SEBI.

5. Non-compliance of the conditions of Press Note 2(2008) after 31.03.2010 would be a violation of the Foreign Exchange Management Act, 1999.

Vilrj 26/09/2009
(Gopal Krishna)

Joint Secretary to the Government of India.

D/o IPP F.No. 12(58)/2005-FC dated 26.09.2009

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