MCX gets Sebi approval for launching gold options

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MUMBAI

The Multi Commodity Exchange of India Ltd (MCX) has received capital markets regulator Securities and Exchange Board of India's (Sebi) approval to launch options in gold, two people with direct knowledge of the matter said.

"Sebi's approval to launch options came in earlier this month. MCX has been engaged with the members since the past month and a half of mock trading sessions, to prepare the market for options," said one of the two people cited above, on the condition of anonymity.

An MCX spokesperson confirmed the development without getting into details.

"The market expects MCX to launch options by September, or latest by October. However, the exchange hasn't finalized a date yet. MCX is ensuring that members and hedgers are prepared to trade in options before that. Though all the systems at the exchange level are prepared for the launch," said the second person, who also didn't want to be named.

Sebi allowed and issued norms for the launch of commodity options on 14 June.

The regulator has allowed only one commodity option per exchange on a pilot basis. Non-agri commodities, according to Sebi rules, need to have an average turnover of Rs1,000 crore and the commodity needs to be in the top five list in terms of daily turnover.

Based on these criterion, MCX chose gold, which is the most liquid commodity on its platform. Sebi on 26 April had cleared the issues around settlement by finalizing amendments to Stock Exchange and Clearing Corporation (SECC) regulations and Securities Contract Regulation Act.

After the change in rules, exchanges are structuring the options with futures contracts as underlying. That means, options contracts would be converted to futures on the day of expiry. Earlier rules allowed for settlement of options only through physical delivery or via cash. That posed a logistical hurdle and was not in line with global practices.