INDIA'S MCX ROLLS OUT NEW GOLD FUTURES CONTRACT

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India's Multi Commodity Exchange (MCX) will roll out a new gold futures contract from Tuesday, the exchange said in a release on Monday, having received permission from the Forward Markets Commission.

"Gold Global" is an international price based contract converted into the rupee, exclusive of import, customs and sales duties and any local market premiums.

The contract size will be 200 grams compared with 1 kilogram in the main contract, which also differs from the Gold Global contract in that it derives its value from the landed price at Ahmedabad and includes a 10-percent import duty.

"While the existing gold contracts on the exchange are already an established benchmark of price and quality in the Indian bullion markets, we seized the opportunity to further entrench our position in this market by launching the Gold Global contract," P K Singhal, joint managing director of MCX, said.

"With its launch, MCX's bullion basket offerings will include one more variant i.e. Gold Global (200 grams) apart from the existing Gold (1 Kg), Gold Mini (100 grams), Gold Guinea (8 grams), and Gold Petal (1 gram), thus enabling us to meet the needs of most stakeholders of the bullion value chain."

Gold will be of .995 LBMA approved purity or other suppliers that may be approved by MCX to be submitted along with supplier's quality certificate.

Gold Global will be settled against international prices converted into the rupee based upon the RBI Reference Rate on the date of expiry and will have "both option" delivery logic.

The contract has been designed for Indian refiners, exporters and jewellers who need to hedge against any adverse price movements in the international price of gold.

"The Gold Global contract would facilitate hedging by all stakeholders in India's gold value chain, and therefore is a step towards making India's gold market more competitive. Separately, it will also reduce dabba [illegal] trading, which is rampant especially in the Indian bullion futures market," Singhal added.

Participants will get a margin benefit of up to 75 percent if they trade in spreads between Gold Global and other gold contracts at MCX, the exchange added.

India vies with China as the world's largest consumer of gold and together with China accounts for more than half of annual global consumption.