MCX gives Diwali gift to traders, slashes transaction charges

From Nov 2 the exchange will cut transaction charges for turnover of up to Rs 250 crore to Rs 2.50 paise

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New Delhi, Oct 17: India's largest commodity bourse Multi Commodity Exchange (MCX), on Saturday decided to significantly reduce and simplify transaction charges levied for all futures contracts across commodities traded on the exchange.

According to a new circular, from November 2 the exchange will reduce the transaction charges for turnover of up to Rs 250 crore to Rs 2.50 paise per Rs 1 lakh turnover, from the existing charges of Rs 4.

Similarly, the charges for trading in the range of Rs 250 crore to Rs 1,000 crore would henceforth attract Rs 1.25 per Rs 1 lakh turnover, instead of the current Rs 3.

The transaction fee of an exchange is required to be paid by members based on their daily turnover in all the contracts traded on the exchange. The fee is charged on per Rs 1 lakh of the turnover value. Besides, MCX has simplified its transaction structures by restructuring the existing slabs to – below Rs 250 crore — Rs 1,000 crore or above. Earlier the exchange had slabs of Rs 20 crore to Rs 100 crore, Rs 100 crore to Rs 300 crore and Rs 300 crore & above.

New transaction charges

Average daily turonver	Transaction fee rates (per Rs 1 lakh of turnover)
Up to Rs 250 crore	Rs 2.50
Rs 250 crore – Rs 1000 crore	Rs 1.25
Beyond Rs 1000 crore	Rs 1.00
Earlier transaction charges	
Up to Rs 20 crore	Rs 4
Rs 20 crore – Rs 100 crore	Rs 3
Rs 100 crore – Rs 300 crore	Rs 2
Rs 300 crore above	Rs 1

"The impact of the reduction in transaction would bring down the cost of transaction for large number of small and midsized brokers by up to 50% and it would benefit millions of commodity market participants," an MCX official told *FE*.

MCX, which has a major share in energy and metal commodities, had changed the transaction fee structure a year ago. The exchange has a daily turnover of more than Rs 20,000 crore.

Transaction charges are key component of the functioning of futures market as this directly adds to the cost of hedging which is similar to insurance, a trader said.

Earlier this year, the Bombay High Court had dismissed the petition filed by NCDEX over slashing of transaction rates by the exchange. Faced with a sharp decline in turnover, NCDEX had created two slabs for exchange rates - before 5 pm and after 5 pm. But Forward Market Commission (FMC) had taken exception to the new rate regime. Then FMC had said it might affect the business of two other commodity exchanges adversely. Another bourse, National Commodity and Derivatives Exchange(NCDEX), had also approached Bombay High Court. NCDEX has daily turnover of Rs 2,000 crore. The third national exchange, National Multi Commodity Exchange (NMCE) had restructured its transaction charges in October 2008.

India's commodity futures markets, dominated by MCX, NCDEX and NMCE had clocked a turnover of over Rs 35,000 crore in 2008-09 and is all set to rise to over Rs 40,000 crore despite bans on several commodities and curb on future trading in others. Earlier this year, the Centre had suspended futures trading in sugar, one of the high volume grossers in the exchange because over allegations that the futures market were fuelling speculative activity in spot markets as well.