MCX launches India's first commodity options in gold

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Ahmedabad, October 17

The Multi-Commodity Exchange of India Ltd (MCX) on Tuesday launched India's first commodity options in gold, giving stakeholders a new setof financial instruments to hedge their price risks.

Launched by Union Finance Minister Arun Jaitley in New Delhi on the auspicious day of Dhanteras, the gold options received an encouraging response on Day 1.

The total traded notional value for gold options stood at ₹1,259 crore, while the total traded volume totalled 4,220 lots (1 kg each). MCX has currently launched a Gold Option contract, keeping Gold (1 Kg) futures as the underlying asset, with expiry on November 28, 2017 and January 29, 2018. The European-styled Gold options are hedge-friendly and physically settled, which means on exercise at expiration the options position develops into a corresponding underlying MCX 1 KG Gold futures position at the strike price of the exercised options.

The options product is unique and the first of its kind, giving buyers the right to buy or sell the underlying asset, but no obligation, at a specified price at the expiry.

Thus, for buyers, the risk is limited only to the premium paid to the option seller (i.e. Option writer).

Saurabh Chandra, Chairman, MCX, told *BusinessLine*: "The launch denotes one of the most significant reform measures since modern commodity derivatives trading started 14 years ago. There has been a very conscious effort by the government and SEBI to develop and integrate commodity markets in a phased manner."



Rollout Finance Minister Arun Jaitley strikes a gong at the launch of MCX's gold commodity options in New Delhi on Tuesday PTI

As per the MCX data, the November 2017 contract reported a total volume of 4,218 lots, with a value of ₹12.17 crore and notional value of ₹1,258.39 crore.