MCX plans to launch 5 new contracts in agri segment

Commodity exchange has applied to Sebi for introducing contracts

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THE Multi Commodity Exchange (MCX) is planning to launch about five new contracts in agri-commodity space soon. The exchange has already applied to the market regulator Sebi for introducing these futures contract.

Mrugank Paranjape, the newly appointed MD CEO of MCX, said the exchange is also ready with the system to introduce option trading on the exchange once the regulatory go-ahead is received.

Speaking about the new product launches, he said MCX was ready with new derivative products such as options and indices. MCX has also submitted its laundry list of products of interest, including agricultural products for regulatory consideration.

"We are planning to strengthen our agriculture portfolio with four-five new contracts that are on various stages of approval. These are new contracts that are currently not traded on any exchange," said Paranjape.

In line with interests of hedgers especially those from the SME segment, the exchange is also looking at the feasibility of deliverable base metal contracts. He added that MCX's technology is geared up for the projected volume increase post the introduction of options.

The challenges the exchange was facing since July 2013 following the imposition of Commodity Transaction Tax (CTT), payment crisis at NSEL and exit of several senior employees in the wake of a forensic audit of the exchange's operations is behind it and the exchange is on a solid footing with strong fundamentals to reap the opportunities that are imminent, he said.

Though these factors along with a substantial drop in the commodity prices, led to a steep decline in volumes, the average daily turnover on the MCX has stabilised and was 61 per cent higher in May 2016 from the bottom it had touched in November 2013.

On the technology front, Paranjape said that the existing technology provider agreement that the MCX has with its erstwhile promoter Financial Technologies is till 2022.

The MCX said that it faces absolutely no problem with the technology supplied by its FTIL, but the exchange has been continuously evaluating options.

He further said that the exchange is working with Financial Technologies to upgrade the software to meet all future possible market needs in terms of speed and throughput.

Paranjape said the merger of the regulators -- forward markets commission (FMC) with the Sebi -- has changed the landscape of the commodities market in India. It is paving the path for introduction of new products in the commodity derivatives market and likely participation of institutions such as banks, mutual funds and insurance companies.

On setting up of Clearing Corporation, Paranjape said that though Sebi had provided a three year framework for setting up clearing corporation, with enough cash in hand and technology arrangements in place, the MCX is well poised to operationalise it well before the mandated time.

Regarding the competition from other exchanges including stock exchanges, once allowed to enter the commodity segment, he stated that the MCX welcomes anything that fosters competition and benefits the consumers and ultimately the Indian economy.

He also sees this as an opportunity for the MCX to explore new segments.

Speaking on co-location facility, he said, it is currently not allowed in commodity exchanges, however, the company is also looking to provide high-bandwidth point to point leased lines for members.

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New avenues

- MCX is ready with new derivative products such as options and indices and has also submitted its laundry list of products of interest, including agricultural products for regulatory consideration
- In line with interests of hedgers, especially those from the small and medium enterprise segment, the exchange is also looking at the feasibility of deliverable base metal contracts
- The exchange is working also with Financial Technologies to upgrade the software to meet all future possible market needs in terms of speed and throughput