Economic Times, 29 January 2011

MCX, ICEX to start ore futures

Our Bureau
MUMBAI

METALS and energy exchange MCX and Indiabulls-founded ICEX will begin offering iron-ore futures trading from Saturday, a day after getting the nod from the Forward Markets Commission (FMC). While the two bourses will launch similar quality of iron-ore fines, with 62% iron content and a margin to trade of 8% (MCX has also included value at risk margin and will take higher of the two) there are some differences in the contract specifications.

The price quote for MCX will be FOB Chennai, while that of ICEX will be CFR China Port (North China), inclusive of all levies applicable in India. The trading unit at 100 dry metric tonnes (DMT) is similar, however, the tick size — the minimum price a contract can move either side — has been fixed at Re 1 per DMT by MCX and Re 0.5 by ICEX. Both the contracts give the right to the seller as well as the buyer to give or take delivery.

In the case of ICEX, the delivery unit is a fourth of MCX's 20,000 DMT. Even the member limit differs, with MCX fixing it at 3 million DMT against 3,75,000 DMT by ICEX. MCX and ICEX will both launch 12 monthly contracts each, with MCX's near month being February and ICEX's being March.

Brokers said that the success of the contracts would depend on industry participation. "They will need to attract industry players to build liquidity," said Suresh Nair, director Admisi Commodities while Navin Mathur, associate director (commodities & currencies) Angel Broking said that bourses would have to attract participation by resource consuming and mining companies to succeed which he termed was "quite a big challenge".