

FMC turns the heat on UCX, orders a forensic audit now

Commodity futures market regulator Forward Markets Commission (FMC) has directed the board of Universal Commodity Exchange (UCX) to appoint audit firm KPMG for conducting a forensic audit of the bourse, after having found last month that its promoter allegedly siphoned off funds from the exchange, a top regulatory official said.

"KPMG has been appointed to run a forensic audit of UCX after it was found prima facie that the latter's promoter Commex Technology siphoned off funds belonging to the bourse's other shareholders, to its group companies," said Ramesh Abhishek, FMC chairman. "One of the main ToRs (terms of reference) of the audit is to trace the funds. It's too early to say anything more," he added when asked to elaborate.

Ketan Sheth, MD, Commex Technology, was not available for comment. The findings of a forensic audit can be provided as evidence in court.

Commex Technology, described as being in the business of IT consulting and software on BSE, holds 40% in UCX. The other key shareholders of the bourse include IDBI Bank (10%), REC (16%) and Nabard (16%). The bourse was set up with a paid-up equity capital of Rs 100 crore. The quantum of funds diverted by Sheth's company from UCX is not clear. REC, Nabard and IDBI Bank will be steering efforts to recover the funds, a government functionary said.

He added that the bourse, which suspended trading last month after having commenced operations a little over a year ago, was unlikely to resume operations, making it potentially the second commex to shut down after Anil Ambani group-anchored Indian Commodity Exchange closed in April this year.

In a filing to the exchange on July 21, Commex Technology said, "...trading activities of Universal Commodity Exchange are suspended temporarily till such time a renewed plan is put in place."

The bourse, which offered futures trading in oil seeds, pulses and crude oil and natural gas, has been plagued by low volumes and participation ever since it commenced operations in April last year. The imposition of a commodity transaction tax on nonfarm futures in July and the negative fallout towards the commodity market from the Rs 5,600-crore NSEL scam further hit its prospects.

CTT and the fallout from NSEL have affected volumes on the national level commodity bourses comprising metals and energy bourse MCX, farm futures exchange NCDEX, steered by the likes of NSE, LIC and Nabard, Kotak promoted Ace, and Ahmedabad-based plantations bourse NMCE.

FTIL, the promoter of NSEL, currently has 15% in MCX, which it is in the process of selling to Kotak group after having been declared unfit to run the bourse because of the scam at its subsidiary NSEL. It has challenged the FMC 'unfit' order of December. MCX has an over 80%

market share in the commodity futures market, followed by NCDEX (10-14%). Ace, NMCE and UCX shared the rest.

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