Multi Commodity Exchange's announces futures contract 'Gold Global'

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Further expanding its bullion product suite, Multi Commodity Exchange of India Ltd. (MCX) on Monday announced the launch of its futures contract, Gold Global, subsequent to receiving permission from the Forward Markets Commission (FMC). This contract will be available for trade on MCX from tomorrow.


(The contract has been designed...)

Gold Global is an international price based contract, exclusive of import premium, customs duty, sales tax/VAT, and domestic market premium among others. The contract has been designed keeping in mind the requirements of refiners, exporters, jewellers, including larger bullion physical market participants, involved in import of gold bars and re-export of jewellery. These stakeholders having significant exposure to international gold prices, need to effectively hedge against any adverse movement in prices.

The existing Gold futures contracts traded on MCX have been providing an efficient hedging mechanism to the market participants exposed to changes in Gold landed prices, which mirrors the Indian spot market perfectly. However, a category of physical participants including Indian refiners, exporters, and jewellers are looking for contracts with less international basis risk and protection against adverse international price movements and this contract will cater to their needs perfectly. The Gold Global contract will be settled based on international prices converted to Indian Rupee based on RBI Reference Rate on the date of expiry, and will have 'both option' delivery logic thus offering an inbuilt rupee hedge to the participants. The participants will also get a margin benefit of up to 75 per cent if they trade in spreads between Gold Global and other gold contracts at MCX.

Speaking on the occasion, P K Singhal, Joint Managing Director, MCX said, "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. 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."

"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 trading, which is rampant especially in the Indian bullion futures market," he added.