

Warning on F&O trading

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Mumbai: The government and the regulators should take steps to curb speculative trading and develop a culture of investing for the long term, Nilesh Shah, part-time member of the Economic Advisory Council to the Prime Minister (EAC-PM), said on Friday.

Shah, who is also the managing director of Kotak Mahindra Asset Management Company Ltd, added that long-term capital investment can create wealth for retail investors and Indian companies. He was speaking on the sidelines of an interactive session organised by the Calcutta Chamber of Commerce in Calcutta.

"We should discourage (speculative) trading so that investment thrives. People lose money. If the government is considering higher taxation for futures and options or speculative trading, it is heading in the right direction," he told PTI.

His comments come in the backdrop of reports that the upcoming Union Budget could see the imposition of



Nilesh Shah

higher taxes on transactions for futures & options (F&O). According to media reports, the finance minister may reclassify such transactions as speculative income from non-speculative business income and introduce TDS on them. F&Os are derivative products which derive their values from an underlying asset.

A futures contract is an agreement to buy or sell the underlying security on a future date, while options gives the buyer/holder of the contract the right (but not the obligation) to buy or sell the underlying asset at a predetermined price within or at end of a specified period.

In his presentation, Shah equated F&O with cryptocurrencies, online games, and Ponzi schemes.