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MCX to work on illiquid and agri-contracts in its 7th year

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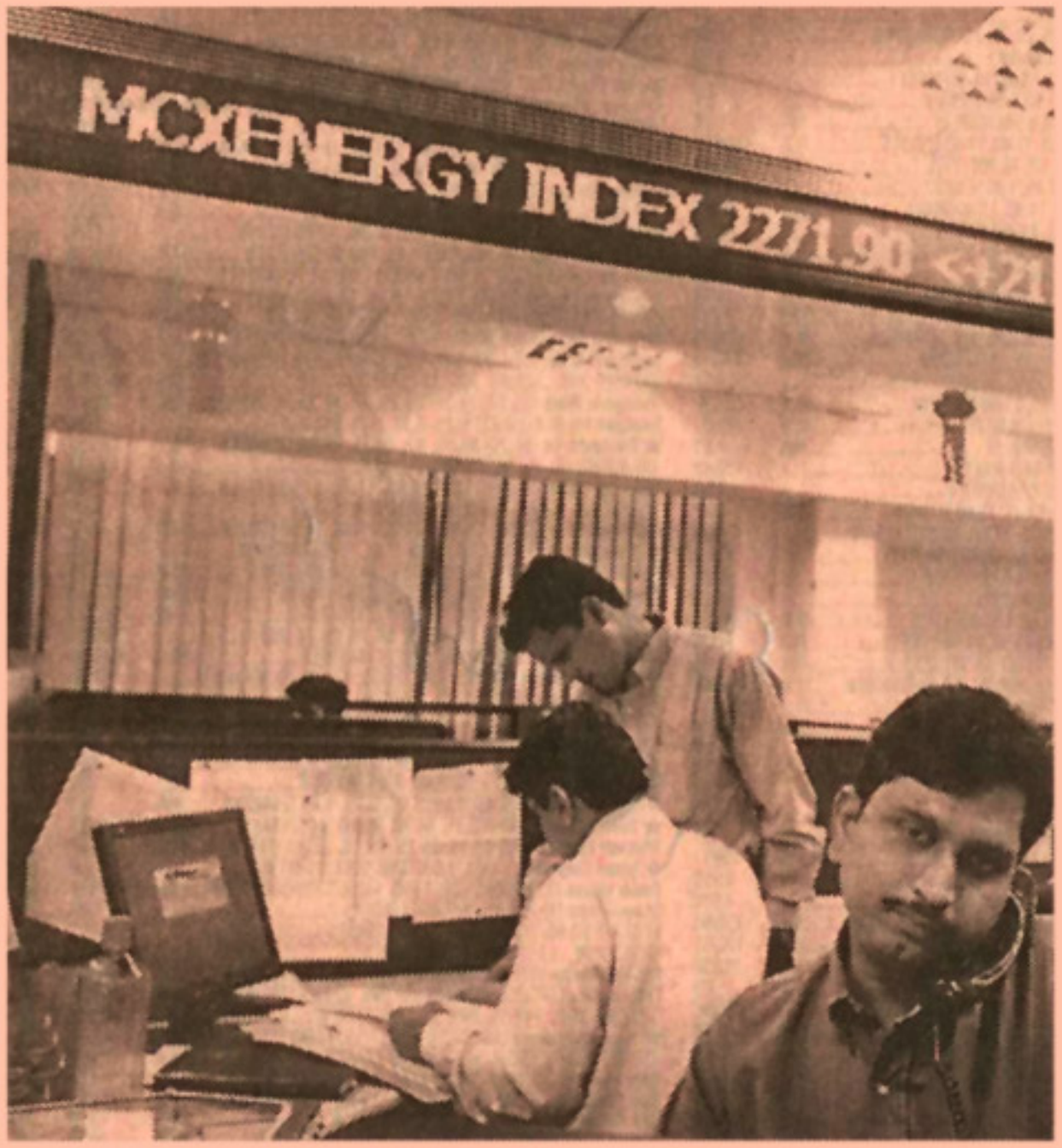
The Multi Commodity Exchange (MCX) of India, the country's largest commodity exchange by turnover, aims to strengthen its presence in agricultural products and also to work extensively on illiquid contracts in its seventh year.

Started with a basket of three commodities — gold, silver and castorseed — on November 10, 2003, MCX completed six years of live trading operations in commodities on Tuesday.

"Nothing new is planned in the seventh year. The routing work and promotion of agri commodities would continue, as well as to offer a transparent and trader-friendly, risk-free, price discovery mechanism of commodities," said Lamon Rutten, MD.

There is no plan to launch new contracts as of now, he said.

The exchange offers trading in 45 commodities, of which 24 are liquid ones. Of the liquid contracts, a basket of bullion, energy and a couple of agri commodities have picked up most of the volumes on the exchange platform. MCX's share in the overall turnover of the online commodity derivatives trade, at Rs 40,642.5 billion so far this financial year, was at 83 per cent or Rs 33,705.3 billion.



The exchange has decided to work towards activating illiquid contracts

With the continuous innovation of contracts, the exchange maintained its market share, which was 85 per cent in 2004.

The exchange achieved the first milestone of Rs 100 crore of turnover within 70 days of its launch, with robust trading in gold and silver.

In the past six years, the exchange tied up with a number of domestic and global exchanges, including the London Metal Exchange and NYSE Euronext.

The exchange has decided to work in phases towards activating illiquid contracts. According to Rutten, it has identified five such commodities: cotton, guarseed, soybean, steel and crude palm oil, and started sending its teams to production and consumption areas. The exchange is also in talks with various associations and local trade bodies, and plans to development one-on-one meets with various stakeholders of the commodity trades.

"These contracts are traded on other exchanges. We are trying to bring them on MCX as well and, hopefully, some positive result will come soon," Rutten added.

The exchange has emerged as first in silver, second in gold and third in crude oil, copper, zinc and natural gas in terms of number of contracts traded in 2008.