MCX gearing up for options trading in commodities, currency derivatives

OUR BUREAU

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The Multi Commodity Exchange (MCX) is preparing the ground to launch derivatives trading in currency and has asked four technology service providers to submit request for proposals (RFP).

RFP is a process of collecting written information about the capabilities of various suppliers for comparative purposes.

Mrugank Paranjape, Managing Director, MCX, on the sidelines of an interaction here, said the exchange expects SEBI to allow options trading in commodities in nine months and then consider launching derivatives trading in currency on the platform after getting the regulator's approval.

"While options can be launched using the current technology, we are exploring the possibility of engaging a new service provider for currency and have called for RFP," he said in his first interaction with the media after assuming office at the country's largest commodities exchange.

The agreement with the current technology service provider Financial Technology (India) (FTIL), the erstwhile promoter of the exchange, expires in 2022.

Following the ₹5,600-crore settlement default at the National Spot Exchange in 2013, the then market regulator Forward Markets Commission had declared Financial Technologies, its promoter Jignesh Shah and certain other officials as not 'fit and proper' to operate a commodity exchange.

"We have tested the technology (provided by FTIL) to the best of our ability to handle the high volumes expected to be generated when the regulator allows trading in options and we found it absolutely safe to use," he said here on Thursday.

Asked whether the exchange would consider buying the software from FTIL if SEBI objects to using services of an entity that has been declared not 'fit and proper', Paranjape said the exchange keeps evaluating various options.

In a bid to boost trading volumes, the exchange has filed papers with SEBI to launch futures trading in five agriculture commodities. "We are planning to strengthen our agriculture portfolio with four-five new contracts which are at various stages of approval. These agriculture contracts are currently not traded on any exchange," said Paranjape.

Asked whether MCX would consider launching trading in equities as the NSE and BSE have shown keen interest in commodity trading, he said it makes sense to play to one's strengths and that is exactly why MCX would consider to launch launching trading in currency first as it has correlation with gold in which "we are the market leader".