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Panel from Nepal visiting MCX to study commodity derivatives market

BY SUTANUKA GHOSAL, ET BUREAU | FEB 15, 2018, 06.02 PM IST

KOLKATA: A delegation consisting of senior officials from the Securities Board of Nepal (SEBON) and Nepal's ministry of law, justice, and parliamentary affairs have been on a week-long working tour to Mumbai with a visit to Multi Commodity Exchange of India (MCX) as part of their study tour on the functioning of commodity derivatives market in an effort to set up a regulatory regime and to launch commodity derivative markets in Nepal.

Nepal has recently entrusted SEBON with the responsibility of regulating their country's commodity derivatives market, and SEBON intends to acquire knowledge about market structures, products, processes and various regulatory aspects connected to commodity derivatives during their study tour to India.

As in many countries in South Asia, Nepal's economy is also heavily dependent on production, trade and exports of commodities, especially agricultural commodities. Agriculture is the main source of GDP, employment, and exports of the land-locked country, although less than 20 per cent of its area is arable. Through appropriate institutional support for marketing, price discovery and price risk management for agricultural commodities, which can be achieved by strengthening the commodity market institutions, the government and its agencies hope to empower all stakeholders connected to this sector. The study visit of the delegation is intended to assimilate critical learnings from India's experience in creating such institutions and the successes have brought in.

Mr Mrugank Paranjape, Managing Director, MCX, said, "We are glad to share our knowledge and experience in commodity markets with the dignitaries from Nepal. The subcontinent's commodity markets have a lot of potential for growth and, as we have experienced in the case of several commodities in India, the derivatives market for commodities is a great enabler in harnessing their potential for the greatest benefits of their stakeholders. However, to achieve this, it is important to formulate and execute enabling and robust guidelines at the regulatory and at the market level. We hope the visiting dignitaries find their interactions with us, as well as with other functionaries they are planning to meet during the study tour, useful while framing such guidelines."

Mr Paristha Nath Poudyal, Executive Director, SEBON said, "It is an enlightening experience for us to learn about market development and regulation of commodity markets from MCX, India's largest commodity exchange and to reap the synergies between Nepal and India's commodity sector. We are sure we would be able to acquire key learning about the nuances of commodity markets, which would enable us to create the proper regulatory framework for orderly growth and development of Nepal's commodity market".

He added, "We are indeed thankful to MCX for the opportunity to learn from their experiences in one of the fastest growing commodity markets in the region, and also for arranging the close interactions with key persons connected to India's commodity markets, in and outside of the exchange, from which we intend to benefit a lot."