MCX Clearing Corporation gets SEBI nod; may start operations soon

OUR BUREAU

Mumbai, August 1

MCX, the country's largest commodity exchange, has received capital and commodity market regulator SEBI's approval to clear all trades through its subsidiary MCX Clearing Corporation (MCXCCL).

The exchange had earlier appointed Narendra Ahlawat as the Managing Director of MCXCCL. It is expected to start operations soon, sources said.

In a bid to de-risk operations last August, SEBI approved the MCX proposal and provided initial licence to operate the clearing house for one year with a condition to generate a net worth of ₹300 crore by September 2019.

MCXCCL is the first clearing corporation to get SEBI approval in the commodity derivatives market.

Following the merger of erstwhile regulator the Forward Markets Commission with SEBI in 2015, the three national-level commodity exchanges — MCX, NCDEX and NMCE — were given three years time to de-mutualise and set up a separate clearing house to de-risk their operations.

Till now, the clearing operations were performed by a separate department in the exchanges. Though MCX's investment to set up the clearing house will be minimal as it already has the technology and required infrastructure, it has to build assets under the newly-formed company to attain a net worth of ₹300 crore. This apart, it has to form a separate board of directors.

The clearing house will monitor and perform all activities relating to delivery, funds settlement, trade margin and managing the settlement guarantee fund. It will collect margin from the members, effect pay-in and pay-out and monitor the delivery and settlement process. For carrying out such activities, it may appoint various agencies as its agents and delegate responsibilities.

The clearing house will also allocate deliveries, besides having the first lien on the defaulting member's deposits and deliveries.

Moreover, MCXCCL will provide Electronic Commodity Accounting and Receipts Tracking System through web-based portal 'Commodity Receipts Information Systems'. Further, it will provide a settlement guarantee for all trades executed on the MCX via a Settlement Guarantee Fund.

It will provide guarantee for settlement of trades, including good delivery. Once operational, the exchange will not be liable for omissions of the clearing house, according to SEBI norms.