'SEBI working actively to allow mutual funds in commodity market'

Regulator trying to define the role of custodians for MFs, says Mohanty

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The participation of institutional investors such as mutual funds and portfolio management services in the commodity derivatives segment will take some time as the regulator, along with market participants, is in the midst of creating the operational framework for such investors.

"They [mutual funds] have to participate through custodians. So we are trying to sort it out as to how the custodians can play the role," said S.K. Mohanty, whole time member, Securities and Exchange Board of India (SEBI).



"Custodians are having their own peculiar problems. They have never handled physical commodities. We are working on it very actively," he said on the sidelines of a conference, where the Multi Commodity Exchange of India (MCX) announced the roll-out of a clearing corporation.

As part of its attempts to increase institutional participation in the commodity derivatives segment, the capital market watchdog, in December 2017, released a discussion paper on allowing mutual funds and portfolio management services to trade in commodities contracts.

Incidentally, while Alternative Investment Funds (AIFs) have been allowed to participate in the commodity segment, there has not been much traction due to the issues related to custodian services.

First clearing house

Meanwhile, MCX announced the roll-out of its clearing house, Multi Commodity Exchange Clearing Corporation Ltd. (MCXCCL) on Thursday – the first such clearing corporation in the commodity derivatives market in India.

MCXCCL will be the central counter party for all trades executed on MCX while providing secure counter party risk management and post-trade services, thereby mitigating risks, according to a statement issued by the exchange.