MCX joint MD seeks clarification on raising foreign shareholder cap in stock exchanges

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MUMBAI: Hailing the government's proposal to raise the single foreign shareholder cap to 15% from 5% in stock exchanges, MCX Joint MD PK Singhal said that the finance ministry should clarify whether this applies to clearing corporations as well.

Currently, bourses like MCX and NCDEX are deemed stock exchanges. They have to set up clearing corporations with minimum paid up capital of Rs 300 crore by September 2018. Unlike in exchanges like NSE and BSE where clearing is financial in nature, erstwhile commodity bourses have physical clearing - ie, delivery of gold, silver, sugar, oilseeds, etc are done on the exchange platforms.

The expertise to run clearing corporations which oversee physical clearing lies with LME, CME and ICE, etc. Such entities can technically invest in CCs to be set up by the erstwhile commexes but the govt must clarify whether the single foreign investor cap applies to CCs, said Singhal.

Also, the fungibility of FDI and FII was welcomed by MCX, the country's only listed exchange. Current FII holding in MCX is at 15.29%, according to ETIG Database. The bourse has sufficient room for increased foreign investment.

Exchanges like MCX and NCDEX were regulated by Forward Markets Commission (FMC) until September last year. The FMC was merged with Sebi thereafter and regulation of these bourses vests now with the capital markets regulator.