FPI Participation in the Indian Commodity Derivatives Market

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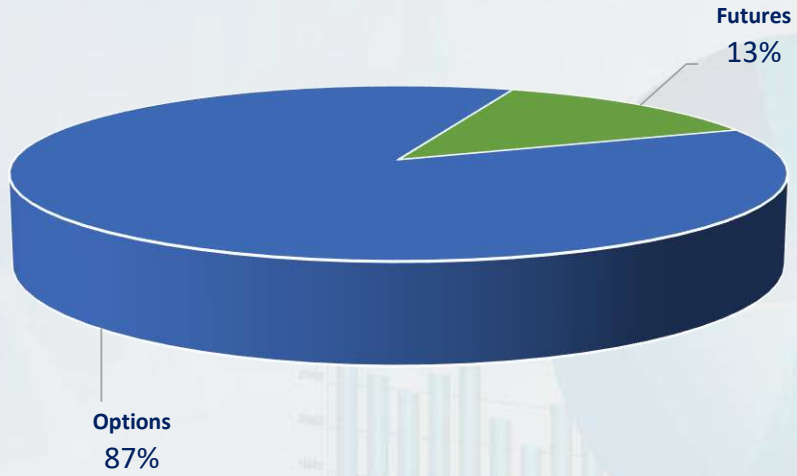
INDIAN COMMODITY DERIVATIVES MARKET CURRENT LANDSCAPE

- As per SEBI commodity derivatives market turnover stood at USD 33 billion in 2024-25
- MCX contributed 98.5% of overall commodity derivatives turnover
- While India being one of the largest globally in the commodity derivatives space still there is immense scope for growth
- Focus to make India a **“price setter”**
- Government working on transforming commodity market by addressing policy impediments like integration of spot and futures market

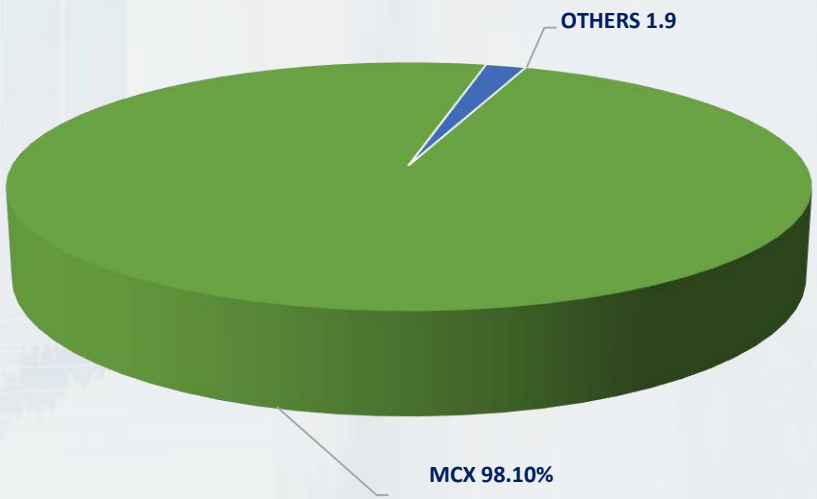
COMMODITY DERIVATIVES MARKET IN INDIA

COMMODITY DERIVATIVES MARKET IN INDIA FY 24-25



- In FY 2024-25 – Indian Commodity Market ADT was $26.1 Billion
- Average Daily Turnover (ADT) Futures & Options - $4.8 and 36 Billion respectively

MCX SHARE IN COMMODITY DERIVATIVES MARKET FY 24-25



- In FY 2024-25 – MCX ADT was $25.5 Billion
- ADT Futures & Options was - $4.6 and 35 Billion respectively
- Crude, Natural Gas, Gold and Silver forms 88% of MCX turn over

Ranks MCX as
World's Largest Commodity Options Exchange
in terms of
Number of Contracts Traded
in **2024**

ABOUT MCX

MCX KEY MILESTONE

2002 - 2005

- Licensing agreement with LME
- Commenced operations on November 10, 2003
- Incorporated in 2002

2006 - 2008

- Product licensing agreement with NYMEX (CME Group)
- Became a member of the International Organisation of Securities Commissions (IOSCO)

2012 - 2015

- Sign MoU with CME Group
- Change in Top Management and Board
- Became India's first listed exchange

2017 - 2019

- Launched first-ever Options on Gold futures in India
- MCXCCL commenced operations from Sept 03, 2018
- Conversion of base metal futures contracts into compulsory deliverable contracts
- Launched new series of iComdex commodity indices

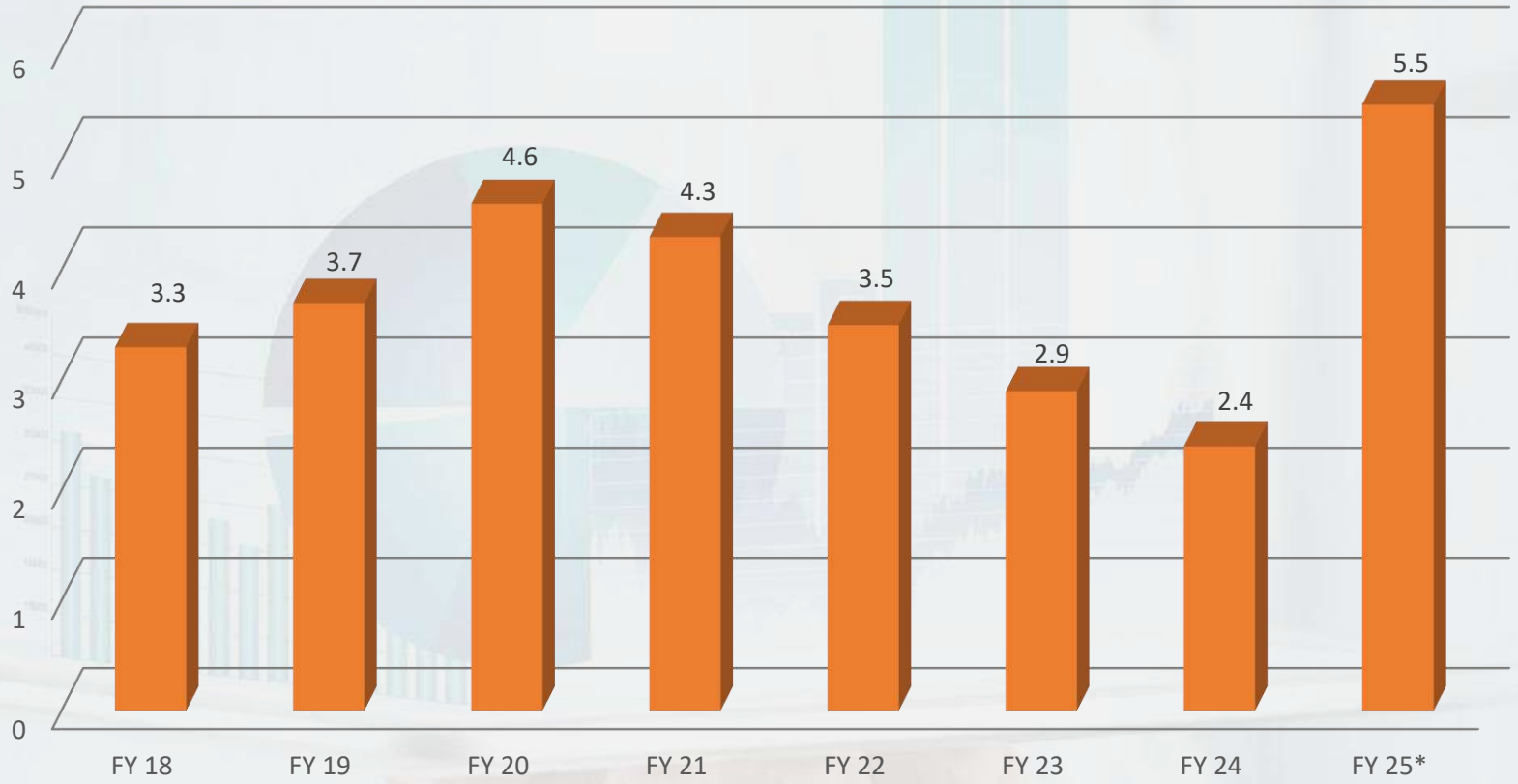
2020 - 2024

- Go Live of new Commodity Derivatives Platform on Oct 16, 2023
- Launch of Mini Base Metal and Energy Products (Deliverable)
- Launched trading in iCOMDEX Sectoral Index future
- Empaneled domestic refiners for good delivery of gold & Lead
- MCX joined other MIIs to set up IIBX at GIFT City
- Licensing agreement with Indian Energy Exchange (IEX)
- Signed consultancy agreement with CSE to establish Bangladesh's first Commodity Exchange

GROWTH IN MCX FUTURES SEGMENT

MCX METAL & ENERGY Trade with Trust

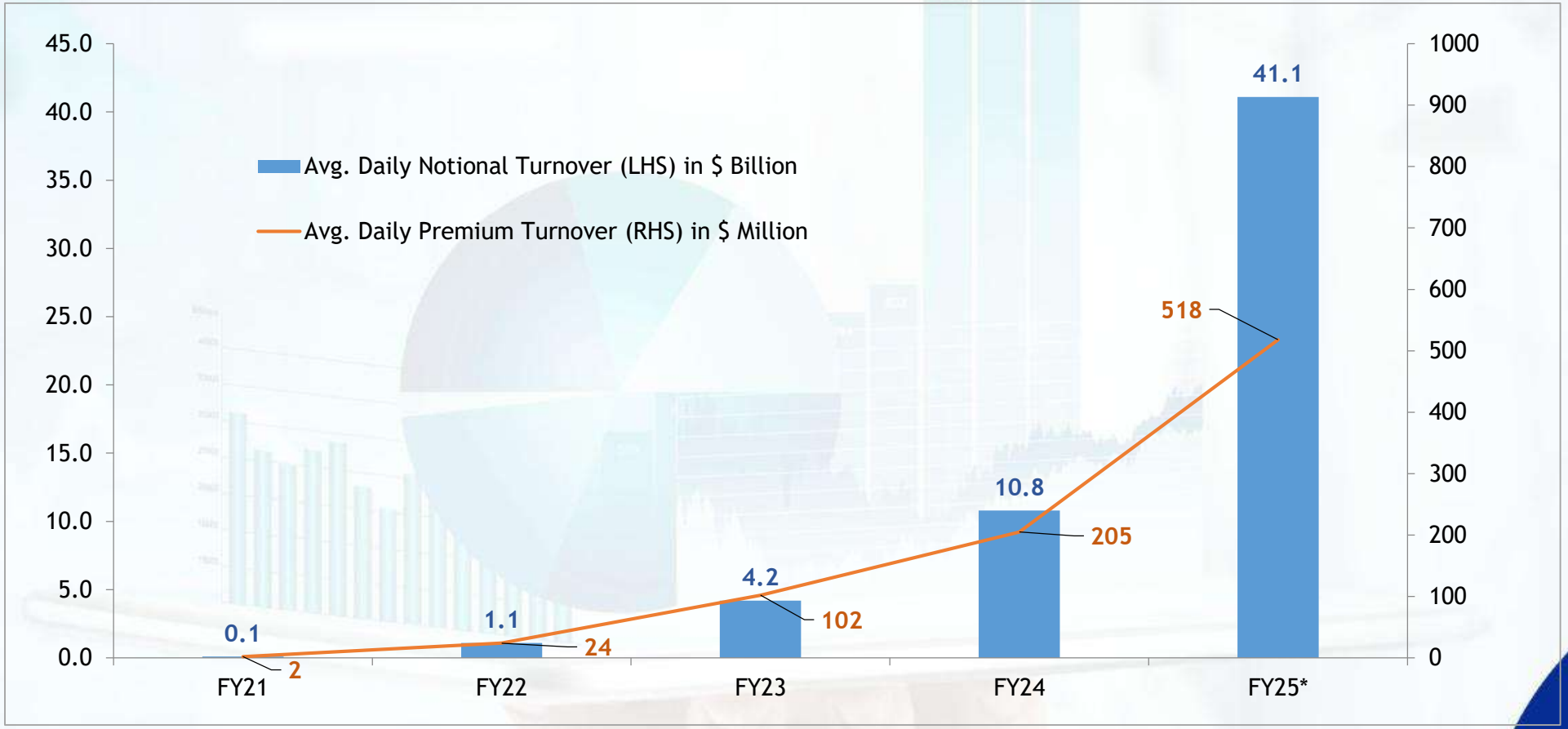
MCX ADT SINGLE SIDE IN FUTURES (USD BILLION)



* Till October 2025

GROWTH IN MCX OPTIONS SEGMENT

GROWTH OF MCX ADT IN OPTIONS AND PREMIUM TURNOVER



* Till October 2025



FPI PARTICIPATION AND CONTRACTS

COMMODITIES TRADED IN MCX

MCX METAL & ENERGY Trade with Trust



Bullion

Futures

Gold
(1 Kg, 100 gram, 8 gms & 1 gms)

Silver
(30 Kg, 5 Kg & 1 Kg)

Options:

Gold
(1 Kg, 100 gms)

Silver
(30 Kg & 5 Kg)



Energy

Futures

Aluminium
(5 & 1 MT)

Copper *(2.5 MT)*

Lead *(5 & 1MT)*

Nickel *(1.5 MT)*

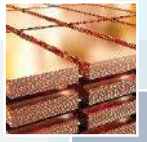
Zinc *(5 & 1 MT)*

Steel Rebar
(5 MT)

Options:

Copper *(5 MT)*

Zinc *(5 MT)*



Base Metals

Futures

Crude Oil
*(100 & 10 barrels)**

Natural Gas
*(1250 & 250 mmBtu)**

Options:

Crude Oil
*(100 & 10 bbls)**

Natural Gas
*(1250 & 250 mmBtu)**



Agri

Futures

Cotton
(25 bales, each bale of 170 kg approx.

Kapas
*(4MT)**

Mentha Oil
(360 Kg)

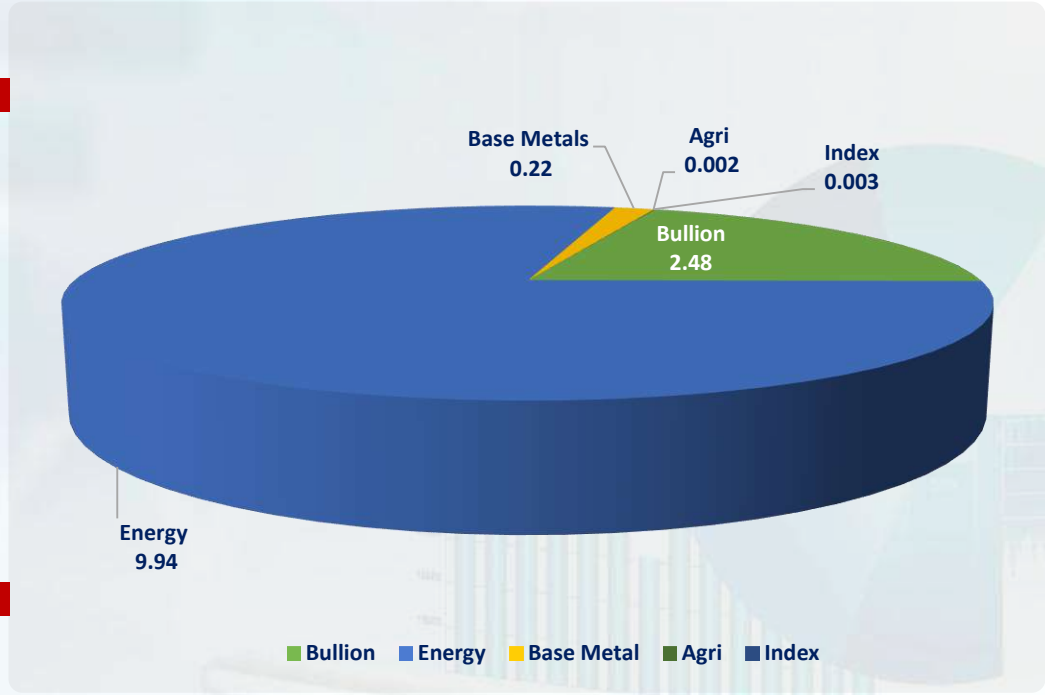
Cotton Wash Oil
*(5MT)**

**Cash settled | All other contracts are compulsory delivery contracts*

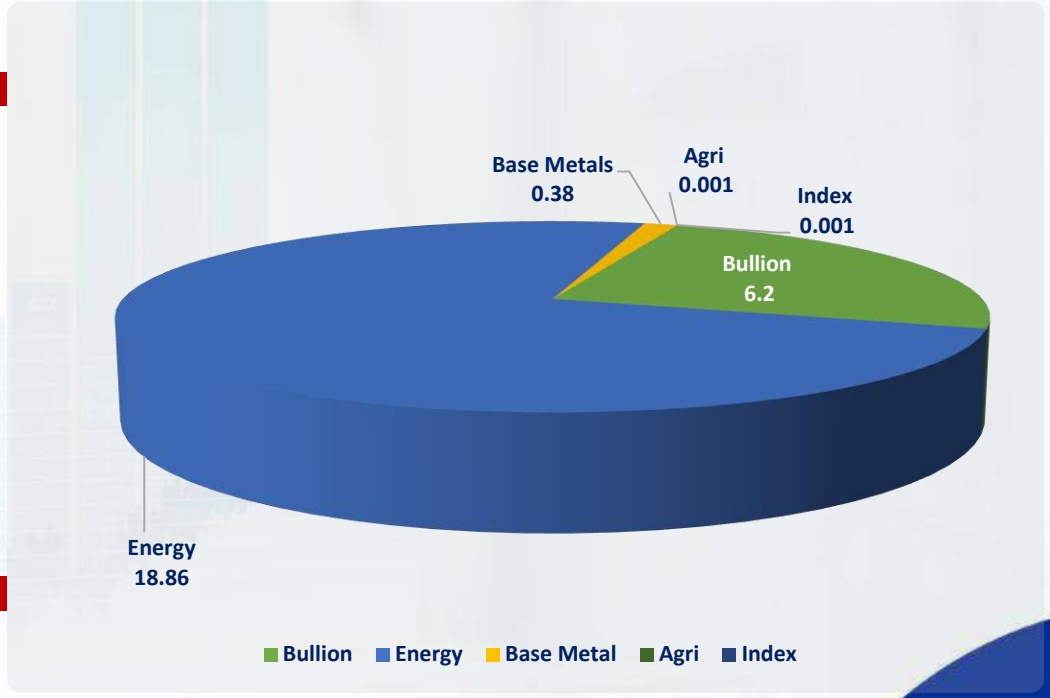
MCX has also launched futures trading in Bullion Index (BULLDEX)* & Base Metals Index (METLDEX)*

MCX TURN OVER BREAK UP

MCX COMMODITY WISE ADT BREAKUP
FY 23-24 (USD BILLION)



MCX COMMODITY WISE ADT BREAK UP 24-25
(USD BILLION)



- In FY 2024-25 Energy Futures & Options contributed close to USD 19 Billion of turnover on MCX

SEBI CLEARS FPI PARTICIPATION IN ETCD MARKET

- FPIs are allowed to participate in Indian Exchange Traded Commodity Derivatives (ETCDs), subject to certain risk management measures;
- Participation through FPI route with or without actual exposure to Indian physical commodities;
- To begin with FPIs are allowed to trade only in following non-agricultural cash settled contracts;
  - WTI Crude Oil Futures and Options
  - Natural Gas Futures and Options
- Direct Market Access (DMA) is available

HOW FPIS CAN PARTICIPATE

1. **FPI route – FPI registration in Category 1, Category 2A, 2B**

2. **Register a local establishment and / or**

   (A) take up membership of MCX

   - Trading Membership
   - Trading cum Clearing Membership
   - Institutional Trading cum Clearing Membership

   (B) trade as a client with a member broker of MCX

FPI REGISTRATION WITH EXCHANGE

- FPI – Cat 1 to be full client level limit position limit
- FPI – Cat 2 the position limit will be 20% of client level limit
- Clearing Member move application to MCXCCL for CP code allotment on behalf of FPI
- CM has to submit CP-CM agreement, FPI registration certificate, and FPI KYC
- CM can download the obligation file for the FPI
- CM want existing CP code should mention the same in application
- Trading member who would place trade for FPI should apply with the CP Code to exchange for allotment of UCC
- CM would approve and reject all trade with stipulated time and approve trade forms part of obligation
- If CP wants to change CM then an agreement should as per Annexure 1 sent to MCXCCCL of new CM and letter from the outgoing CM

POSITION LIMITS FOR FPI*^

COMMODITY	CONTRACT SIZE	QUOTATION	CLIENT LEVEL LIMIT (CLL) FOR FPIS*^	~OCTOBER 2025 PRICE Avg (RS)	MAX OI VALUE (CLOSE PRICE X CLL) IN USD MILLION	TOTAL MARGIN (APPROX.)	MAX MARGIN REQUIREMENT IN USD MILLION (MAX OI VALUE X MARGIN)	OTHER FPIS (INDIVIDUALS, FAMILY OFFICES AND CORPORATE BODIES)
Crude Oil Futures	100 barrels/ 10 barrels	barrels^	4,80,000	5,325	29	35.40%	10.3	20% of client limit
Crude Oil Options$	100 barrels/ 10 barrels	barrels^	9,60,000	5,325	58	35.40%	20.6	20% of client limit
Natural Gas Futures	1,250 & 250 MMBtu	MMBtu^	60,00,000	310	21	19.49%	4.1	20% of client limit
Natural Gas Options$	1,250 & 250 MMBtu	MMBtu^	1,20,00,000	310	42	19.49%	8.2	20% of client limit

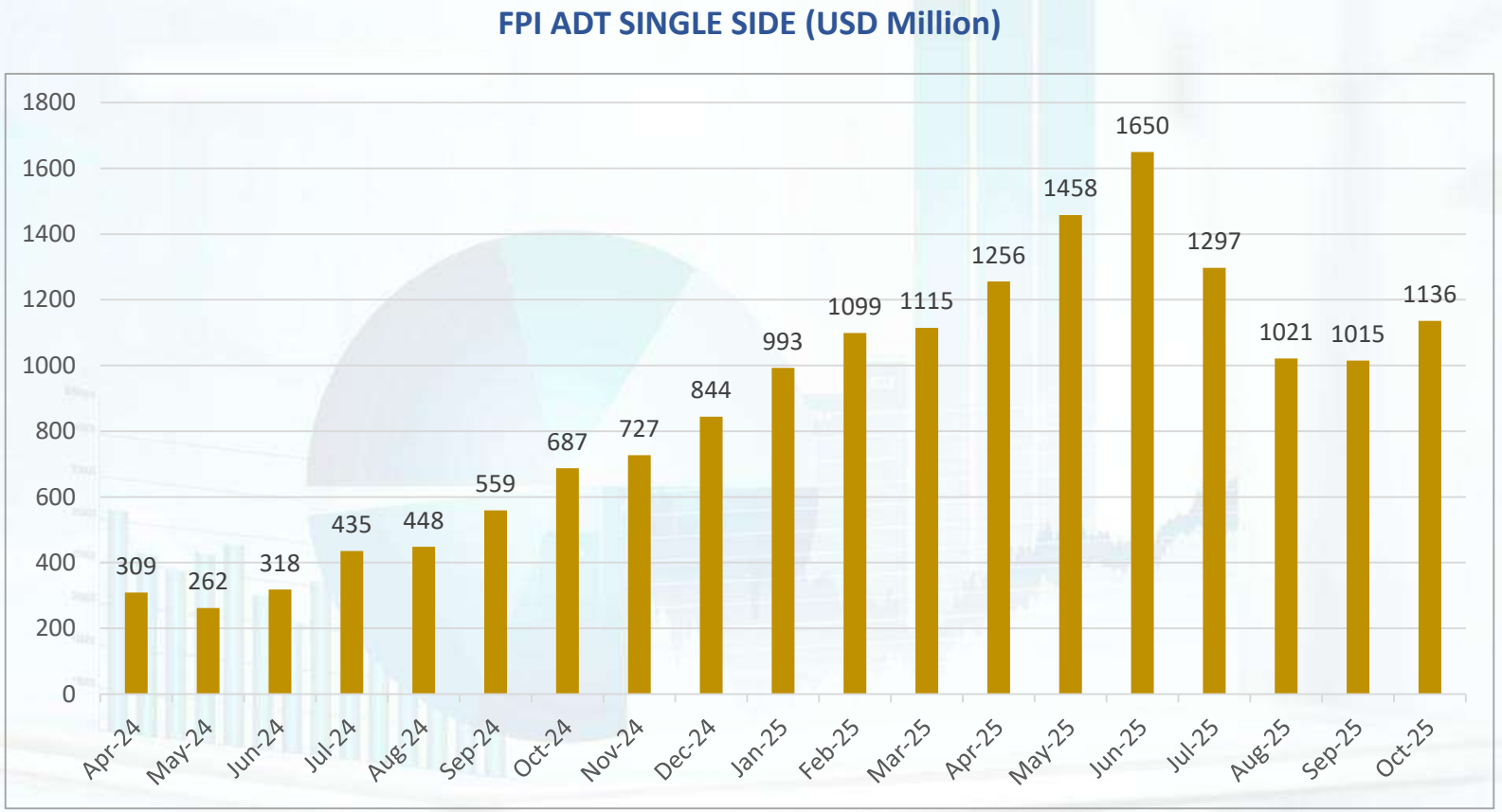
* For Cat 2 FPI (individuals, family offices and corporate bodies), 20% of the limit will be applicable, refer SEBI circular no SEBI/HO/MRD/MRD-RAC-1/P/CIR/2022/131 dated Sep 29, 2022

^ Above given limit Or 5% of the market wide open position, whichever is higher

$ Options on futures expires two business days prior to the expiry day of the underlying Futures Contract. Upon expiry of the Options Contract, after devolvement of Options position into corresponding Futures positions, open positions may exceed. If the OI on devolvement exceeds permissible limits, it needs to be bought within permissible limits in an orderly manner before the expiry of the futures contract

- Margins are considered for near month contracts, in far dated illiquid contracts margins can be higher
- USDINR assumed @ INR 88.00 = 1 USD

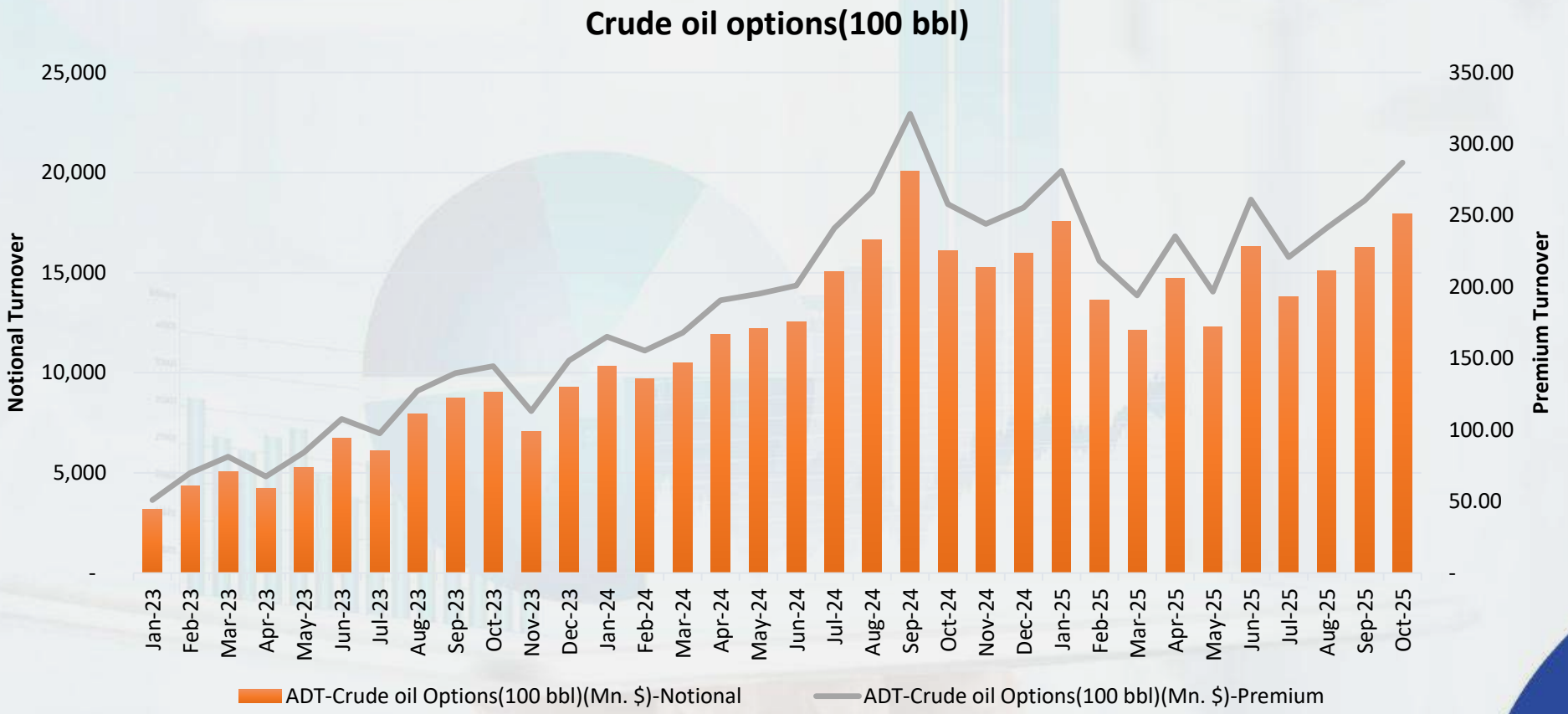
FPIS TURNOVER ON MCX IN $ MILLION



FPIs – Turnover in Crude & Natural Gas (Both Futures & Option)

GROWTH IN MCX CRUDE OIL OPTIONS

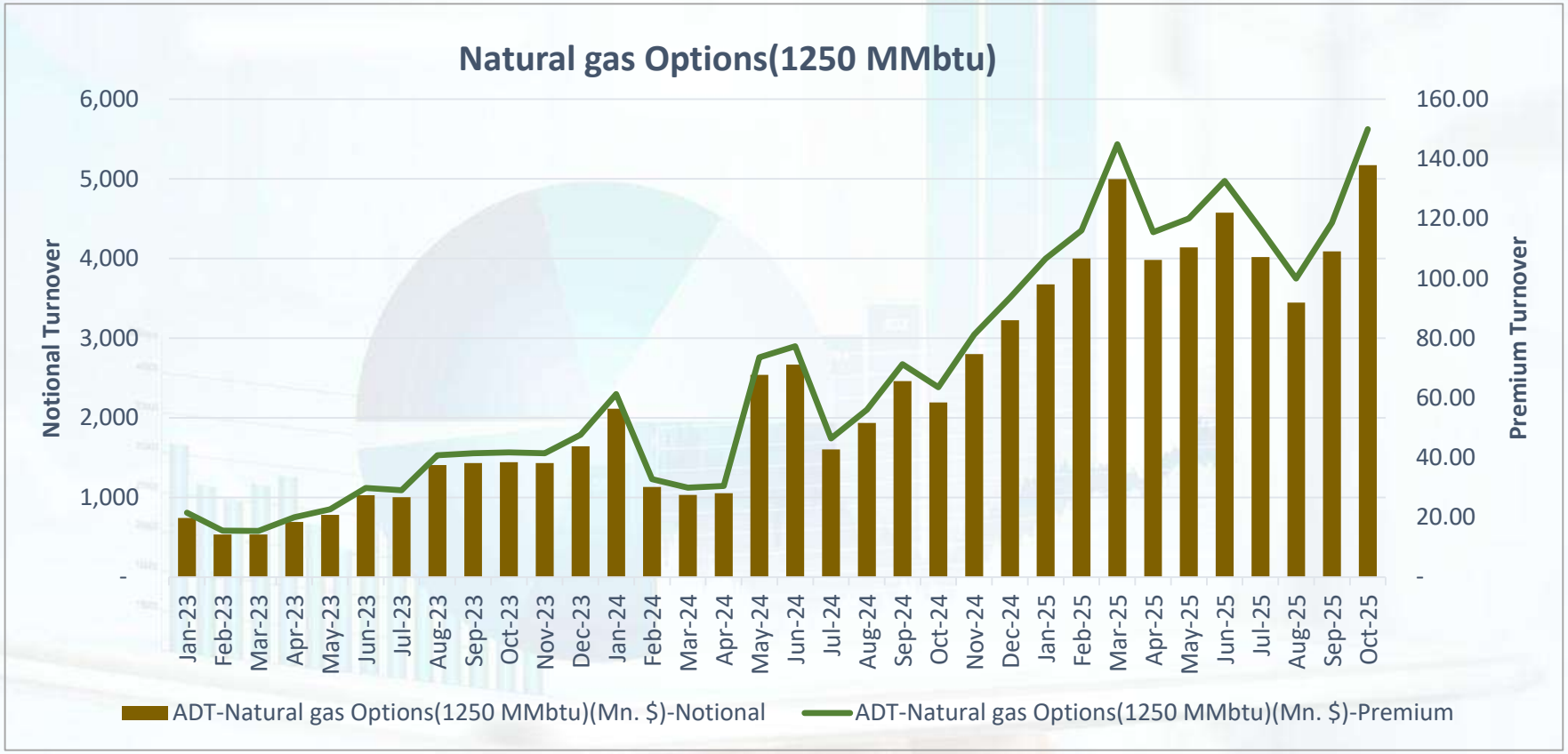
CRUDE OIL OPTIONS : SINGLE SIDE ADT – NOTIONAL AND PREMIUM TURN OVER (USD MILLION)



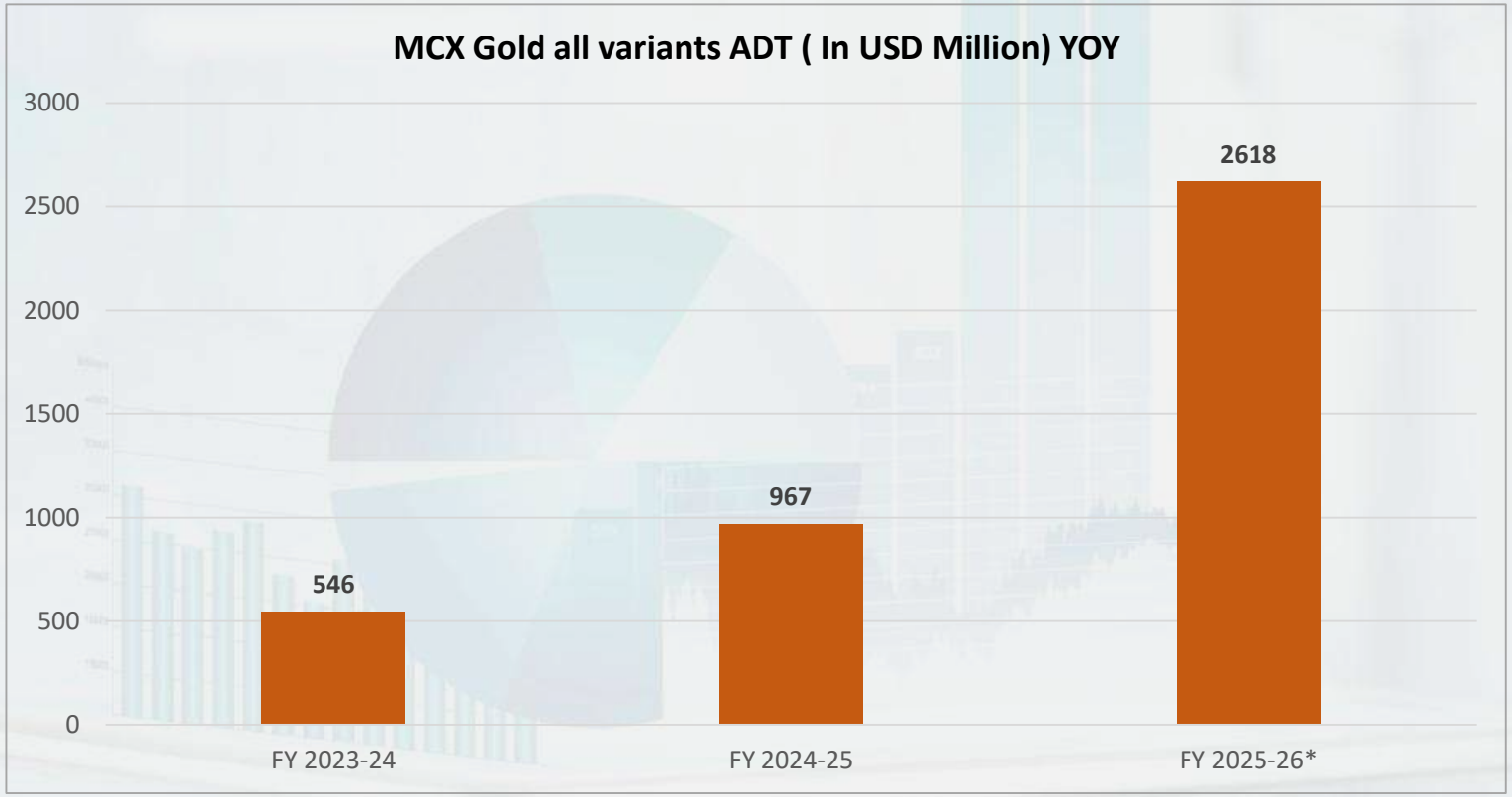
GROWTH IN MCX NATURAL GAS OPTIONS

MCX METAL & ENERGY Trade with Trust

Natural Gas Options: SINGLE SIDE ADT – Notional and Premium Turnover (USD Million)

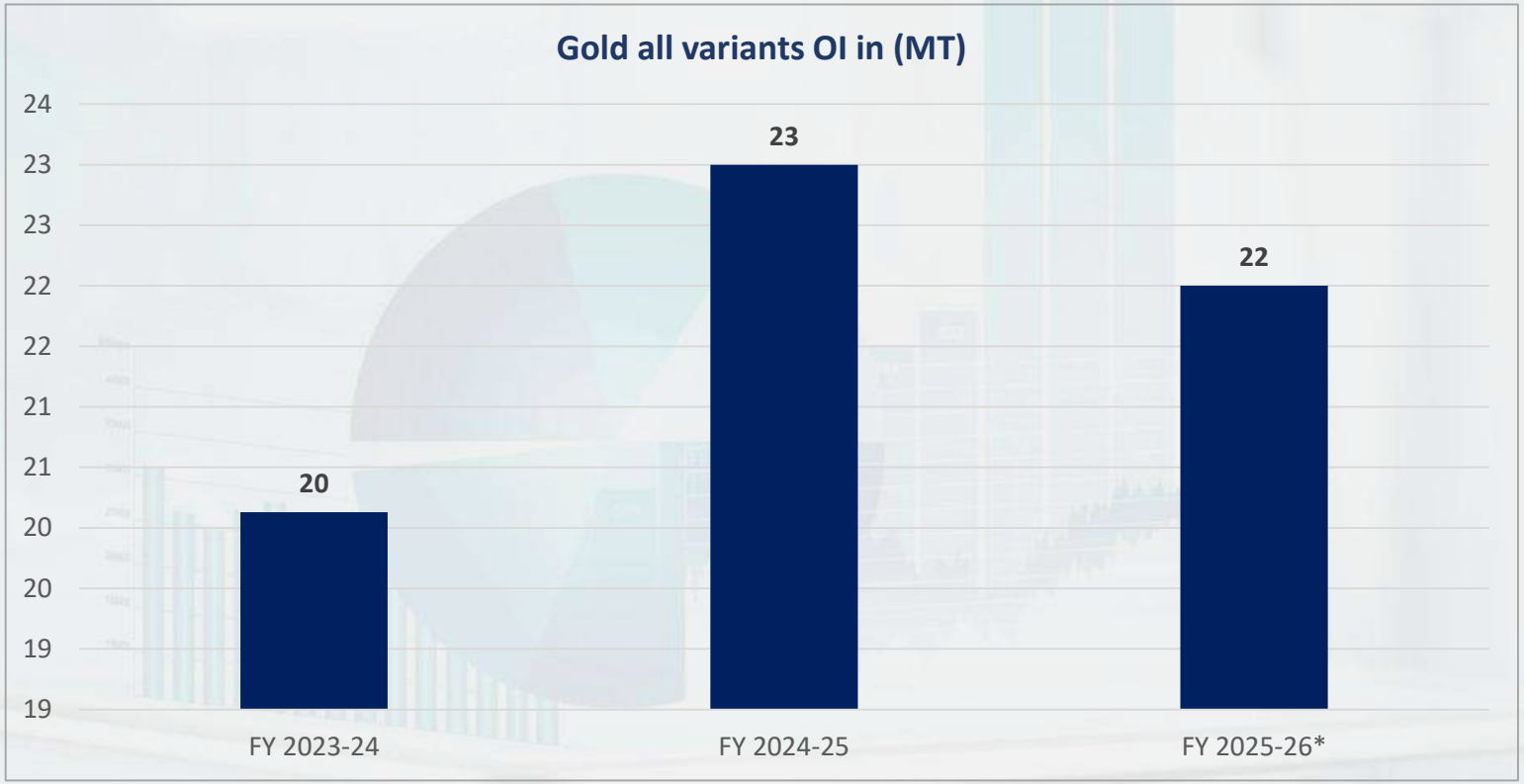


GROWTH IN MCX GOLD ADT Y-O-Y



* Till October 2025

GROWTH IN MCX GOLD OI Y-O-Y (IN MT)



* Till October 2025



FUTURES & OPTIONS – CRUDE OIL & NATURAL GAS

COMPARISON TO INTERNATIONAL EXCHANGE CONTRACTS

Public

CONTRACT SPECIFICATIONS - FUTURES

PARAMETERS	CRUDE OIL	CRUDE OIL MINI	NATURAL GAS	NATURAL GAS MINI
Trading Unit	100 Barrels	10 Barrels	1,250 mmBtu	250 mmBtu
Price Quotation	Rs./bbl		Rs./MMBtu	
Tick Size	Re. 1		10 paise	
Price Movement per Tick (in Rs.)	100	10	125	25
Initial Margin (in %)	Minimum 10% or based on SPAN whichever is higher			
Extreme Loss Margin	Minimum 1-%			
Open Interest Limit – Client*	4,80,000 barrels or 5% of the market wide open position, whichever is higher		60,00,000 mmBtu Or 5% of the market wide open position, whichever is higher	
Due Date Rate	(NYMEX)# Crude Oil (CL) X RBI Ref Rate		(NYMEX)# Natural Gas (NG) X RBI Ref Rate	

*For FPIs falling under the category of individuals, family offices and corporate, OI limits are 20% of the above

OPTIONS ON CRUDE OIL FUTURES

EXPIRY DAY	2 business days prior to the Expiry day of the underlying
UNDERLYING PRICE QUOTE	Ex-Mumbai (excl. all taxes & levies)
EXERCISE STYLE	European Style options
STRIKE PRICE	25 each for ITM & OTM & 1 for Near the money
STRIKE INTERVAL	50
TICK SIZE	0.1
DAILY PRICE LIMIT	The upper & lower price band as determined based on Black76 model, relaxed considering the movement in the underlying
INITIAL MARGINS + ELM	• Upfront Premium blocked for the buyer • The Short Option Minimum Margin (SOMM) and Margin Period of Risk (MPOR) shall be in accordance with SEBI Circular no. SEBI/HO/CDMRD/DRMP/CIR/P/2020/15 dated January 27, 2020. For applicable SOMM and MPOR refer latest circulars issued by MCXCCL from time to time. • Extreme Loss Margin – Minimum 1% (to be levied only on short option positions)
POSITION LIMITS*	Client: 9,60,000 barrels or 5% of the market wide open position, whichever is higher for all Crude Oil Options contracts combined
DAILY SETTLEMENT	• Options Premium settlement on T+1 day basis
SETTLEMENT	On exercise, Options positions devolve into underlying Futures position • long call position & short put position devolve into long position in the underlying futures contract • long put position & short call position devolve into short position in the underlying futures contract

*For FPIs falling under the category of individuals, family offices and corporate, OI limits are 20% of the above

OPTIONS ON NATURAL GAS FUTURES

EXPIRY DAY	2 business days prior to the Expiry day of the underlying
UNDERLYING PRICE QUOTE	Ex-Mumbai (excl. all taxes & levies)
EXERCISE STYLE	European Style options
STRIKE PRICE	15 each for ITM & OTM & 1 for Near the month
STRIKE INTERVAL	Rs. 5
TICK SIZE	Rs. 0.05
DAILY PRICE LIMIT	The upper & lower price band as determined based on Black76 model, relaxed considering the movement in the underlying
INITIAL MARGINS + ELM	• Upfront Premium blocked for the buyer • Short Option Minimum Margin – 10% (or such other margin as prescribed by MCXCCL based on risk framework) + Extreme Loss Margin – Minimum 1% (or such other margin as prescribed by MCXCCL based on risk framework)
POSITION LIMITS*	120,00,000 MMBtu or 5% of the market wide open position, whichever is higher for all Natural Gas Options Contracts combined together
DAILY SETTLEMENT	• Options Premium settlement on T+1 day basis
SETTLEMENT	On exercise, Options positions devolve into underlying Futures position • long call position & short put position devolve into long position in the underlying futures contract • long put position & short call position devolve into short position in the underlying futures contract

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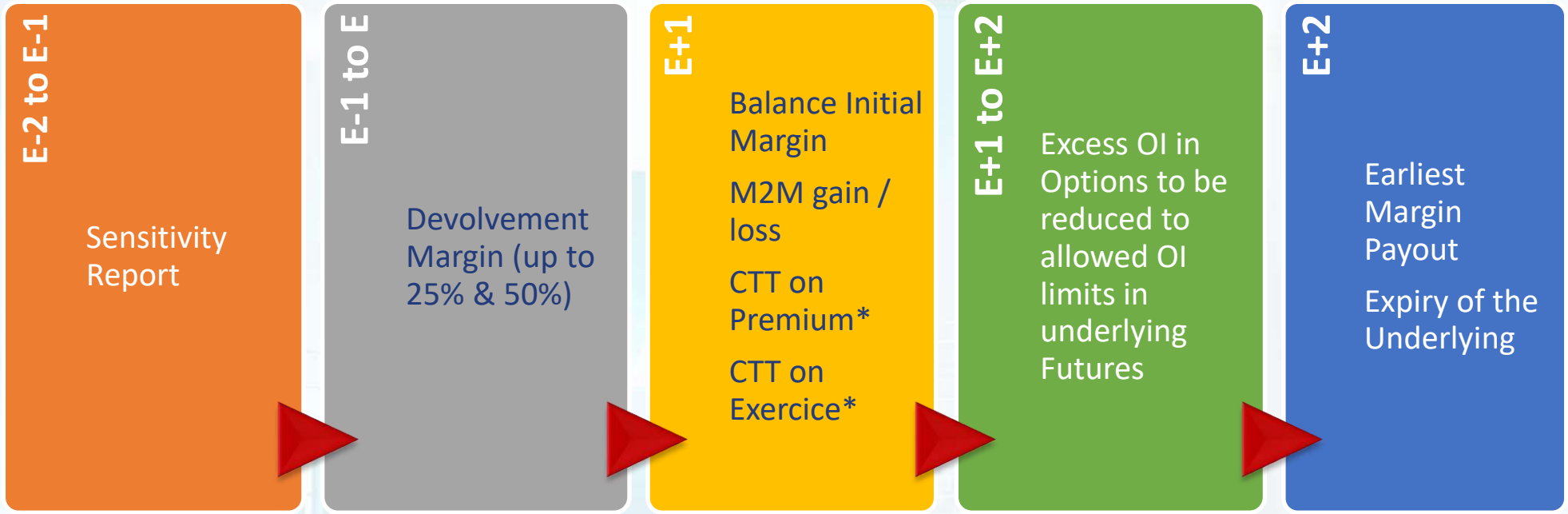
OPTIONS DEVOLVEMENT
(EXPIRY (E) & DEVOLVEMENT TO FUTURES – E+1)



CTT on Premium (sellers of call / puts)	0.05%
CTT on Exercise (buyers of call / puts) – applied on notional value of futures contracts	0.0001%

MEMBERSHIP REQUIREMENTS AT MCX

S. NO	PARTICULARS	~USD
A	Paid-up Capital	36,000
B	Networth	
	• TM	1,20,000
	• TCM	6,00,000
	• ITCM	18,00,000
C	Base Minimum Capital	
	• With Algo	60,000
	• Without Algo	12,000
D	Admission Fee (Non Refundable)	
	• TM	9,000
	• TCM	12,000
	• ITCM	30,000

Timelines – 3/4 months approximately
~Approximate Amount
For Details Click on this link

FAQ

- Can trading member extend Internet based trading facility to FPI outside of India and what is the process to become a Trading Member
  - Refer to MCX Circular dated 03-May-2007 for CTCL Release of Broadcast Interface document to Members, Circular No: 174

- If a trading member has taken an Algo approval from the exchange can he extend the same Algo to FPI clients
  - There is no further approval required. Exchange provides approval to Trading Member, refer to below link for more details https://www.mcxindia.com/technology/ctcl/algorithmic-trading-facility

- What is the process for FPI client registration in exchange?
  - Clearing Members have to submit FPI registration certificate, Copy of the agreement between FPI and Custodian, Application form for CP code allotment and copy of PAN card to MCXCCL

- Whether existing TCM can clear trades of FPIs or they will have to upgrade to ITCM
  - No TCM cannot clear trade for FPI they will have to upgrade.

- If the existing FPI has a CP code allocated from other exchange can he get the same code
  - Yes same code can be allocated need to share it during the registration process

THANK YOU