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NYSE plans local entry, to acquire 5% stake in MCX

Apurv Gupta
MUMBAI



NEW York Stock Exchange (NYSE), the world's biggest bourse, will pick up 5% stake in Multi Commodity Exchange (MCX) — India's largest commodity exchange.

The proposed transaction, expected to be announced this week, closely follows the government's decision to formalise the foreign ownership structure in commodity exchanges.

Under the new policy, total foreign holding in a comex can be 49%, with a cap of 23% for overseas portfolio investors and 26% for foreign direct investment (FDI).

MCX, it may be recalled, was the first exchange to attract foreign investment. US fund Fidelity had picked up 9% in the exchange. Some of the other leading investors in Indian commodity exchanges are Goldman Sachs and Inter-Continental Exchange (ICE) Atlanta which bought equity in NCDEX — the other Mumbai-based commodity exchange.

The size of the deal with NYSE is not known. But a recent transaction in MCX had put the valuation of the exchange at around $1 billion. MCX is promoted by Mumbai-based Financial Technologies (FTIL). FTIL shares rose 4% to close at Rs 2,093 on Thursday.

When contacted, an MCX spokesperson declined to comment. **ET** had earlier reported that NYSE and the New York Mercantile Exchange (Nymex) were awaiting policy guidelines on foreign investment in local commodity exchanges.

MCX is also preparing to hit the primary market with an initial public offering (IPO). The commodity exchange is likely to announce its long-awaited IPO shortly. Sources said MCX would sell 10% stake, through a mix of fresh shares and an offer for sale, to raise around Rs 500-600 crore.

According to sources, fresh shares will contribute the majority of the offering while the offer for sale will account for 2-3%. The issue is being managed by DSP Merrill Lynch, Kotak Securities and Enam Financial. MCX has been mulling over listing on local bourses for the past two years.

Sources said IPO would provide some of its Indian and foreign investors an exit route. Besides Fidelity, other foreign investors are Merrill Lynch, Citi, US-based Passport Capital and UK-based fund GLG. There is no clarity in the present policy as to whether an existing foreign investor will have to lower its stake to 5%.

Sources said while the Department of Consumer Affairs and the commodity market regulator FMC think that 5% is too low, the Reserve Bank of India and finance ministry feel that existing foreign investors with over 5% holding should be allowed to lower the stake over a period of time.

However, there is no policy clarity on the maximum stake permissible to a domestic investor. Some of the local institutions, which have recently bought stake in MCX are ICICI, IL&FS and Kotak.

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