

Notification issued by the Government on 27.06.1969 u/s 16(1) of the Securities Contract (Regulations) Act, 1956

On 27-6-1969 the Government issued a notification under Section 16(1) of the Securities Contracts (Regulation) Act, 1956 which is as follows:

“S.O. 2561. In exercise of the powers conferred by sub-section (1) of Section 16 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) the Central Government being of opinion that it is necessary to prevent undesirable speculation in securities in the whole of India, hereby declares that no person in the territory to which the said Act extends, shall save with the permission of the Central Government enter into any contract for the sale or purchase of securities other than such spot delivery contract or contract for cash or hand delivery or special delivery in any securities as is permissible under the said Act and the rules, bye-laws and regulations of a recognised stock exchange:

Provided that a contract other than a spot delivery contract or contract for cash or hand delivery or special delivery in any securities on the Cleared Securities List of a recognised stock exchange may be entered into between its members or through or with any such member for the purpose of closing out or liquidating all existing contracts entered into up to the date of this notification and remaining to be performed after the said date, but such contract shall be subject to the rules, bye-laws and regulations of the recognised stock exchange that come into force when further new dealings are prohibited in any securities on the Cleared Securities List and subject also to such terms and conditions, if any as the Central Government may from time to time impose.”

As a result of the aforesaid notification, except for sale or purchase of securities under a spot delivery contract or contract for cash or hand delivery or special delivery, all other contracts were prohibited. As a consequence thereof entering into a forward transaction became illegal.