SEBI allows MCX to launch gold options

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Capital and commodity market regulator SEBI has allowed MCX, the country's largest commodity exchange, to launch options trading in gold.

It will allow investors and hedgers to minimise their price risk at a fraction of cost compared to currently available futures trading.

Murgank Paranjape, Managing Director of MCX, confirmed the approval and told *BusinessLine* that the exchange is yet to decide on a firm date (on the launch of gold options) as the mock trading is still going on.

The new policy allow investors and hedgers to minimise their price risk at a fraction of cost compared to currently available futures trading

"We would like to conduct few more awareness events since it is a new instrument for commodity investors.

"We will fix a date for the launch only after we are fully satisfied that members and bullion traders are ready," he said.

MCX has been conducting mock trading since the last week of June.

Market sources said the exchange is also upgrading its technology to handle increased participation one year after options launch and would be ready to launch gold options by October.

With participation of 60-70 per cent of the members, mock trading in options has been smooth sailing so far but the exchange will take a call only after 95 per cent of the members test the system, said sources.

Options trading will deepen the market by attracting new set of investors and encourage corporate participation. SEBI recently allowed Category III Alternate Investment Funds to invest in the commodity futures market.

It allowed and issued norms for the launch of commodity options in June. The regulator has allowed only one commodity option per exchange on a pilot basis.