Axis Bank arm to foray into commodity futures trade

DILIP KUMAR JHA
Mumbai, 27 August

Axis Bank has become the first one in the country to enter commodity futures trading, through its equity broking arm, Axis Securities (ASL).

About a year ago, first the Securities and Exchange Board of India (Sebi) and then the Reserve Bank of India (RBI) had decided banks would be allowed to enter this segment.

ASL has started offering futures trading in commodities currently being traded on the Multi Commodity Exchange (MCX). To begin with, trading in bullion and energy contracts will be available. After seeing the response, ASL would expand its product basket.



It has also applied for membership with the National Commodity and Derivatives Exchange (NCDEX), said Arun Thukral, managing director and chief executive (MD & CEO).

ICICI Securities and HDFC Securities have also reportedly applied for membership of both MCX and NCDEX.

Asked about a year having gone by since the two regulators approved banks' entry into commodity futures, Thukral said, "We needed to (first) understand the trade, set up facilities and appoint the required personnel."

ASL has told its clients they may trade on MCX without broking charges for a week. After that, it would levy a nominal charge. ASL says it has around two million customers, while MCX has issued around 2.6 mn Unique Client Codes.

"Bank-led broking firms currently contribute to between 30 and 40 per cent of the equity customer base. With bank brokers allowed to trade in commodities, a similar contribution may be seen in commodity markets. In the next two to three years, they are expected to increase the commodity market volume by at least 15-20 per cent," says Mrugank Paranjape, the MD & CEO at MCX.