Gold Options

FIRST ROUND

- **Only other** product offered by exchanges like MCX, NCDEX and ICEX is commodity futures contracts
- **47 lots** (47 kilos) of gold options were exercised out of a total 138 lots which ended in profit

AT EXPIRY

858 lots

Traders' outstanding positions



Options Converted into Gold Futures in First Settlement

Ram.Sahgal@timesgroup.com

Mumbai: The first settlement of gold options took place on commodity derivatives bourse MCX on November 28, with 47 lots (1 lot is 1 kilo) being converted into underlying gold futures contracts, market sources told **ET**. They termed the event a "fair success" given it's the settlement of the first new product launched in the commodity derivatives market since its inception 24 years ago.

Sebi permitted launch of options in the commodity derivatives market in June this year, following which the country's largest and listed commodity exchange MCX offered the new product on Oct 17. The only other product offered by extant exchanges like MCX, NCDEX and ICEX is commodity futures contracts.

The expiry of options happens two days prior to the tender period beginning in gold futures contracts, from which the gold options derive their value. Around 47 lots (47 kg) of gold options were exercised out of a total 138 lots which ended in profit and were eligible for being converted into underlying gold futures contracts, market sources said.

At expiry, traders' outstanding positions – open interest – were 858 lots, according to exchange data. Of these 138 lots ended in- or at-the-money – option's parlance for a trader making a profit on holding the options. Of the 138 lots, traders having 47 lots opted to exercise their options – convert them to delivery.

Rahul Mehta, senior vice president, Mehta Commodities, termed the "devolution" a "success", owing to the fact of it being a new product and "lack of precedent." Gold futures are bi-monthly, expiring on the fifth of the contract month, and options are offered on these. The options expire two days before the tender period of the futures begins.

Tender period refers to traders keeping their positions open until they are marked for delivery. This means a buyer or seller is obliged to take or give delivery of gold bars, failing which he faces a penalty. The tender period for gold lasts from first through fifth of the contract month.

ON THE SETTLEMENT

Expert termed the "devolution" a "success", owing to the fact of it being a new product and "lack of precedent"

Gold Slips for Second Day

MUMBAI Gold edged lower in listless trade for the second straight session at the bullion market due to lack of buying interest from stockists and retailers even as the metal rose overseas. Standard gold eased by ₹10 to close at Rs 29,430 per 10 grams. – **PTI**