MCX crisis is not over yet, cautions Singhal

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PK Singhal, the recently-appointed Joint Managing Director of the Multi Commodity Exchange (MCX), who helped stabilise the exchange which was hit by a payments crisis in one of its associated institutions, the National Spot Exchange Ltd (NSEL), says the crisis is not over yet. Singhal, a former Executive Director at the Forwards Market Commission (FMC), spoke to *BusinessLine* about MCX's plans in the near term and what could be done to reinvigorate the commodity futures market in the country.



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PK SINGHAL
JMD, MCX

With investors like Kotak Mahindra Bank now on board, what are your plans?

MCX has emerged from the problems over the last year and is looking for a new MD and CEO. There are no projects planned for now; we're waiting for clarity on the Forward Contracts Regulation Act (FCRA) being passed. There are issues with the e-mandi (electronic spot exchange) system since we need proper manpower and help stabilise operations.

Is the crisis over? Were there issues at the Exchange which needed to be tackled?

I don't think we're out of the crisis management phase yet, we have to fill senior positions. It will take another 3-4 months but the new people will have to work on a clean slate. When FTIL [Financial Technologies, promoted by Jignesh Shah] divested its stake, the embargo on MCX was lifted by the Forward Markets Commission (FMC) as there were no issues with the exchange's working. No MCX investor hinted at backing out and there were no issues of transparency. If there were doubts, people would have moved elsewhere.

Our anchor investors are committed and I know that the systems in place at MCX are quite sturdy. One year is a long time to keep faith in an institution in the face of such huge external adverse factors.

What made you take on the job?

I was quite clear about retiring in December, but I took on the challenge since I knew MCX itself had no problems. That was reflected by the market which stood by us, particularly through those crucial six months from last October to February this year.

Shareholders and stakeholders expressed support, which gave me the confidence to take on the challenge.

How do you feel the commodity market can be energised?

If the FCRA Bill isn't passed, then the only alternative is to merge the Securities and Exchange Board of India (SEBI) with the FMC for the market to grow. The benefit will be that options can be introduced and foreign institutions can enter [the market]. I'm hopeful that it will happen by March. MCX is ready with the products for the last four years. Forward thinking has been our strength.

I believe that futures trading should be allowed on goods that are exported and the Government should rethink the Commodities Transaction Tax as it's illogical to impose it on non-agri contracts. The Union Government will address this, I feel, since it is in line with its 'Make in India' campaign.

Any plans to expand the agri-commodities contracts?

Our expansion into agri-contracts is in the second stage and there are commodities we're looking at, one or two in particular for which a new contract should be out in 3-4 months. Personally, I believe new contracts are better... either you create a new product or benefit from someone else's mess.