'Fully prepared for options, index futures'

Q&A

PARVEEN KUMAR SINGHAL
Joint managing director and caretaker chief executive officer of MCX

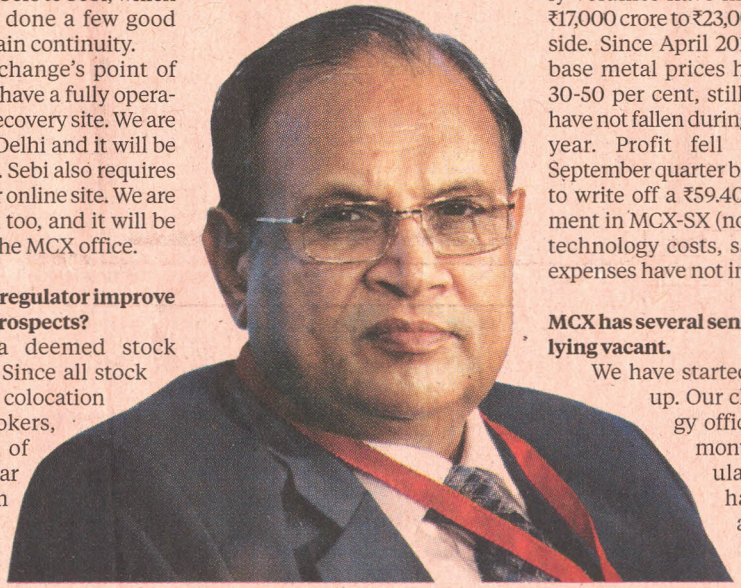
MCX has set its sights on options and futures using the expertise of the CME group. **PARVEEN KUMAR SINGHAL**, joint managing director and caretaker chief executive officer of MCX, tells **Rajesh Bhayani** in an interview the CME group has shown interest in setting up a clearing corporation. Edited excerpts:

How is MCX adjusting to Sebi (Securities and Exchange Board of India) oversight?
The transition, especially registration of brokers with Sebi, has been smooth. We have recommended the applications of almost all our 700 active members to Sebi, which has on its part done a few good things to maintain continuity.

From an exchange's point of view, we had to have a fully operational disaster recovery site. We are setting it up in Delhi and it will be ready by March. Sebi also requires us to have a near online site. We are developing that too, and it will be within 2 km of the MCX office.

Does a stronger regulator improve your business prospects?
Yes, we are a deemed stock exchange now. Since all stock exchanges offer colocation facilities to brokers, we are hopeful of receiving a similar permission from Sebi. We also feel Sebi will take stringent action against 'dabba' traders, which will improve the credibility of commodity futures' trading.

Options and index futures will be allowed on commodity exchanges within the year. Mutual funds and banks may also be allowed to trade on commodity exchanges. All these will deepen the Indian commodities futures market.



MCX's profit has been falling and volumes have not improved.
The commodities transaction tax has increased the cost of transactions by at least two-and-a-half times. Since the middle of May 2014, when I took over as caretaker CEO of the exchange, average daily volumes have improved from ₹17,000 crore to ₹23,000 crore single side. Since April 2015 energy and base metal prices have fallen by 30-50 per cent, still our volumes have not fallen during this financial year. Profit fell only in the September quarter because we had to write off a ₹59.40 crore investment in MCX-SX (now MSEI). Our technology costs, salary bill and expenses have not increased.

MCX has several senior posts lying vacant.
We have started filling them up. Our chief technology officer joined last month. A chief regulatory officer has been appointed and is expected to join by March. Other vacancies are also being filled up. We are in the process of making a senior level appointment for operationalising our clearing corporation.

Sebi has the power to allow exchanges to offer options and index futures. How is your preparedness?
We are fully prepared. Additionally, we are also updating some of our practices and technology, which is likely to be completed by March. We have international tie-ups that will help us introduce, whenever permitted, a rainfall index and freight indices.

Will you go solo on the clearing corporation?
We are yet to finalise that. The CME group has shown interest, as has the London Metal Exchange. We will get international expertise for that.

Any plans of expanding the tie-up with the CME group?
We have a tie-up with the CME group that will help us introduce newer contracts on our platform. For example, they have the Middle East crude oil (OMAN variety) contract, which is traded on the Dubai Mercantile Exchange. We are exploring the possibility for a joint venture at Gift city. We are also working together on joint training, research and educational programmes.