'We have plans for forward trading and for an e-mandi'

PARVEEN K SINGHAL was recently appointed joint managing director of the leading commodity derivatives bourse, Multi Commodity Exchange (MCX), in the wake of a difficult phase where its promoters had to exit and the exchange's volumes plunged. He details the priorities in an interview with **Rajesh Bhayani**. Edited excerpts:

Q&A

PARVEEN K SINGHAL
Joint managing director, MCX

You had twice turned down an offer of the top position. What made you change your mind?
Earlier, the Forward Markets Commission (FMC) norms had capped the age of an MD at 60 and I was very near to that. Those norms have been relaxed by the regulator and the MCX board, and several stakeholders and even shareholders put confidence in me. This made me decide to accept the challenge.

MCX was under pressure for many quarters, during which several of its contracts and plans were not approved. During the time, competitors had progressed. Since there is clarity now and a credible investor like Kotak Mahindra Bank has taken a significant minority stake, what are the plans?
We are working on several. First, we are meeting market participants and revitalising the marketing. We are encouraging physical market participants and encouraging them to take deliveries. We are also emphasising on investor awareness and education.

We are also working on two big projects. One is to set up an e-mandi or spot exchange with an electronic platform, where governments can procure/sell commodities, apart from trading by private traders and farmers. This will be largely for agricultural commodities. Another is introduction of forward trading. Being the largest exchange for trading in metals, we are confident of encouraging entities here to trade on the forwards segment. However, this might take some time, as the priority is to stabilise operations.

What exactly is MCX doing in this regard?
For trading metals, MCX has contracts with good liquidity and depth. In a similar manner, forward trading on the MCX segment, whenever launched, can meet with success. We have already started talking to Sidbi, the small industries financial institution, and to small and medium enterprises in this regard. We are also asking our members to convince their corporate clients to use MCX forward contracts. And, asking banks to recommend their borrowers to hedge their commodity price risks on the futures platform. This will help manage their risk better and when the risk is hedged, banks should be in a position to reduce rates for such borrowers.



Several senior level employees left in recent months. Isn't it a big hurdle in stabilising operations?
Yes, we are experiencing a vacuum in functional areas after some good people left. We're trying to bring back some of them, while also making new appointments.

MCX is not a significant player in agri commodities. Will it remain the exchange for metals and energy?
MCX has introduced agri contracts whenever there was a need or a vacuum. Cotton is one of these. We plan to introduce more such contracts, not traded on other exchanges. It will take some time, as research on such contracts is on.

What should be done to revive the commodity futures market?
With the economy's growth rate expected to increase, demand for commodities and the related demand for hedging is also expected to grow. The move to give more power to FMC through enactment of an amendment to the Forward Contracts Regulation Act or to merge FMC with the Securities and Exchange Board of India (Sebi) will go a long way in growing the commodity derivatives market. This could allow new products, such as options.

To revive investor confidence in the commodities market, FMC has asked Sebi to make it mandatory for listed companies to disclose their exposure in commodities' hedging. FMC has also written to the finance ministry, to direct banks to insist on borrowers, with exposure to commodities to hedge their price risks. These will also enable the market to grow. We also hope that the Commodities Transaction Tax on non-agri commodity derivative transactions will be reduced, if not eliminated.