MCX, IBJA TO SET UP BULLION SPOT EXCHANGE

FC Bureau

Chennai

Multi Commodity Exchange of India (MCX) and India Bullion and Jewellers Association (IBJA) will jointly explore the viability of setting up a bullion spot exchange. Both organisations signed an MoU for various cooperation activities for the growth and development of the bullion industry, which also includes spot exchange. The government had earlier announced plans to establish trade efficient and consumer friendly system of regulated gold exchange in the country for bullion stakeholders for efficient price discovery and transparency.

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The gold spot exchange, once set up, would help considerably in creating a vibrant gold ecosystem corresponding to India's annual demand of around 800-900 tonnes. It would further lead to assurance in the quality of gold, provide for a robust settlement mechanism, multiple delivery centres, active retail participation, greater integration with financial markets and boost recycling. It would also give a fillip to the gold monetisation efforts through transparency and standardisation of the gold market.

Both MCX and IBJA would also undertake a series of initiatives such as organising joint seminars and awareness programmes on price risk management for bullion traders and jewellers across the country. These awareness programmes would serve to wean away the small and medium sized jewellers from unorganised markets, while educating them about the effective hedging tools such as gold derivatives contracts—futures and options—that will enable jewellers to maintain efficient risk management books of account. Moreover, the entities would facilitate measures to deepen the commodity derivatives market and encourage participation of corporates/firms including SMEs on the commodity exchanges to manage their commodity price risk.

"MCX and IBJA have worked jointly with missionary zeal for creating awareness on risk management and regulatory compliances among bullion traders and jewellers. This encourages jewellers to choose organised ways of working," Mrugank Paranjape, MD & CEO, MCX said.