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

Press Note No. 8 (2008)

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 has 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.

3. In order to facilitate the existing Commodity Exchanges to comply with the guidelines notified vide Press Note 2(2008), it has now been decided to allow a transition / complying/correction time to the existing Commodity exchange(s). 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). Accordingly, all such Commodity Exchanges are hereby advised to adhere to the conditions of Press Note 2(2008) by 30.6.2009.

4. All Commodity Exchanges shall furnish a compliance report informing the foreign investment in the Commodity Exchange as on 30.6.2009, along with details of equity structure, 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 30.6.2009 would be a violation of the Foreign Exchange Management Act, 1999.

(Gopal Krishna)
Joint Secretary to the Government of India.

D/o IPP F.No. 12(58)/2005-FC dated 19th August 2008