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Commodity exchanges eye revival under Sebi after modest 2015

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Commodity derivatives market is likely to end the year 2015 with a modest turnover growth but hopes are high for a rebound in 2016 with expectations of new products and new investors being allowed in the new regulatory regime.

The market has now come under the unified regulatory watch of the capital markets regulator Sebi, following the merger of 62-year-old Forward Markets Commission with it.

Having clocked over Rs 100 lakh crore a year in the past, the total turnover at all commodities derivative exchanges in the country slumped to Rs 64.57 lakh crore in 2015.

The latest trade data puts the turnover of three national and six regional bourses at Rs 63 lakh crore as on December 10 this year, pegging the total estimated turnover for the entire 2015 at little above the previous year's mark.

The industry experts said this kind of turnover has been achieved despite negative headwinds on the pricing and taxation fronts and expectations are high that the business will grow significantly next year if Sebi allows new investors such as banks and foreign portfolio investors in this market.

The Securities and Exchange Board of India (Sebi) is also working on further steps to ensure transparency in areas like price discovery and risk management.

The FMC was merged with Sebi in September this year for better regulation and to ensure there was no repeat of the Rs 5,600 payment default that had surfaced on the spot commodity exchange NSEL in late 2013.

The commodities market remained under pressure in 2015 due to fall in prices of gold, crude oil and other agricultural commodities amid farm production concerns. The imposition of Commodities Transaction Tax also affected the daily turnover.

There was some volatility in chana, coriander and soyabean futures this year.

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Besides these three national level bourses, six regional exchanges are operating in the commodities futures market.

As the year saw investors' confidence reviving leaving behind the NSEL crisis, MCX joint Managing Director P K Singhal said: "The tumultuous conditions that afflicted the

commodity market in India as well as MCX in 2013 and 2014, following NSEL payment crisis, is well behind us."

"We have successfully handled the bad past of MCX in the second half of 2014 and in the present calendar year. Despite steep fall in the prices of global commodities, the exchange was able to maintain the level of participation and volumes."

"We expect various new regulatory requirements will be complied by the end of March 2016. Thereafter, Sebi may allow trading in options and indexes, for which MCX has requisite skill-sets, systems and technology," Mr. Singhal added.

He further said Sebi should allow banks and other participants besides curbing illegal trading in the year 2016.

Expecting exciting times ahead, NCDEX Managing Director Samir Shah said the market needs to be "patient" because Sebi will roll out reforms gradually, after consolidation takes place at the regulatory level, which is a judicious approach.

"While Sebi is in favour of introducing new products and broadening participation, it will do so in a gradual manner and in the best interest of stakeholders," he said.