Sebi has done a lot in the past six months; officers were in touch with market: PK Singhal

By ET Now | 28 Sep, 2015, 10.52AM IST



In an interview with ET Now, PK Singhal, MD, MCX, sahres his market views.

ET Now: Now the two regulators that Sebi and FMC are now set to merge what kind of reforms in your view can be unleashed post this development?

PK Singhal: Actually, I will compliment Sebi for lot of work which they have done during last six months. As per our understanding from the feedback from the market as well as our own feedback during last six months their officers were in continuous touch with the market people, they have gone to the various warehouses, they have gone to the mandi's, they have gone to met the almost all the stakeholders of commodity chain. I feel that they are fully equipped and there are few people who are also going to Sebi on deputation.

Sebi as you are aware has lot of powers all those things which all that is which Sebi has and FMC actually as you are aware the main problem was that they had no power to raid, cease, or take action against the wrong doer.

Similarly, they were not having any powers to regulate brokers because there was no broker regulation act just like Sebi has. Because of that there was a lot of basically issues like dabba trading.

As per the Nilson Report, somewhere in 2013, prior to CTT that has basically estimated that the illegal trading or off market deals or bucket shops volume is about three times of the official trade.

As you are aware those days MCX used to have an average daily turnover of about 55,000 crore per day which had fallen to about 30,000 crore per day, or 25,000 to 30000 crore per day. After this problem of national exchange the volume had fallen to about 17,000 on an average single side.

As you are aware now our volume is about 22,000 crore single side on an average basically and that volume is despite the fact that there is a fall in commodity prices to the extent of about 30% to 40%. So now we can safely you can judge and as well as we can also safely say that our worse is over because now we are having the same volume which we rather slightly more than the volume which we used to have immediately after the imposition of CTT for few months.

ET Now: Let us talk about volumes and how volumes have gone down in gold and crude, because gold prices and crude prices have come down. I am sure that will have an impact on the aggregate turnover because commissions and margins is a function of the underlying price as well?

PK Singhal: Definitely it has given a big hit on the lower side because in the gold in

addition to the price fall as well as CTT there are some issues about smuggling of gold and there are lot of import duty and all those things. If you see our past data our bullion trading was about 50% of our total volume that used to be, now it is about 25% to 30%.

In case of crude basically there is not much fall in the volume. The people who are trading in other commodities, they have shifted to crude and that is another thing which are doing at least MCX is doing from last one year, we are doing lot of awareness programmes before physical market people and for hedging.

We have come with a various booklets how to hedge and what is the benefit of hedge, similarly we are almost every day we are doing one programme with one association and one place in India. We have gone to Assam, Tripura, Mizoram, Odisha all those areas where earlier MCX has never gone.

That way, our people in the business, we have a very good young team and they are basically undertaking a lot of effort.

ET Now: Introduction of options could be another trigger for your company, which really markets are looking forward to eagerly. When do you think options in the commodity market will be introduced?

PK Singhal: As far as MCS is concerned, we are ready to start from tomorrow. There is no issue as far as technology and other preparation is concerned. The only thing is that our commodity brokers, they do not know about options. I am thinking that all those things will happen only in year, financial year 16-17.

They have to complete the various formalities and then probably Sebi also, because they are experienced regulator, probably they will give approval for options also in phases just like for example initially they may allow options in two commodities or three commodities. One can be basically gold which is very vibrant and otherwise also as you know everybody use MCX gold rate. Second can be copper. Third can be silver and fourth can be one of the agri commodities.

In the commodity market co-location is not allowed and already there are issues. Some people says that because co-location is not allowed, the people who are having server near to the exchange, they are benefitted and as far as MCX is concerned, as you are aware, we have sufficient place to take care of co-location in our building because SX people have shifted here so we already have a vacant space. Place is not a problem but SEBI has to take, because already there are some talks about algo trading so I do not know how Sebi will react to those things.